

### COMPANY PROFILE

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## Sparebanken Hedmark

Hamar, Norway

### Company Overview

Sparebanken Hedmark is a Norwegian regional savings bank that provides retail and corporate financial products and services, from loans and deposit facilities to insurance, pension, payment, leasing, real estate brokerage and accounting services. As of 30 June 2016, the bank had total consolidated assets of NOK100.9 billion (€10.7 billion).

As of 30 June 2016, the bank operated through a network of 44 branches, with offices in Hedmark, Oppland, Akershus and Oslo.

Since 2006, Sparebanken Hedmark has been a member of the SpareBank 1 Alliance, a consortium of 17 Norwegian banks. As of year-end 2015, the alliance had total assets<sup>1</sup> of approximately NOK640.3 billion (€66.9 billion). The alliance is managed by the holding company SpareBank 1 Gruppen AS, which is collectively owned by SpareBank 1 SR-Bank ASA, SpareBank 1 SMN, SpareBank 1 Nord-Norge, Sparebanken Hedmark, Samarbeidende Sparebanker AS, Bank 1 Oslo Akershus AS (B1OA) and the Norwegian Confederation of Trade Unions (Federation of Trade Unions). Sparebanken Hedmark holds a direct stake of 11% in SpareBank 1 Gruppen and an indirect stake via the ownership of B1OA.

In December 2015, Sparebanken Hedmark signed an agreement with the Norwegian Confederation of Trade Unions and banks forming part of the SpareBank 1 Alliance to buy the remaining shares in B1OA. After this acquisition, which was completed on 29 June 2016, B1OA is a wholly owned subsidiary of the Sparebanken Hedmark Group, with consolidated total assets of NOK100.9 billion (€10.8 billion) as of 30 June 2016, compared with total assets of NOK57.2 billion as of 31 March 2016 (€6.1 billion). The bank also partly owns the alliance's covered bond companies, SB1 Boligkreditt AS and SB1 Næringskreditt AS. The alliance also comprises joint-product companies (including fund management, and life and non-life insurance businesses), and engages in joint marketing activities, as well as the development of common IT and internet platforms.

<sup>1</sup> Total assets for SpareBank 1 Alliance excluding covered bonds transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt AS.

Sparebanken Hedmark can trace its roots back to 1845, to the establishment of the first savings bank in the county of Hedmark, and has traded as Sparebanken Hedmark since 1982. Until November 2015, the bank's capital comprised only primary capital that included its retained earnings. In November 2015, the bank converted 60% of its primary capital into equity share capital by issuing equity capital certificates (ECC). At the same time, it established Sparebanken Hedmark Sparebankstiftelse (the foundation). All the bank's ECCs were transferred to the foundation, making it the sole owner of the bank's equity share capital. During the first half of 2017, the bank intends to list part of its equity share capital on the Oslo Stock Exchange. At that time, the foundation will sell part of its ECC holdings.

*Note: Currency converted at exchange rates of NOK–€0.10686, as of 30 June 2016*  
*Source: Company Reports (annual report Dec 2015, Dec 2013 and Dec 2011, interim report June 2016, presentation Dec 2015), Company data, [www.oanda.com](http://www.oanda.com), EMTN prospectus 2016, and Moody's research*

## Financial Highlights (as Reported)

Note: The financials presented below are those reported by the entity and are not adjusted for Moody's analytic purposes. For Moody's generated ratios on Sparebanken Hedmark, please see <[Sparebanken Hedmark page on moodys.com](#)>.

### EXHIBIT 1

#### Latest Full-Year Results

Sparebanken Hedmark

(in NOK Million)	31-Dec-15	31-Dec-14	31-Dec-13	% Change 15/14	% Change 14/13
NOK/€, Period end	0.10452	0.11040	0.11863	–	–
Total Assets	55,971	49,934	47,397	12.09	5.35
Total Shareholders' Equity	8,718	7,624	6,718	14.35	13.49
Shareholders' Equity excluding Minority Interest	8,718	7,624	6,704	14.35	13.72
Total Capital	7,179	6,273	5,083	14.44	N/M
Tier 1 Ratio (%)	17.5	15.2	16.4	230 bps	N/M
Net Income	930	1,040	694	(10.58)	49.86
Net Income Attributable to Equity Holders	930	1,038	704	(10.40)	47.44

Notes: 1) Consolidated figures have been considered.

