

Closing of Sparebanken Hedmark's acquisition of Bank 1 Oslo Akershus AS

Investor information, 29 June 2016

Background

- Since 2013, Sparebanken Hedmark has owned 40.5 per cent of Bank 1 Oslo Akershus AS (Bank 1).
- On 14 December 2015, Sparebanken Hedmark signed an agreement with the Norwegian Confederation of Trade Unions (LO) and the SpareBank 1 banks to buy the remaining shares in Bank 1.
- The transaction was completed on 29 June 2016.
- This presentation outlines the main features of Sparebanken Hedmark, Bank 1 and the new, combined bank.

Overview

- About (the old) Sparebanken Hedmark
 - Details on the acquisition of Bank 1 Oslo Akershus
- About (the old) Bank 1 Oslo Akershus
- About the new Sparebanken Hedmark
- Funding

About (old) Sparebanken Hedmark

And the acquisition of Bank 1 Oslo Akershus



About Sparebanken Hedmark

Hedmark-based bank that is present in three counties



Leading bank in Hedmark and growing in Oppland and Akershus

- Norway's 6th largest savings bank.
- Leading provider of financial products to people, companies and the public sector in Hedmark.
- 188.000 customers in Hedmark, Oppland and Akershus.
- Equity certificate-bank where the foundation (Sparebanken Hedmark Sparebankstiftelse) owns 100 % of the certificates (pre-B1).
- Main subsidiaries:
 - Real estate agency (EiendomsMegler 1 Hedmark Eiendom AS).
 - Leasing and asset financing (SpareBank 1 Finans Østlandet AS).
 - Accounting and consultancy (SpareBank 1 Regnskapshuset Østlandet AS).

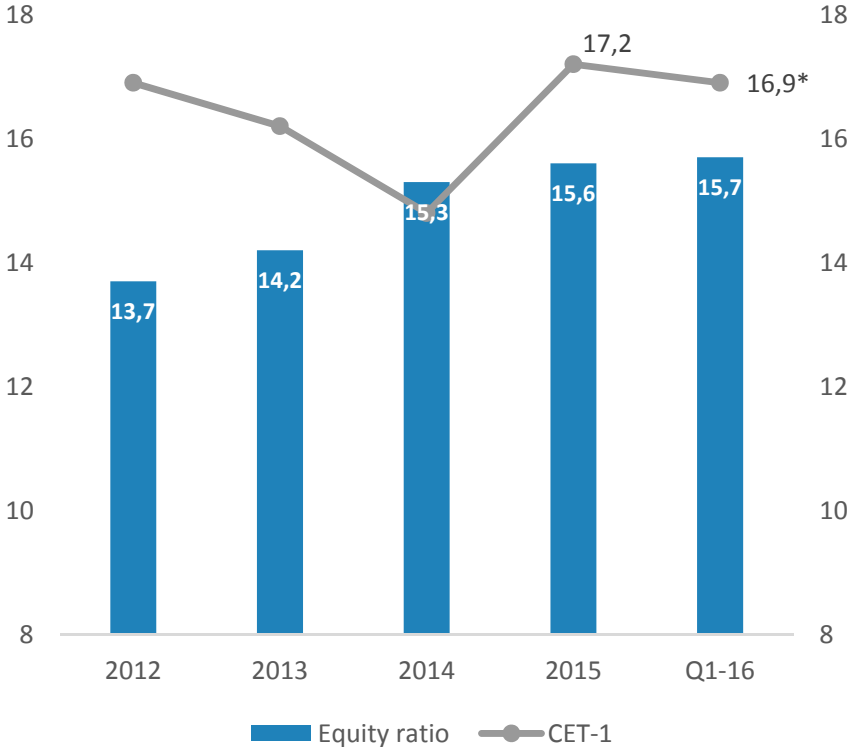
Key figures, 2015

Size (total adjusted assets)	NOK 73 billion
Employees	730
Branch offices	26 (24 currently)
Book value of equity	NOK 8.718 billion
Profit after taxes	NOK 930 million
Return on equity after tax	11,4 %
CET-1 ratio	17,2 %
Retail share of lending	67 %

<https://www.sparebank1.no/en/hedmark/about-us/about-us.html>

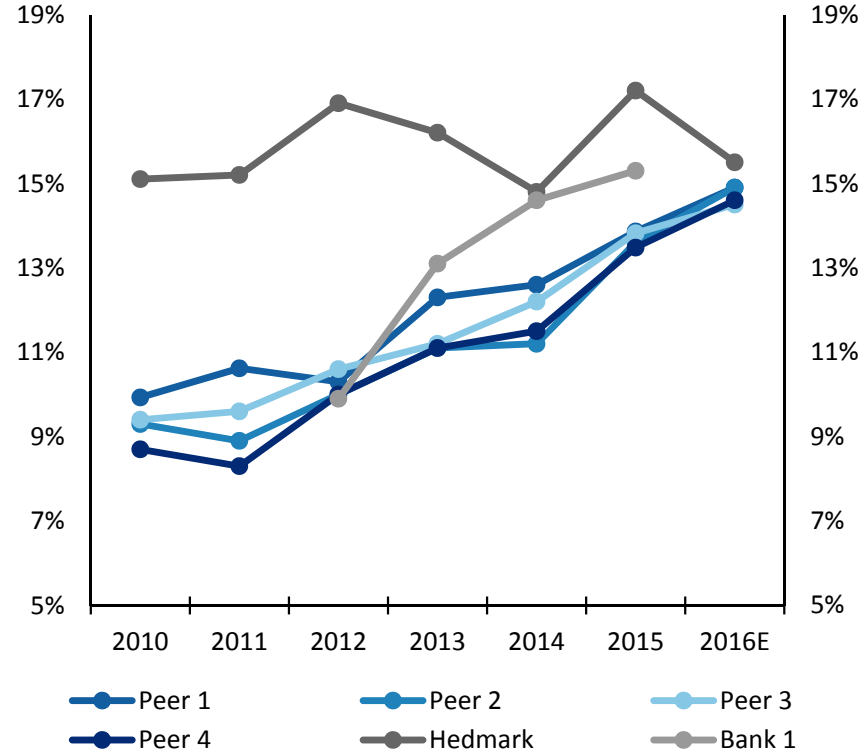
Norway's most solid regional savings bank

CET-1 and equity ratio. Per cent.



* Figure for CET-1 in Q1-16 does not include the unaudited results for Q1.

CET-1 reported ratio, %. Includes 100 % Bank 1 in 2016

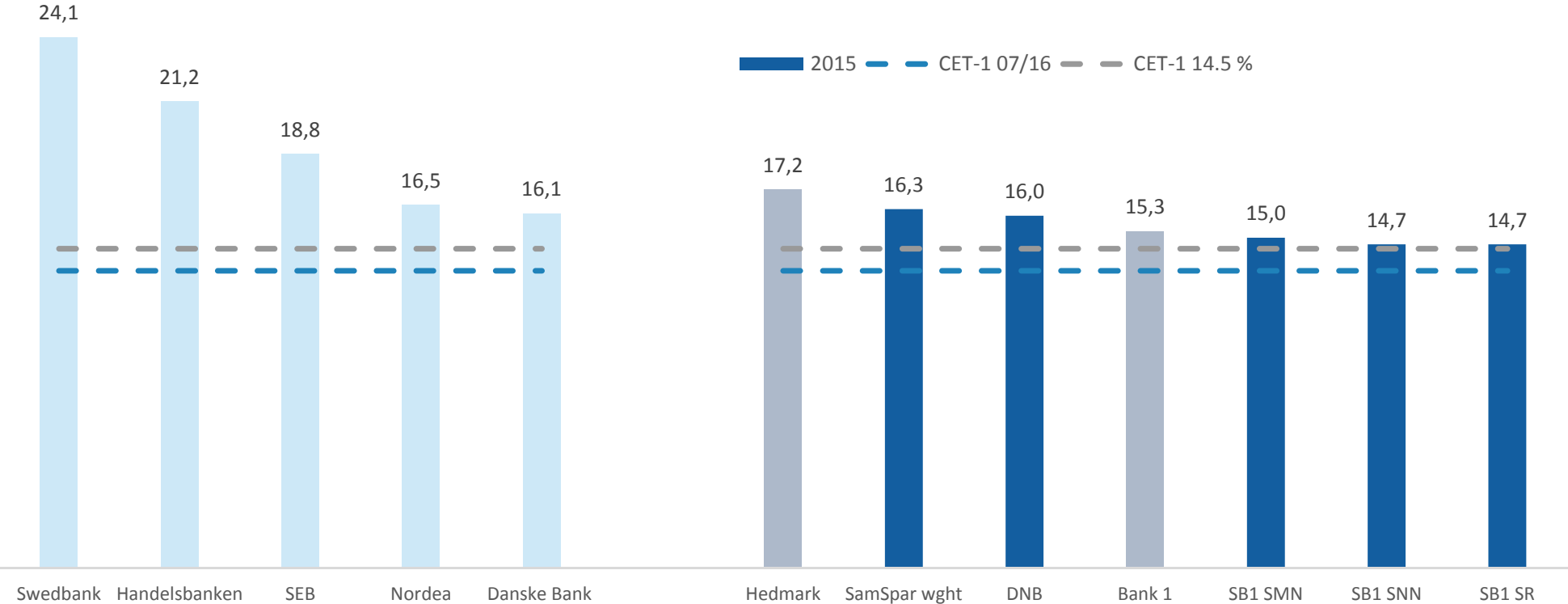


Source: Swedbank. Peers include largest regional savings banks in Norway.