2) "Total Capital" and "Tier 1 Ratio" for Dec 2015 and Dec 2014 have been stated in accordance with the Basel III framework, while the corresponding figures for Dec 2013 are in accordance with the Basel II framework.

Source: Company Reports (annual report Dec 2015 and Dec 2014), Moody's research, [www.oanda.com](http://www.oanda.com)

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moodys.com](http://www.moodys.com) for the most updated credit rating action information and rating history.

## EXHIBIT 2

**Latest First-Half Results**

Sparebanken Hedmark

(in NOK Million)	30-Jun-16	31-Jun-15	% Change 16/15
NOK/€, Period end	0.10686	0.11408	–
Total Assets	100,883	53,558	88.36
Total Shareholders' Equity	11,350	8,128	39.64
Shareholders' Equity excluding Minority Interest	11,305	8,128	39.09
Total Capital	9,305	6,924	34.39
Tier 1 Ratio (%)	16.7	17.4	(70) bps
Net Income	396	430	(7.91)
Net Income Attributable to Equity Holders	394	430	(8.37)

Note: 1) Unaudited consolidated figures have been considered.

2) "Total Assets" for June 2016 includes the assets of recently acquired B10A, as the acquisition was completed on 29 June 2016.

Source: Company Report (interim report June 2016), Moody's research, [www.oanda.com](http://www.oanda.com)

## Business Activities

As a Norwegian regional savings bank, Sparebanken Hedmark provides a range of financial products, including loans, deposit facilities, insurance, pension, payment, leasing, financing, real estate brokerage and accounting services, to customers primarily in the counties of Hedmark, Oppland, Oslo and Akershus. These customers primarily include private individuals, small and medium-size enterprises, and public-sector entities.

The bank operates through the following seven business segments: Retail Banking; Corporate Banking; SpareBank 1 Finans Østlandet; EiendomsMegler 1 Hedmark Eiendom; SpareBank 1 Regnskapshuset Østlandet; Bank 1 Oslo Akershus AS; and Other. In the first half ended 30 June 2016 (H1 2016), the largest contributor to the bank's net interest income was the Retail Banking segment.

**Retail Banking:** Accounting for 44.7% of the bank's net interest income in H1 2016, this segment comprises retail products and services, including retail deposit-taking, savings accounts and home mortgage loans. As of 30 June 2016, it reported total consolidated assets of NOK22.6 billion (€2.4 billion).

**Corporate Banking:** This segment comprises corporate products and services, including deposit-taking facilities and business loans. As of 30 June 2016, it reported total consolidated assets of NOK16.3 billion (€1.7 billion), and accounted for 36.3% of the bank's net interest income in H1 2016.

**SpareBank 1 Finans Østlandet:** Accounting for 18.8% of the bank's net interest income in H1 2016, this segment comprises the activities of the bank's subsidiary SpareBank 1 Finans Østlandet AS, which deals in leasing and financing of movable property. Until 31 December 2015, SpareBank 1 Finans Østlandet AS was a wholly owned subsidiary of Sparebanken Hedmark. However, on 1 January 2016, SpareBank 1 Ringerike Hadeland acquired 5% of the company's total share capital. As of 30 June 2016, this segment reported total consolidated assets of NOK6.1 billion (€647.6 million).

**EiendomsMegler 1 Hedmark Eiendom:** This segment comprises the activities of the bank's wholly owned subsidiary EiendomsMegler 1 Hedmark Eiendom AS, the largest real estate agent in the county of Hedmark. As of 30 June 2016, it reported total consolidated assets of NOK63.0 million (€6.7 million).

SpareBank 1 Regnskapshuset Østlandet: This segment comprises the activities of the bank's wholly owned subsidiary SpareBank 1 Regnskapshuset Østlandet AS (formerly known as Consis AS), a specialist accounting, payroll and consultancy services company. As of 30 June 2016, it reported total consolidated assets of NOK154.0 million (€16.5 million).