Nordic CET-1 ratios are apples and oranges

CET-1 Basel 3 ratios without transitional rules, per 2015. Per cent of risk-weighted assets.

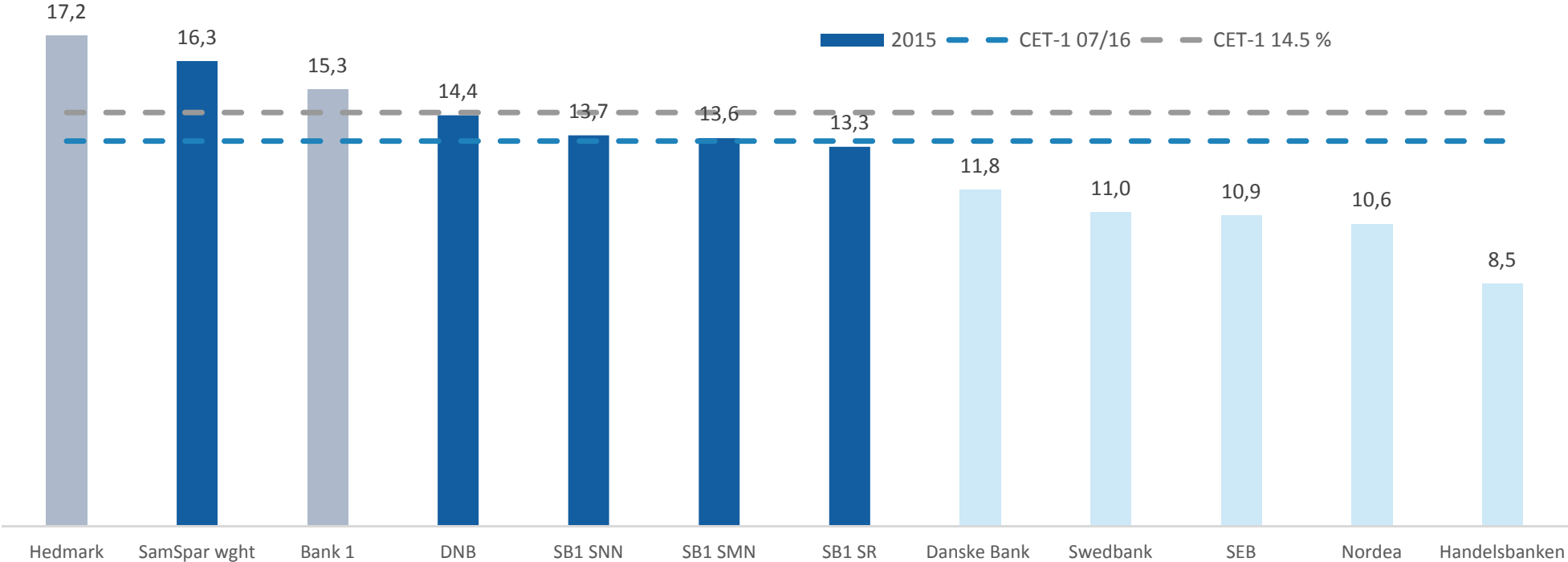


Source: SpareBank1 Gruppen



Comparison on an equal footing

CET-1 Basel 3 ratios with transitional rules, per 2015. Per cent of risk weighted assets.

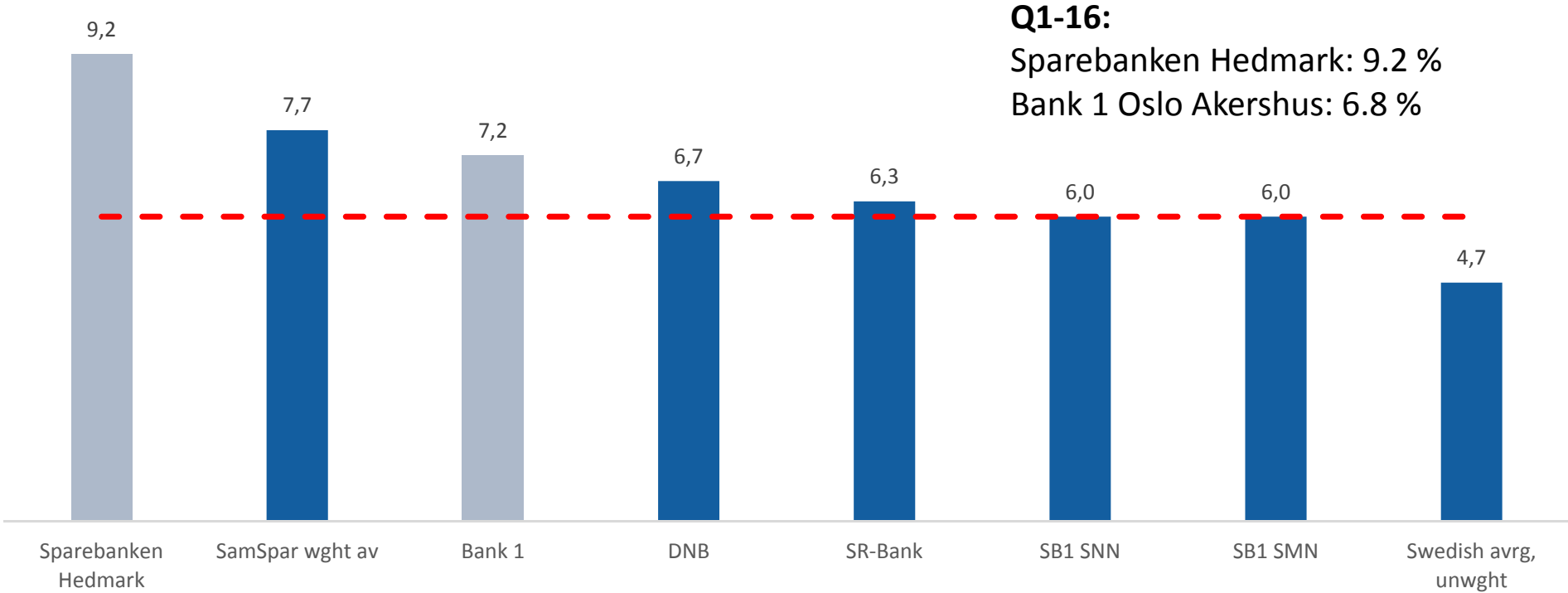


Source: SpareBank1 Gruppen



Hedmark's leverage ratio well above others

Leverage ratio (Tier 1/Total assets) per 2015. Per cent.

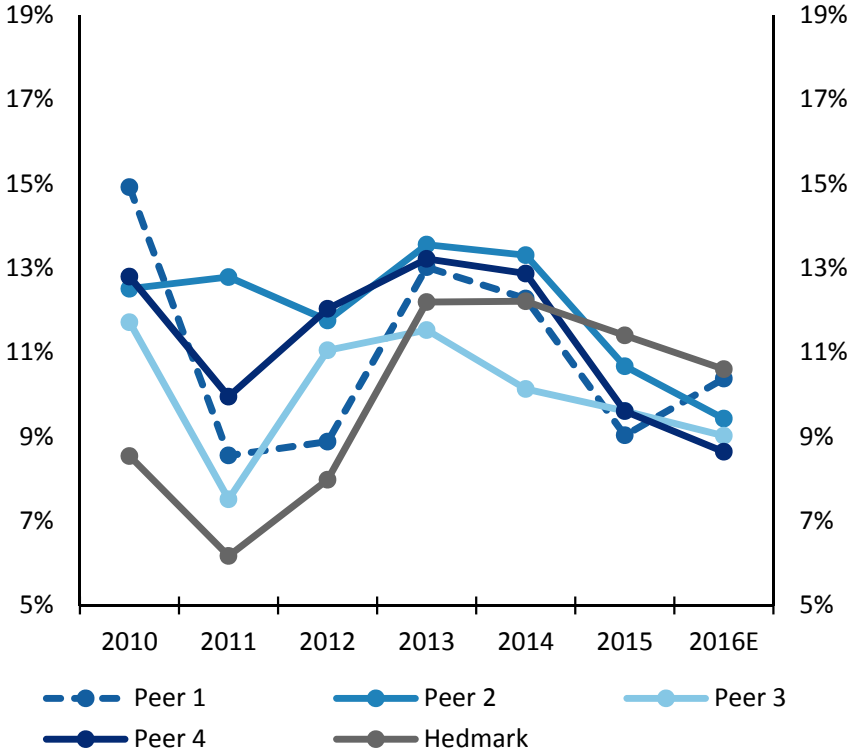


Source: SpareBank1 Gruppen

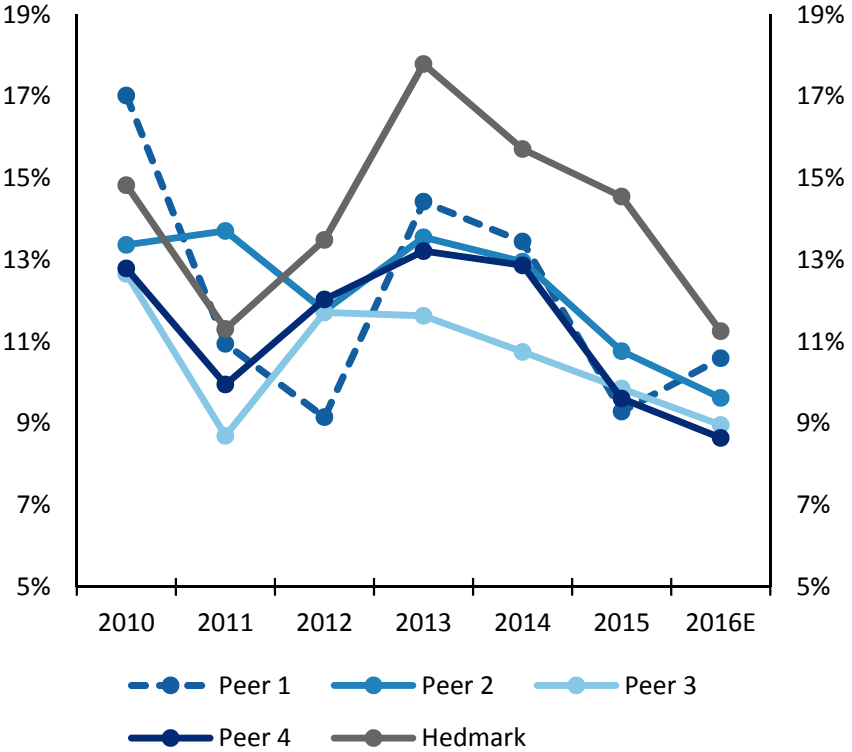


Healthy returns

Return on equity (recurring ROE). Per cent.



ROE adjusted for CET-1 (Peer 4 benchmark). Per cent.

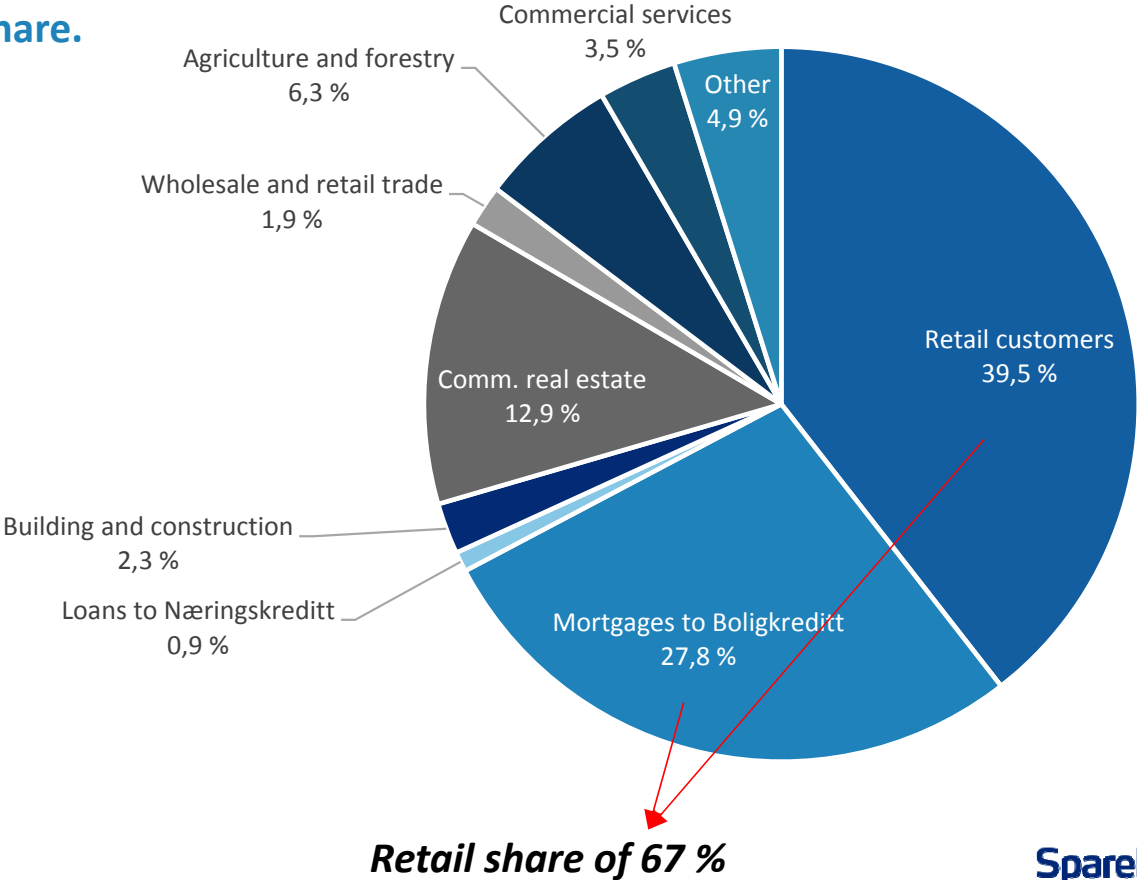


Source: Swedbank. Figures for 2016 includes 100 % ownership in Bank 1. Peers include largest regional savings banks in Norway.



Conservative loan book

Loan book by sector. Group, Q1-16. % share.



Why acquire Bank 1?

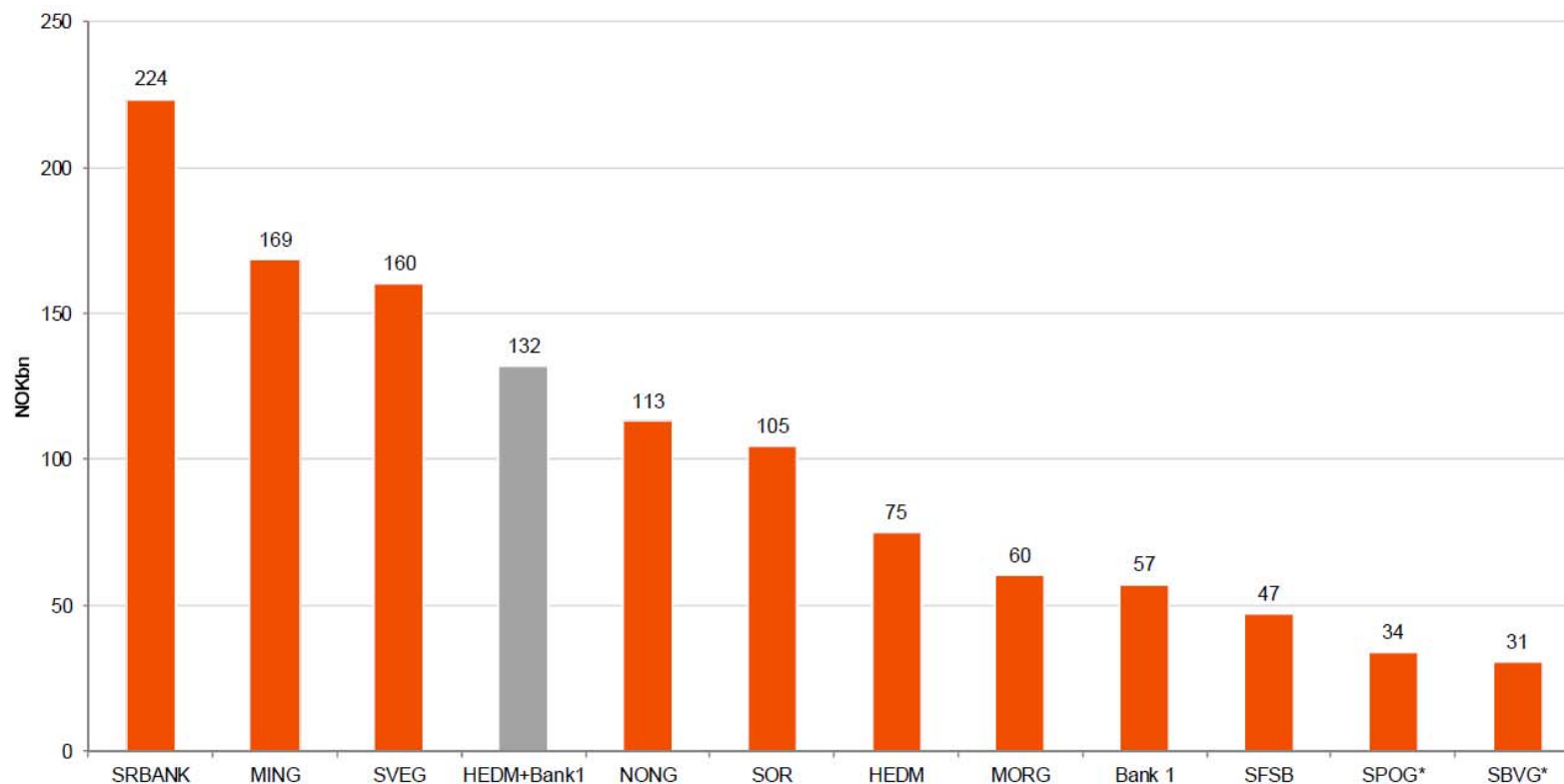
- **Integrated region for labour and housing.** Already, 20 % of Hedmark's retail customers live in the Oslo-region.
- **Strategic positioning.** Oslo and Akershus is Norway's largest and fastest growing region.
- **Better for our customers.** Larger product areas with broader competencies.
- **Reduced risk.** More diversified exposure in terms of geography and type of customers.
- **Lower costs.** Harvesting considerable synergies through economies of scale.
- **Size.** The fourth largest regional savings bank group in Norway.