Bank 1 Oslo Akershus AS: On 29 June 2016, Sparebanken Hedmark acquired the remaining 59.5% of the shares in Bank 1 Oslo Akershus AS. As of 30 June 2016, it reported total consolidated assets of NOK41.7 billion (€4.5 billion).

Other: This segment, which comprises activities which are not included elsewhere, reported total consolidated assets of NOK14.1 billion (€1.5 billion) as of 30 June 2016, and accounted for 0.2% of the bank's net interest income in H1 2016.

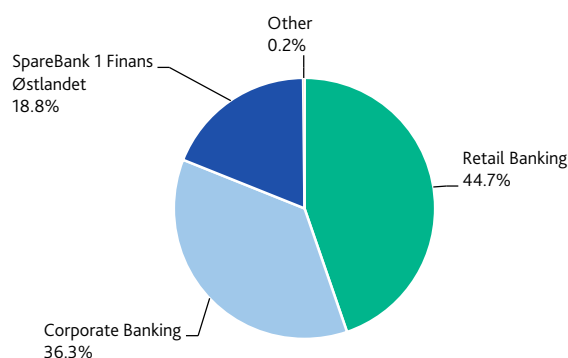
*Note: Currency converted using exchange rate of NOK–€0.10686 as of 30 June 2016*

*Source: Company Reports (interim report June 2016, annual report Dec 2015 and Dec 2012, financial results presentation Dec 2015), Moody's research, [www.oanda.com](http://www.oanda.com)*

#### EXHIBIT 3

#### Business Segment

(% of Net Interest Income, consolidated, for H1 2016)



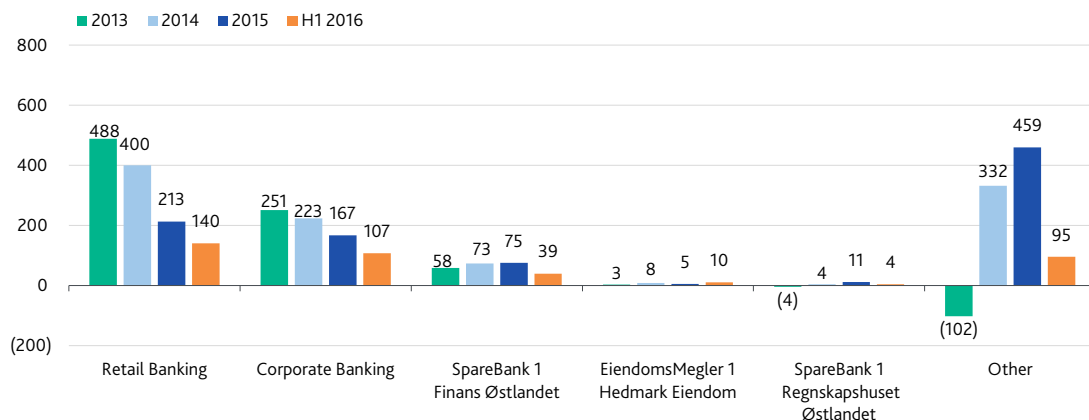
*Note: Excluding the EiendomsMegler 1 Hedmark Eiendom and Bank 1 Oslo Akershus AS segments due to their negligible contributions and the SpareBank 1 Regnskapshuset Østlandet segment owing to its negative contribution*

*Source: Company Report (interim report June 2016, Pg: 19)*

EXHIBIT 4

**Profit/(Loss) per Business Segment**

(consolidated, in NOK Million)



Note: We have not taken the contribution of Bank 1 Oslo Akershus AS since its acquisition was completed on 29 June, 2016

Source: Company Reports (interim report June 2016, Pg.: 19, annual report Dec 2015, Pg.: 49 and Dec 2014, Pg.: 45)