Source: Jernbaneverket

Fourth largest savings bank group

Total assets (including covered bond companies) at Q1-16*



Source: Swedbank. * SPOG and SBVG total assets as of Q4-15

Transaction details

- Sparebanken Hedmark pays NOK 1.9 bn for the remaining shares in Bank 1, with 90 % of the payment in Sparebanken Hedmark equity capital certificates.
- Remaining 10 % to be paid in cash to LO and the other SpareBank 1-banks.
- Total equity in Sparebanken Hedmark increases from NOK 8.5 bn to NOK 10.2 bn (2015-Q3).
- Equity certificate capital share will be 66.8 %, with the following ownership composition:
 - Sparebanken Hedmark Sparebankstiftelse (the foundation): 75,08 %
 - LO (trade union) and affiliates : 14.95 %
 - The SpareBank1-banks: 9.96 %
- In the planned IPO, the foundation will sell its equity certificates to an ownership share between 50 and 60 %.

About (old) Bank 1 Oslo Akershus

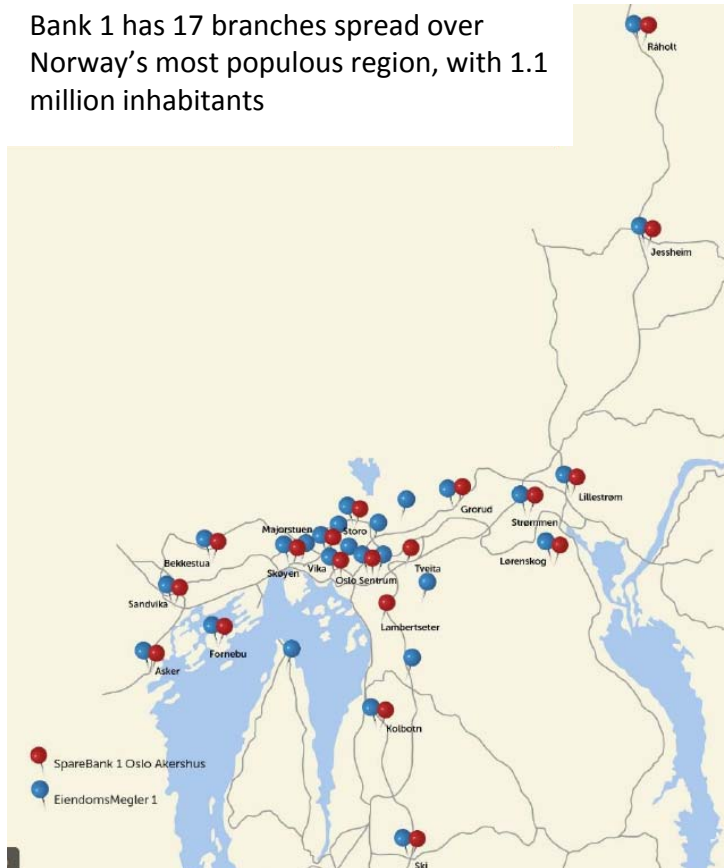


About Bank 1 Oslo Akershus AS

Bank 1

Market area

Bank 1 has 17 branches spread over Norway's most populous region, with 1.1 million inhabitants



The SpareBank 1 Alliance's bank in the Oslo-region

- The group aims to be a full service supplier of financial products and services in Oslo and Akershus.
- Eighth largest Norwegian savings bank.
- Headquarters in Oslo.
- Seventeen branches, of which 7 in Oslo and 10 in Akershus.
- Real estate agency with a total of 23 branches, of which 13 are in Oslo and 10 in Akershus.
- Very low losses and few problem loans. Rated A- by several investment banks in Norway.

Key figures, 2015

Size (total adjusted assets)	NOK 55 billion
Employees	420 (290 in parent bank)
Branch offices	19 (17 in Q1-16)
Book value of equity	NOK 3.131 billion
Profit after taxes	MNOK 254 million
Return on equity after tax	8.4 %
CET-1 ratio	15.3 %
Retail share of lending	82 %

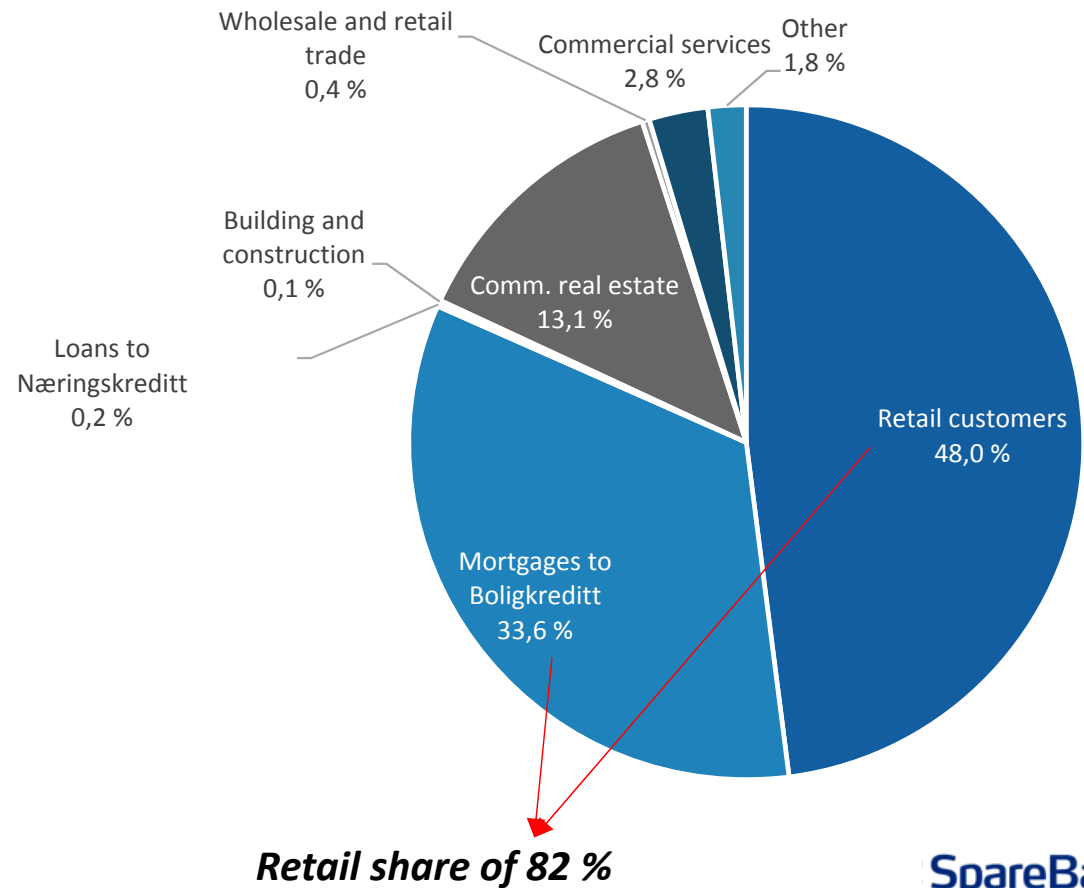
Norway's most interesting market



- Knowledge-intensive business environment, Europe's highest level of education, half of Norway's R&D spending.
- Norway's decision hub:
 - More than half of the country's business with over 100 employees are located in the region.
 - Home of the central government and Norway's largest counties and municipalities .
- The region has 33 % of the country's value added. Services industry is dominant. The country's highest rate of start-ups.
- Oslo is the capital in Europe with the fastest population growth relative to size:
 - Expected 800' inhabitants in 2030, an increase of 200' from now.
 - Average age of the population is decreasing.
 - Rising demand for housing, by most estimates far above the supply of new housing.

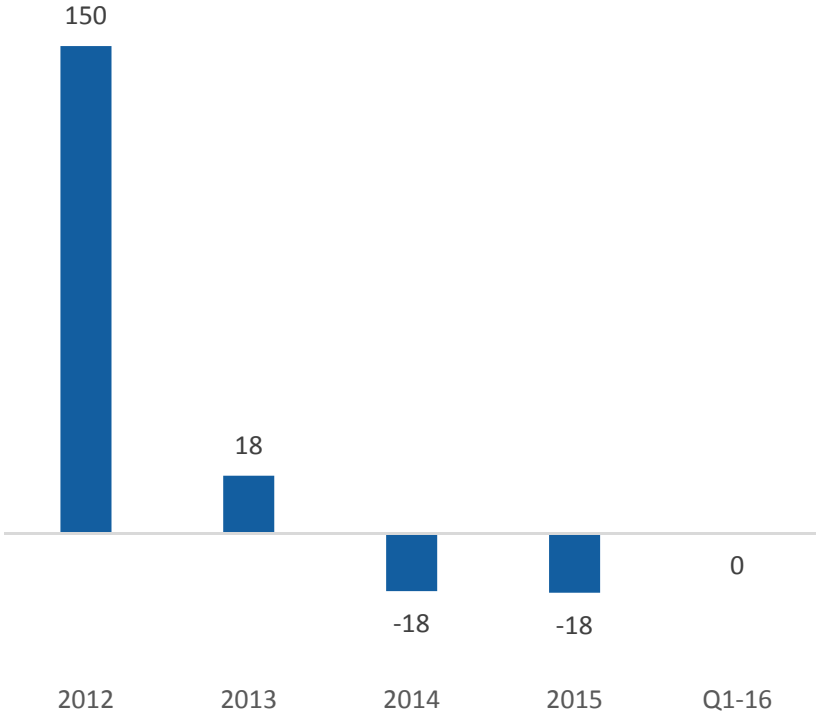
Also a conservative loan book

Loan book by sector. Group, Q1-16. % share.

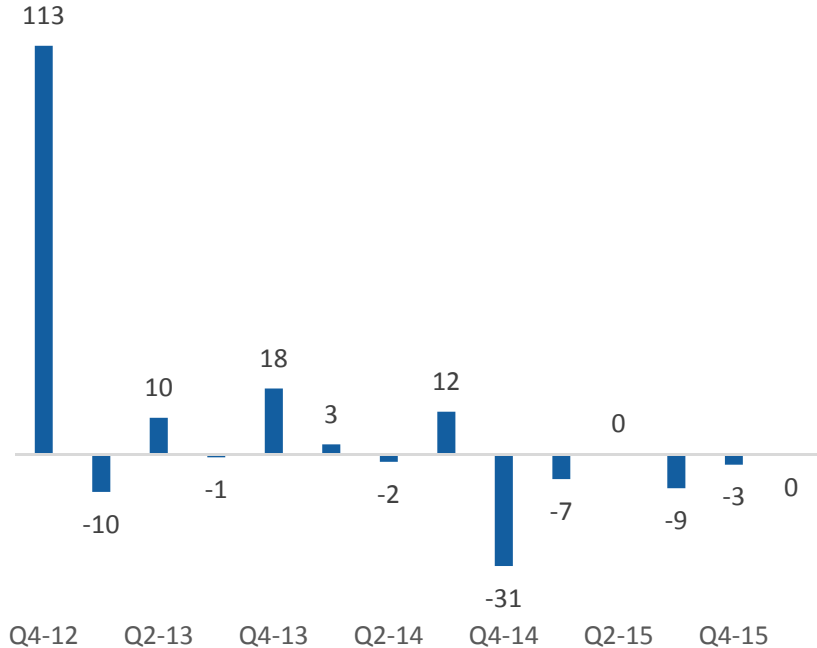


No loan losses

Annual losses, NOK mn

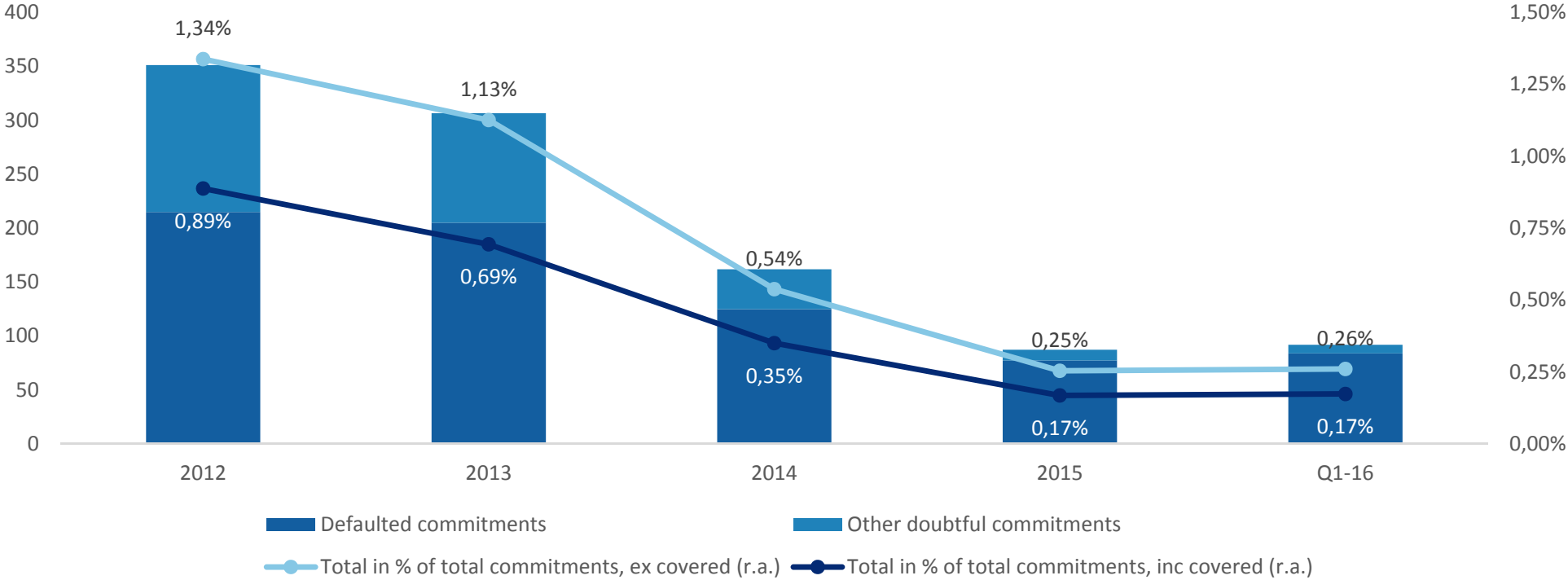


Quarterly losses, NOK mn



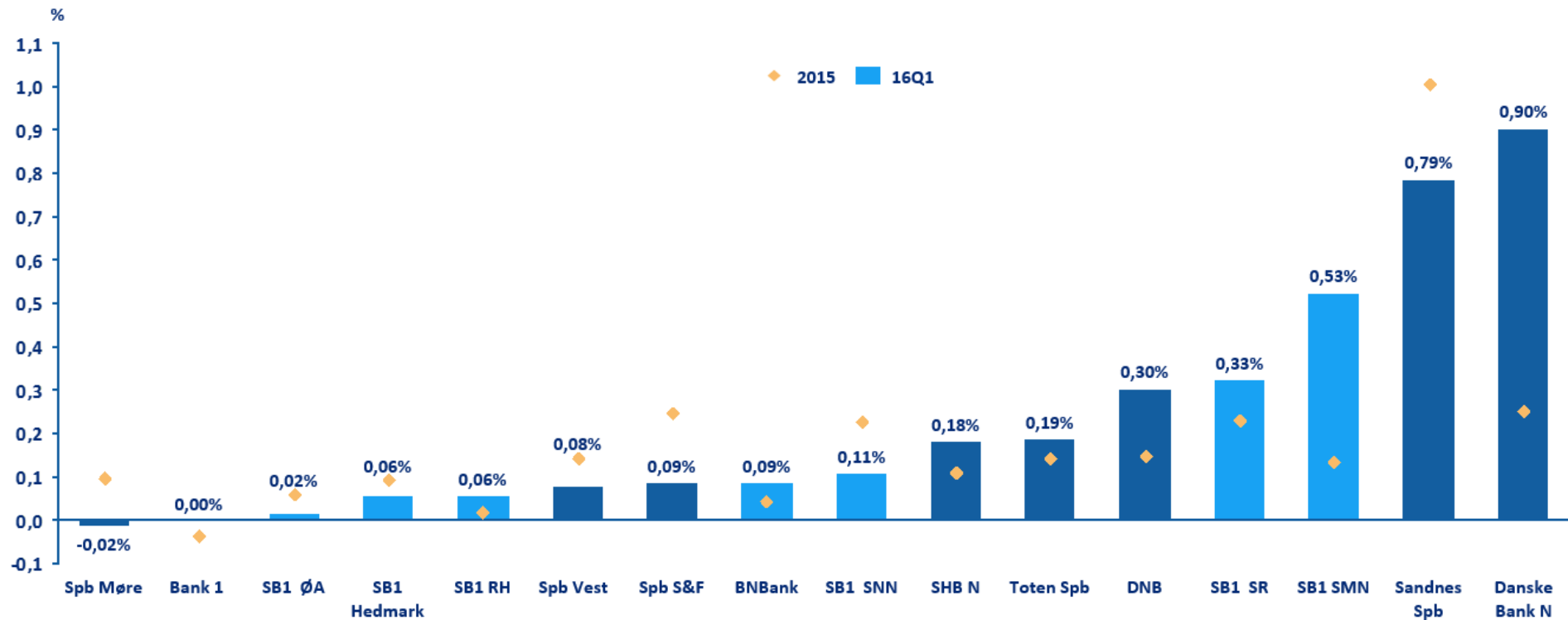
Stable and low problem loans

Problem loans. Per cent and NOK mn.