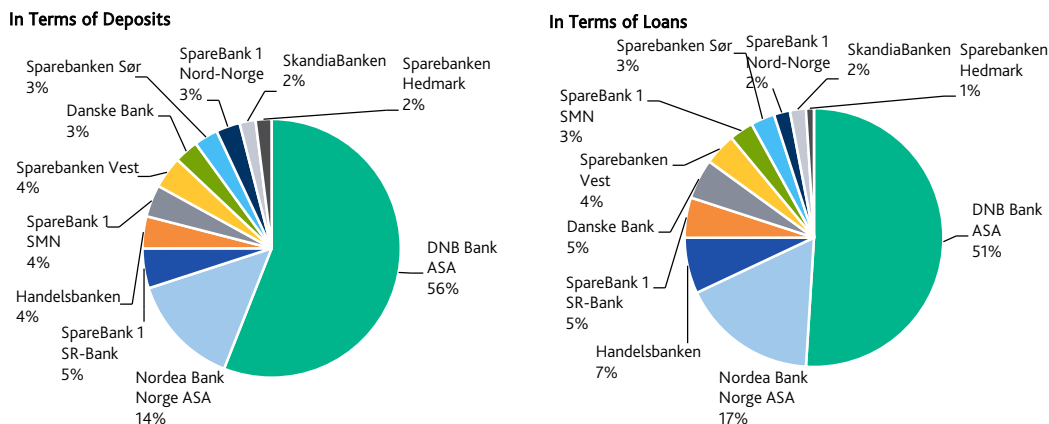
## Distribution Capacity and Market Share

As of 30 June 2016, Sparebanken Hedmark operated through 44 branches, with offices in Hedmark, Oppland, Akershus and Oslo. In addition, the bank offers its products and services through alternative distribution channels, including online, mobile and telephone banking.

Moody's estimates that Sparebanken Hedmark holds strong regional market shares, including approximately 33% in terms of loans (including mortgages transferred to covered bond companies) and around 45% in terms of deposits. Its corresponding national market shares are around 0.9% in terms of total bank lending and 1.6% in terms of deposits (based on the total on-balance-sheet bank lending and deposits in the bank's counties of operation, according to Statistics Norway).

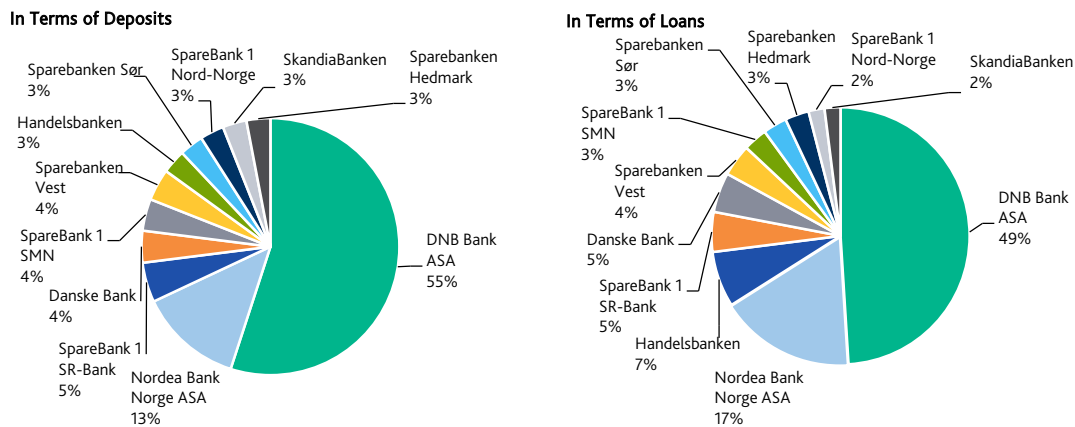
The bank's position among the largest banks in Norway was as follows:

EXHIBIT 5  
Positions of Largest Norwegian Banks and Sparebanken Hedmark as of 31 December 2015



Source: Company Reports (interim report June 2016, annual report Dec 2015, financial results presentation Dec 2015), Statistics Norway, Handelsbanken interim report June 2016 and annual report Dec 2015, Danske Bank fact book June 2016 and annual report Dec 2015, SkandiaBanken interim report June 2016, Moody's research

EXHIBIT 6  
Positions of Largest Norwegian Banks and Sparebanken Hedmark as of 30 June 2016