Loan losses compare well with other banks

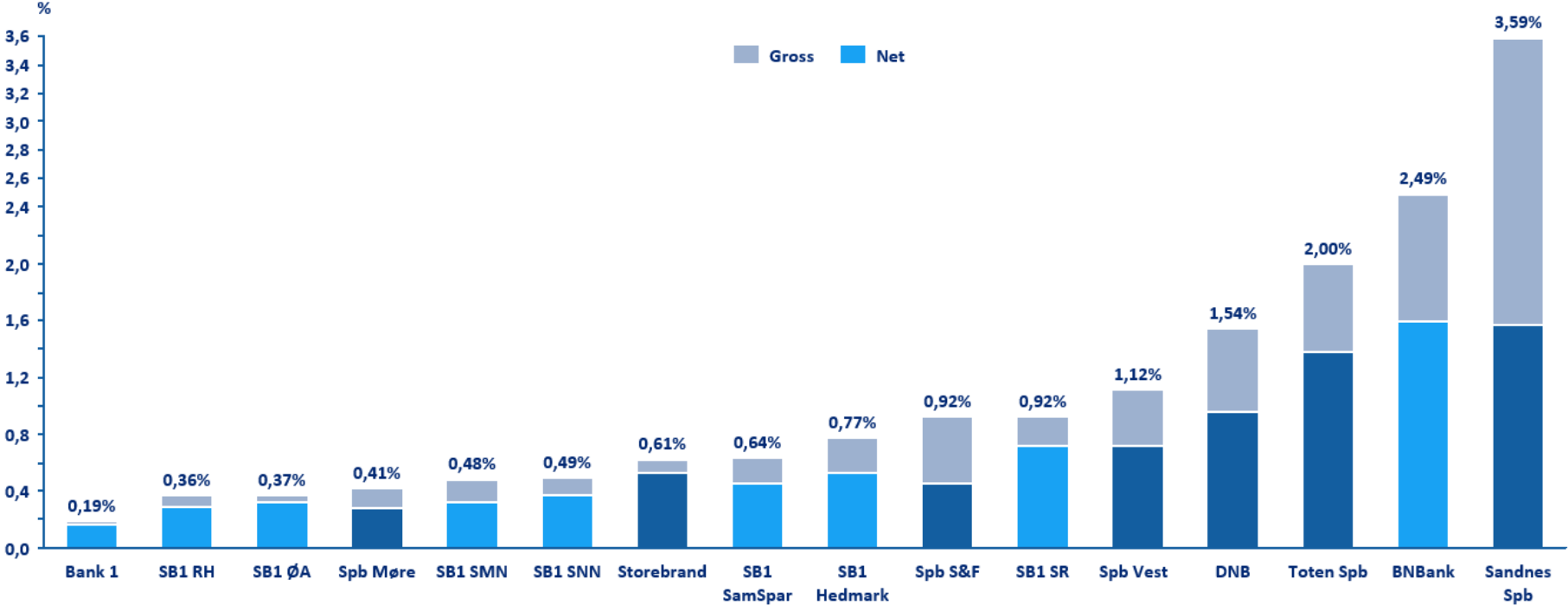
Loan losses, per cent of gross loans.



Source: SpareBank1 Gruppen

The same holds for problem loans

Defaults and doubtful loans and commitments in % of gross/net lending. Q1-16.



Source: SpareBank1 Gruppen

The new «Sparebanken Hedmark»

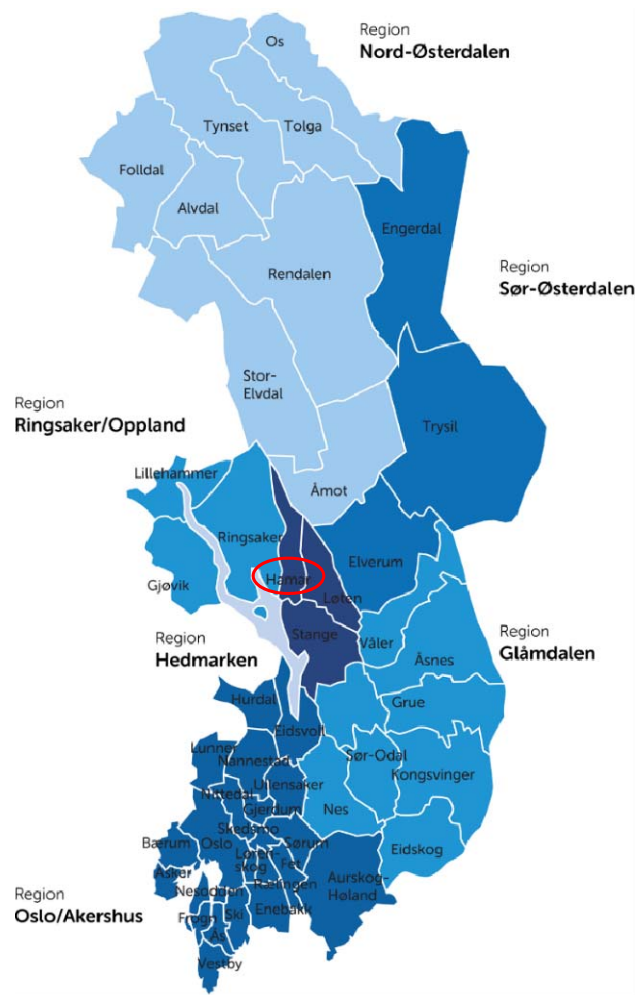
Sparebanken
HEDMARK 



The new Sparebanken Hedmark Group

New bank

A bank for the Inland and Akershus-Oslo regions



The SpareBank 1 Alliance's main bank for the Inland and capital regions

- Develop further the position as the largest and preferred bank in Hedmark and the rest of the Inland region.
- Strengthen efforts in the Oslo-region, positioning the alliance for further growth.
- Strategic alliance with LO both in terms of ownership and business.
- Norway's fourth largest savings bank.
- The country's best capitalised regional savings bank.
- Subsidiaries that provide leasing, accountancy and real estate brokerage services.
- Headquarters in Hamar.

Key figures, Q1-16

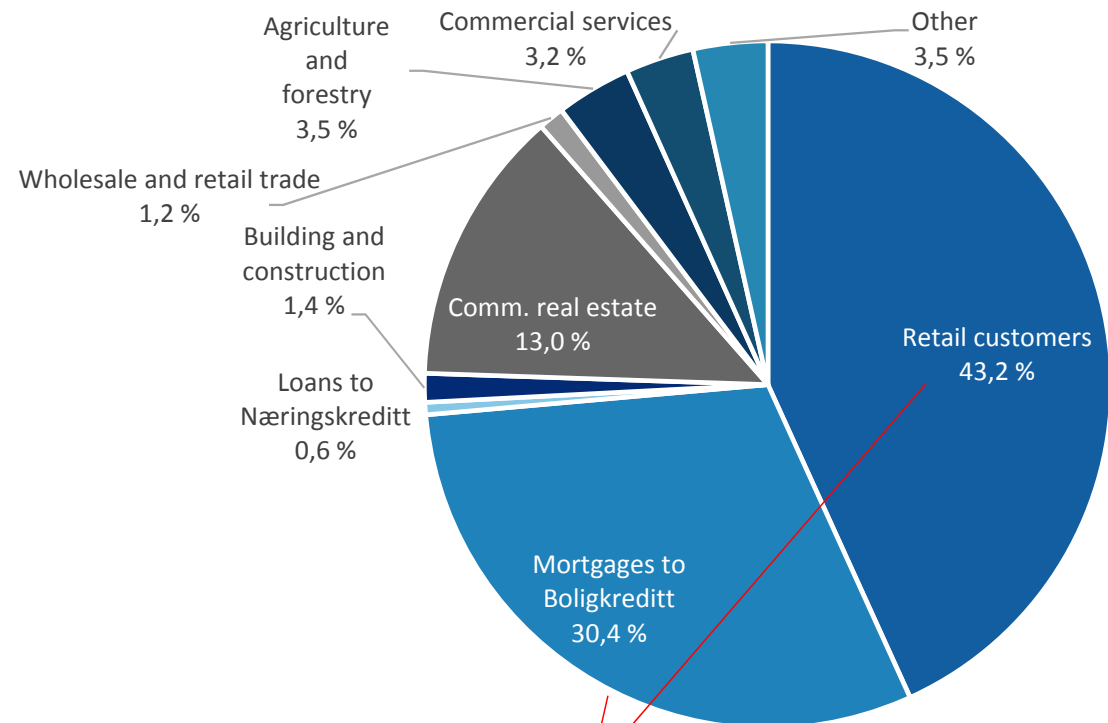
Size (total adjusted assets)	Appr. NOK 130 billion
Employees	Appr. 1170
Branch offices	43 (41 currently)
Book value of equity (2016E)	Appr. NOK 10.8 billion
Equity certificate capital (2016E)	Appr. NOK 7.2 billion
CET-1 ratio (Q4-2015)*	15,1 %
Total loans outstanding	NOK 111 billion
Retail share of lending	74 %

* Calculations based on new Financial Institutions Act



Conservative + Conservative = Conservative!

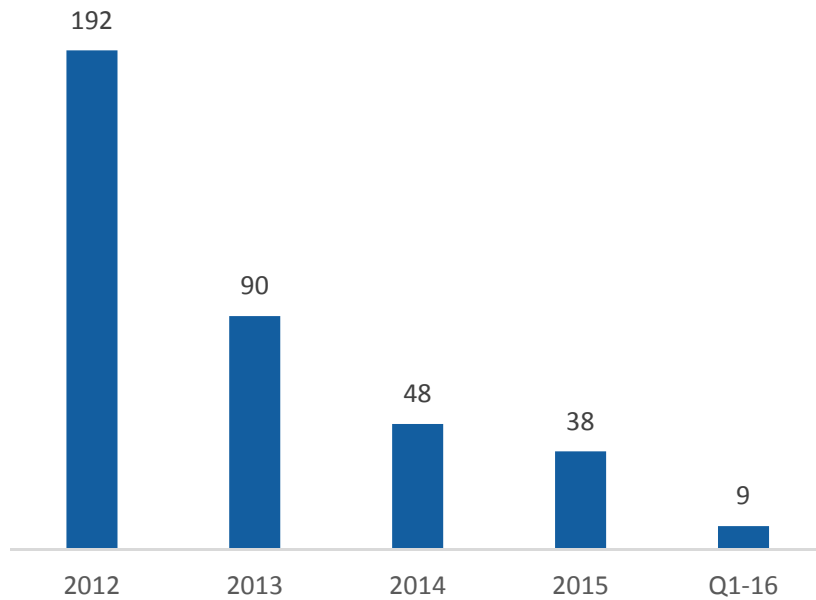
Loan book by sector. Group, Q1-16. % share.



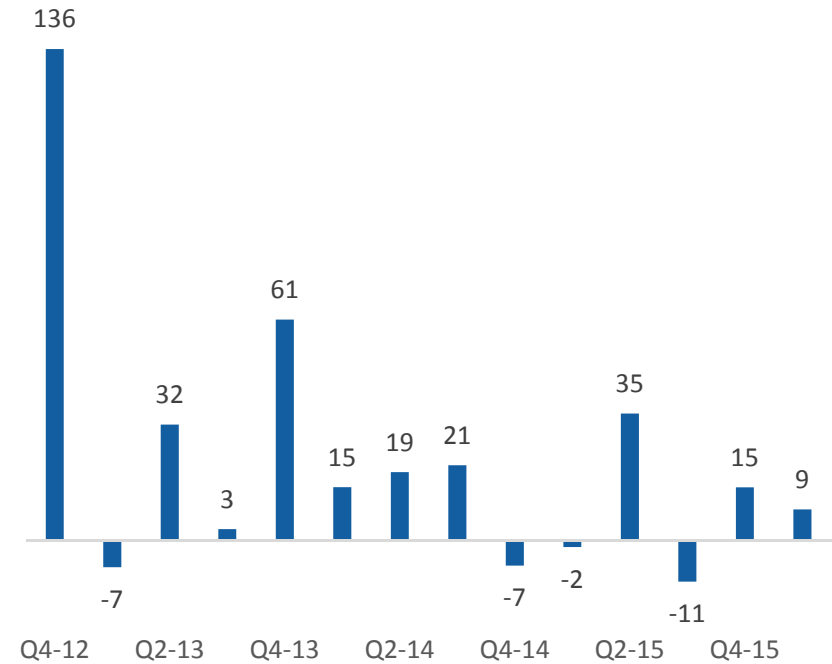
Retail share of 74 %

Very low loan losses

Annual losses, NOK mn

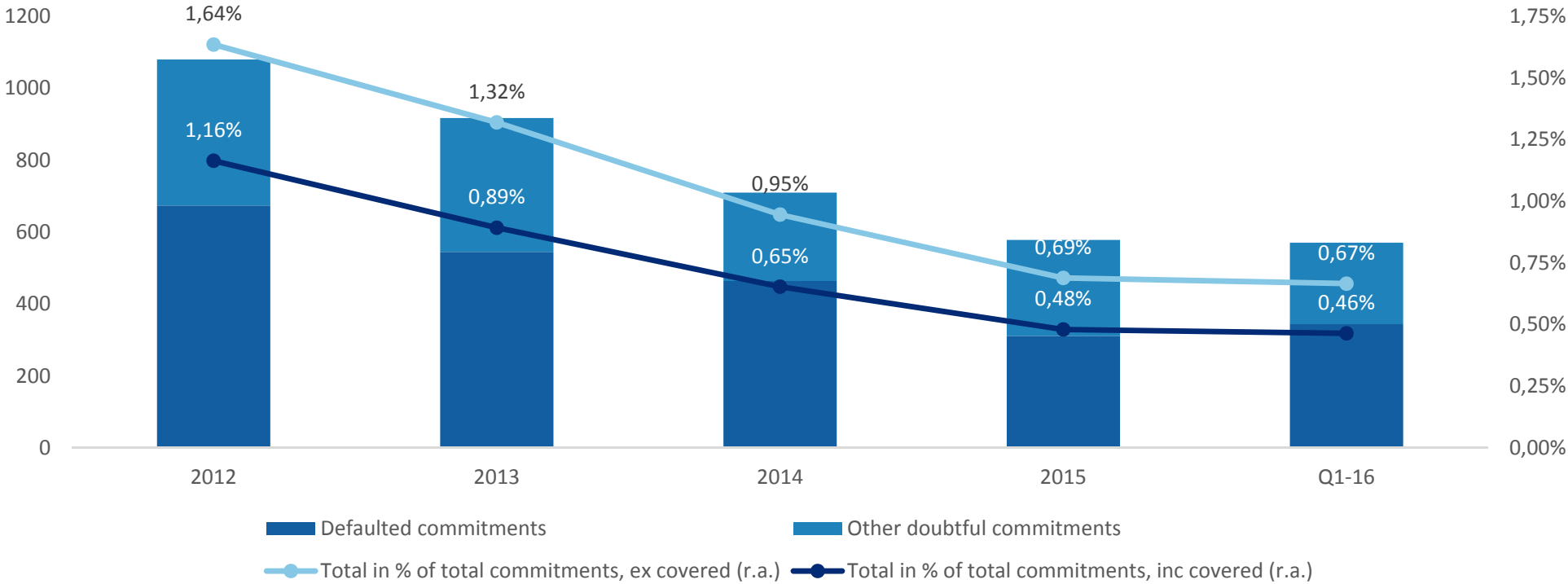


Quarterly losses, NOK mn



Stable and low problem loans

Problem loans. Per cent and NOK mn.



Solidity will remain in Hedmark's DNA

- Still high capital adequacy
- Even better asset quality
- Higher retail share
- Geographic diversification
- Good and stable risk-adjusted returns
- The planned IPO will improve our recapitalization abilities

Strategic goals for 2018

By the end of 2018 the Sparebanken Hedmark Group...:

... is the fourth largest savings bank group in Norway, listed on Oslo Stock Exchange with an attractive equity certificate

... is the preferred financial group in our original market area and the strongest-growing group in new market areas

... is a financial group that is able to offer valuable solutions for our customers

... has a performance-based culture with a focus on continuous improvements and effective working-processes

IPO: Process

- Sparebanken Hedmark plans to list its equity certificate capital on Oslo Stock Exchange (OSE).
- Sep-15: Board and General Assembly of Sparebanken Hedmark Sparebankstiftelse (the foundation) was appointed.
- Nov-15: Sixty per cent of the primary capital was converted to equity certificate capital. The certificates were transferred to the foundation.
- H2-16: Possible listing on OSE, but timing will depend on market conditions.

The IPO: Motivation

- Keeping up with the regionalisation of households and businesses in the Inland region.
- Positioned for structural changes in the financial sector.
- Ample capital to continue serving retail and corporate customers in the region.
- To be one of the largest regional savings banks and retain the position as the most solid regional savings bank.
- Share profits with our customers and secure broad ownership among local stakeholders.

The foundation

Unique

- Largest EC-foundation in Norway, by a clear margin.
- Infinite time horizon.
- War chest up to NOK 1.5 billion – and growing.

Long-term

- Will always own at least 50 per cent of the certificates.
- Contribute to improved valuation of the bank.