Source: Company Reports (interim report June 2016, annual report Dec 2015, financial results presentation Dec 2015), Statistics Norway, Handelsbanken interim report June 2016 and annual report Dec 2015, Danske Bank fact book June 2016 and annual report Dec 2015, SkandiaBanken interim report June 2016, Moody's research

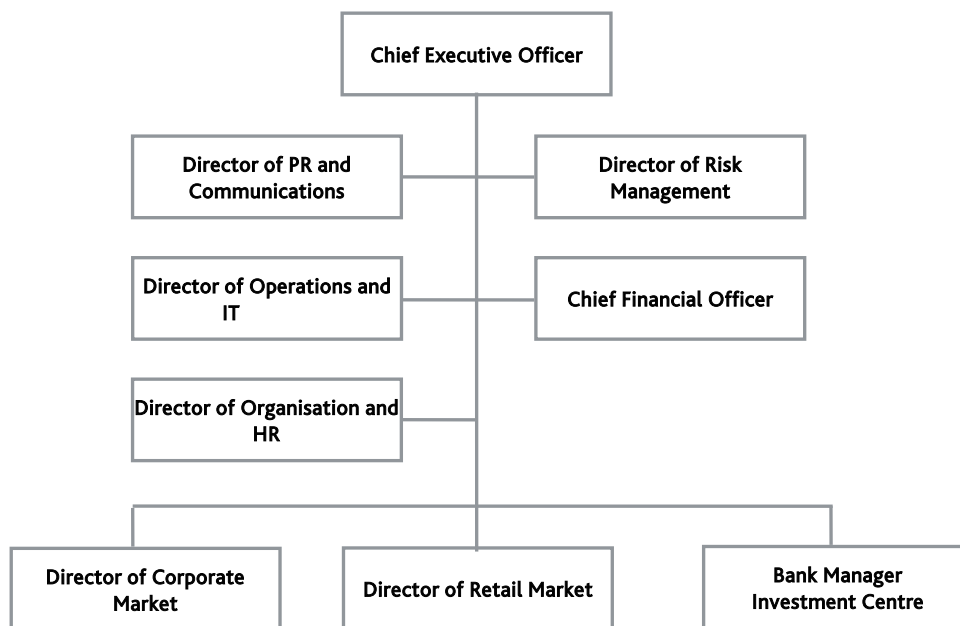
## Ownership and Structure

Until November 2015, Sparebanken Hedmark's capital consisted only of primary capital, which included its retained earnings. In November 2015, following the foundation's establishment and conversion of 60% of the bank's primary capital into equity share capital, Sparebanken Hedmark became an equity certificate bank owned solely by the foundation. The bank plans to conduct its initial public offering on the Oslo Stock Exchange during the first half of 2017.

Source: Company Report (EMTN prospectus June 2016), Moody's research

## EXHIBIT 7

## Corporate Governance as of 31 December 2015



Source: Company Report (annual report Dec 2015)

## Subsidiaries, Associates and Joint Ventures

As of 30 June 2016, the bank's subsidiaries, associates and joint ventures were as follows:

EXHIBIT 8

### Sparebanken Hedmark

Company	Location	% Held*
<b>Subsidiaries</b>		
EiendomsMegler 1 Hedmark Eiendom AS	Hamar, Norway	100.00
SpareBank 1 Finans Østlandet AS	Hamar, Norway	95.00
SpareBank 1 Regnskapshuset Østlandet AS	Hamar, Norway	100.00
Vato AS	Hamar, Norway	100.00
Bank 1 Oslo Akershus AS	Oslo, Norway	100.00
<b>Associated Companies</b>		
SpareBank 1 Markets AS		6.2
SpareBank 1 Boligkreditt AS	Stavanger, Norway	19.7
SpareBank 1 Næringskreditt AS	Stavanger, Norway	3.84
SpareBank 1 Kredittkort AS	Trondheim, Norway	18.30
SpareBank 1 Mobilbetaling AS	Oslo, Norway	12.6
KOMM-IN AS	Raufoss, Norway	23.10
<b>Joint Ventures</b>		
Torggt 22 AS	Hamar, Norway	50.00
SpareBank 1 Gruppen AS	Tromsø, Norway	12.4
SpareBank 1 Banksamarbeidet DA	Oslo, Norway	11.30

\* The voting share corresponds to the ownership interest in all the companies.