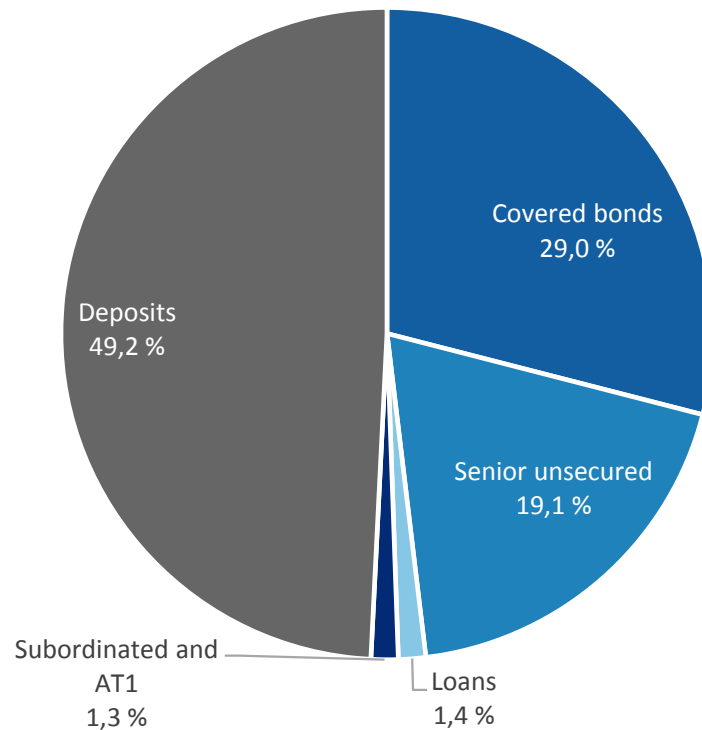
«For Hedmark»

- Foundation will be owned by the Hedmark-community.
- Large donations each year, part of the savings bank traditions.

Funding

Funding structure

Financing of the combined bank, excl. equity capital. Q1-16.



Senior debt issuance since Q1:

- Bank 1: MNOK 100.
- Hedmark: MNOK 750.
 - Also: CP of MNOK 500 matured

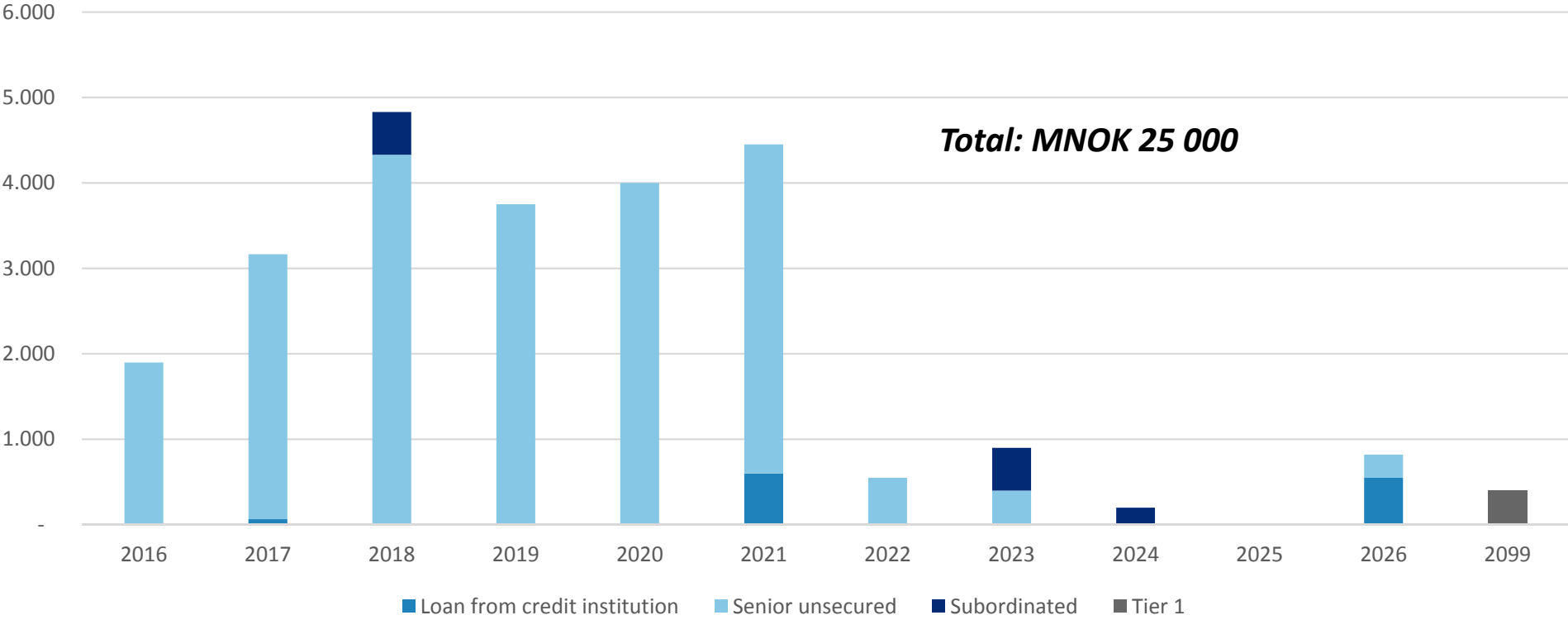
Deposit-to-loan ratio in Q1:

- Excl. covered bonds: 75.9 %
- Incl. covered bonds: 52.4 %

Funding strategy

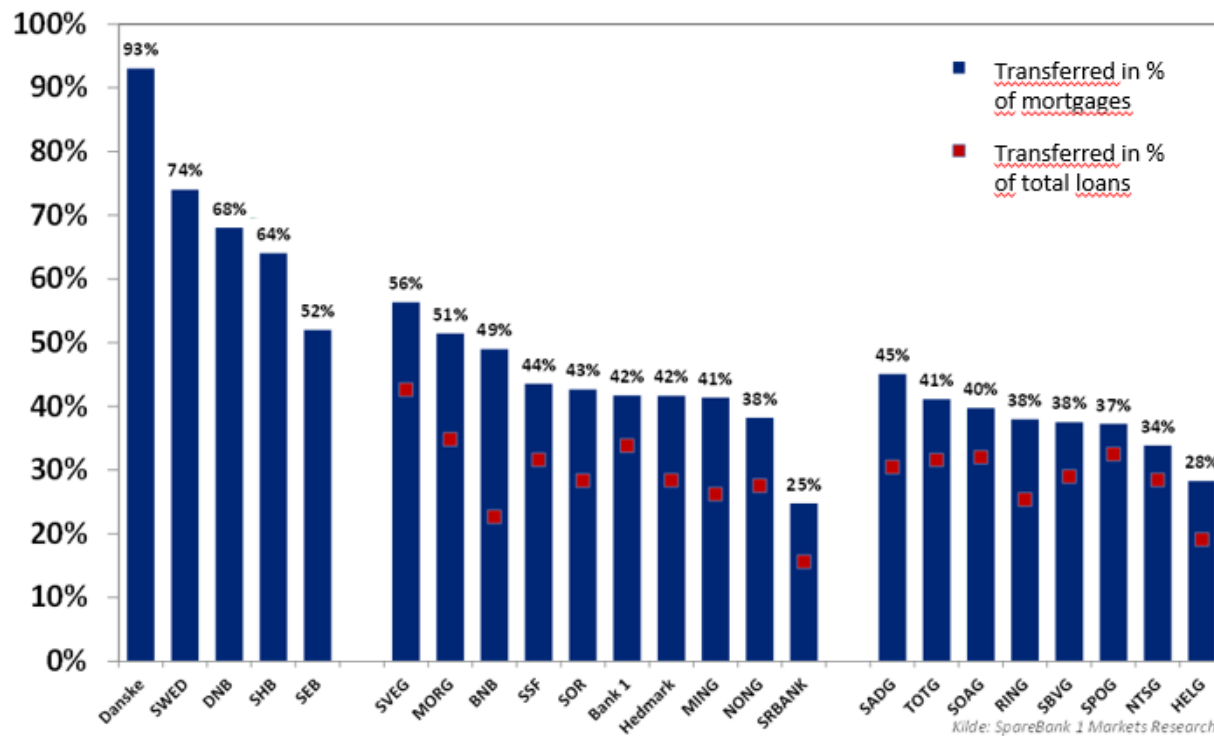
- The Norwegian market for senior unsecured bonds will remain a key source of financing for the new bank group.
- The group will increasingly issue senior unsecured bonds in the European market, through the EMTN-programme (<http://www.newsweb.no/newsweb/search.do?messageId=404003>).
- Before the merger, most new funding will be conducted through Sparebanken Hedmark. The group retains the possibility of issuing through Bank 1 and will do so when appropriate.
- Covered bond financing remains a key funding vehicle. SpareBank 1 Boligkreditt remains the group's preferred source of covered bond financing.

Maturity structure by year and instrument



Covered bonds give diversification and size

Share of mortgages financed through covered bond companies. Per Q1-16. % of mortgages and total.



- «Spabol» our preferred source of covered bond financing.
- Ensures relatively cheap financing through size and standing.
- Provides non-NOK financing.
- Strategy: Around 40 per cent of all new mortgages financed through Spabol

Source: Sparebank 1 Markets

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Important factors that may cause such a difference for Sparebanken Hedmark include, but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate, (iii) change in the regulatory environment and other government actions and (iv) change in interest rate and foreign exchange rate levels.

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