Source: Company Reports (interim report June 2016 and annual report Dec 2015)

## Company Management

Company Management	Current Title
Richard Heiberg	Chief Executive Officer
Vidar Nordheim	Director of Risk Management
Tore Anstein Dobloug	Chief Financial Officer
Dag-Arne Hoberg	Director of Operations
Siv Stenseth	Director of Communications
Eldar Kjendlie	Director of Organisation Development and Human Resources
Hans Olav Wedvik	Director of Corporate Market
Kari Elise Gisnås	Director of Retail Market
Tor Morten Nygård	Bank Manager, Investment Centre

As of 10 June 2016



Board of Directors	Affiliation	Age*
Siri J. Strømmevold	Sparebanken Hedmark: Chair; Tynset Bokhandel: Managing Director; Feste Landskapsarkitekter, Tolga & Tynset Bokhandel as, Tynset: Board Member	54
Nina Cecilie Lier	Sparebanken Hedmark: Deputy Chair; Sykehuset Innlandet: Chief Financial Officer; HK Data, Moelv: Board Member	43
Richard Heiberg	Sparebanken Hedmark :Chief Executive Officer	59
Hans-Christian Gabrielsen**	Sparebanken Hedmark: Member of the Board;	48
Erik Garaas	Sparebanken Hedmark: Member of the Board; Stiftelsen Scheibler (Deputy Chair), BSA Lange Kontrakter AS (Chair), Solheimveien 3 AS (Chair) and Verdipapirservice AS: Board Member	65
Guro Nina Vestvik	Sparebanken Hedmark: Member of the Board; ElverumsRegionens Næringsutvikling: Project Manager; Sparebankstiftelsen Sparebanken Hedmark: Board Member	48
Morten Herud	Sparebanken Hedmark: Member of the Board; 7sterke AS: Managing Director; Elmico AS (Chair): Board Member	56
Espen Bjørklund Larsen	Sparebanken Hedmark: Member of the Board, Principal Union Representative; Banksamarbeidet DA, SpareBank 1 Alliance (alternate member), SpareBank 1 Gruppen (alternate observer), Sparebanken Hedmark Fund for Arts: Board Member	39
Vibeke Hanvold Larsen	Sparebanken Hedmark: Member of the Board, Union representative at the Customer service center; Norsk Langbuelag: Board Member	38

As of 10 June 2016

\* As of 31 Dec 2015

\*\* As of 11 Aug 2016

Source: Company Report (EMTN prospectus June 2016, interim report June 2016), Company data

## Company History

While Sparebanken Hedmark has used its current name only since 1982, the bank originated in 1845, when local granaries, forest commons, municipalities and private individuals established the first savings bank in the Norwegian county of Hedmark. Sparebanken Hedmark is the result of a succession of mergers involving 22 local savings banks. In 2006, the bank joined the SpareBank 1 Alliance.

Previously, the bank had acquired Vato AS (1981); the real estate firm Hedmark Eiendom AS (1988, renamed EiendomsMegler 1 Hedmark Eiendom AS); the movable property leasing and financing company SpareBank 1 Finans Østlandet AS (1995); the property company Meglereiendom AS (2008); and the accounting services company Consis AS (2011, renamed SpareBank 1 Regnskapshuset Østlandet AS in 2013).

In 2011, Sparebanken Hedmark liquidated its wholly owned subsidiary Meglereiendom AS. Furthermore, in January 2012, the bank sold a 40% stake in its wholly owned subsidiary Consis AS to SpareBank 1 SMN Regnskap AS. At that time, Sparebanken Hedmark acquired the 74.5% stake in Consis Credit AS that had previously been held by Consis AS.

In 2013, Sparebanken Hedmark sold its stake in Consis Credit AS to Conecto AS. During the same year, Sparebanken Hedmark increased its stake in B1OA to 40.5% from 12.0%, becoming the largest owner of B1OA. The bank purchased those shares from SpareBank 1 SR-Bank ASA, SpareBank 1 SMN and SpareBank 1 Nord-Norge.

In the third quarter of 2013, the bank acquired 14.7% of the shares in SpareBank 1 Markets AS. Previously, Sparebanken Hedmark had indirectly owned a 12% stake in Sparebank 1 Markets AS through its stake in SpareBank 1 Gruppen AS. In the fourth quarter of 2013, Sparebanken Hedmark sold 1% of its shares in Sparebank 1 Gruppen to B1OA, as a result of which it now holds an 11% stake in Sparebank 1 Gruppen.

In the first quarter of 2014, the bank sold both its 8.9% stake in SpareBank 1 Verdipapirservice AS and its 9.7% stake in SpareBank 1 Kundesenter to Alliansesamarbeidet SpareBank 1 DA. During the second quarter of 2014, Sparebanken Hedmark increased its stake in SpareBank 1 Markets AS to 16.6% from 14.7%. In the third quarter, it increased its stake in SpareBank 1 Markets AS to 16.8%. In the fourth quarter of 2014, the bank acquired SpareBank 1 SMN's 40% stake in SpareBank 1 Regnskapshuset Østlandet AS, after which it owned all the shares in the company.

During the second quarter of 2015, the bank reclassified its holding in associate SpareBank 1 Markets AS because of reduced ownership to 6.1 % after the merger with SB1 SMN Markets. During the fourth quarter of 2015, Sparebanken Hedmark acquired 12.6% of the shares in the newly established company SpareBank 1 Mobilbetaling AS. In the same quarter, it wound up the joint venture Oslo Eiendom AS.

In December 2015, the bank agreed with the Norwegian Confederation of Trade Unions (LO) and other SpareBank 1 banks to acquire the remaining shares in B1OA. After this acquisition, which was completed with accounting effect from 29 June 2016, B1OA is a wholly owned subsidiary of the Sparebanken Hedmark Group. The combined group will be the fourth-largest savings bank in Norway in terms of total assets. Approximately 90% of the B1OA acquisition cost will be paid by Sparebanken Hedmark through the issue of new equity certificates to LO and other SpareBank 1 banks, which will become co-owners of the Sparebanken Hedmark Group.

In May 2015, Sparebanken Hedmark received regulatory approval to issue ECCs equivalent to 60% of its primary capital. In November 2015, the foundation was established with registered equity share capital of NOK3,987,000,000, comprising 79,740,000 ECCs, each with a nominal value of NOK50 and a subscription price of NOK50, which were subsequently transferred to the foundation for free. By the end of the year, the foundation had become the bank's sole owner.

*Source: Company Reports (EMTN prospectus June 2016, interim report June 2016 and Mar 2016 annual report Dec 2015, Dec 2014, Dec 2013, Dec 2012 and Dec 2011), Moody's research*

## Peer Group

- » Aktia Bank Plc
- » Fana Sparebank
- » Länsförsäkringar Bank AB (publ)
- » Ringkjøbing Landbobank AS
- » SpareBank 1 Nord-Norge
- » SpareBank 1 SMN
- » Sparebanken SR-Bank ASA
- » Sparebanken Møre
- » Sparebanken Øst
- » Sparebanken Sogn og Fjordane
- » Sparebanken Sør
- » Sparebanken Vest
- » Spar Nord Bank AS
- » Storebrand Bank
- » Sydbank AS

## Related Websites and Information Sources

For additional information, please see:

- » the company's website: [www.sparebank1.no/hedmark](http://www.sparebank1.no/hedmark)
- » the regulator's website: [www.finstilsynet.no](http://www.finstilsynet.no)
- » the central bank's website: [www.norges-bank.no](http://www.norges-bank.no)

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## Moody's Related Research

### Credit Opinion:

» [Sparebanken Hedmark](#)

### Banking System Outlook:

» [Norway, August 2016 \(1024120\)](#)

### Banking System Profile:

» [Norway, June 2016 \(190105\)](#)

*To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.*

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