

# Investor Presentation | IPO and Listing on Oslo Børs | 29 May 2017

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# Background and Rationale for the Offering

Key highlights

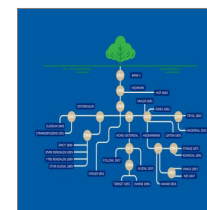
01

Increased capital flexibility  
– providing access to equity markets



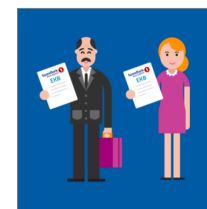
02

Positioned for structural changes  
in the banking sector in Eastern Norway



03

Securing broad ownership and  
aligned interests among all stakeholders



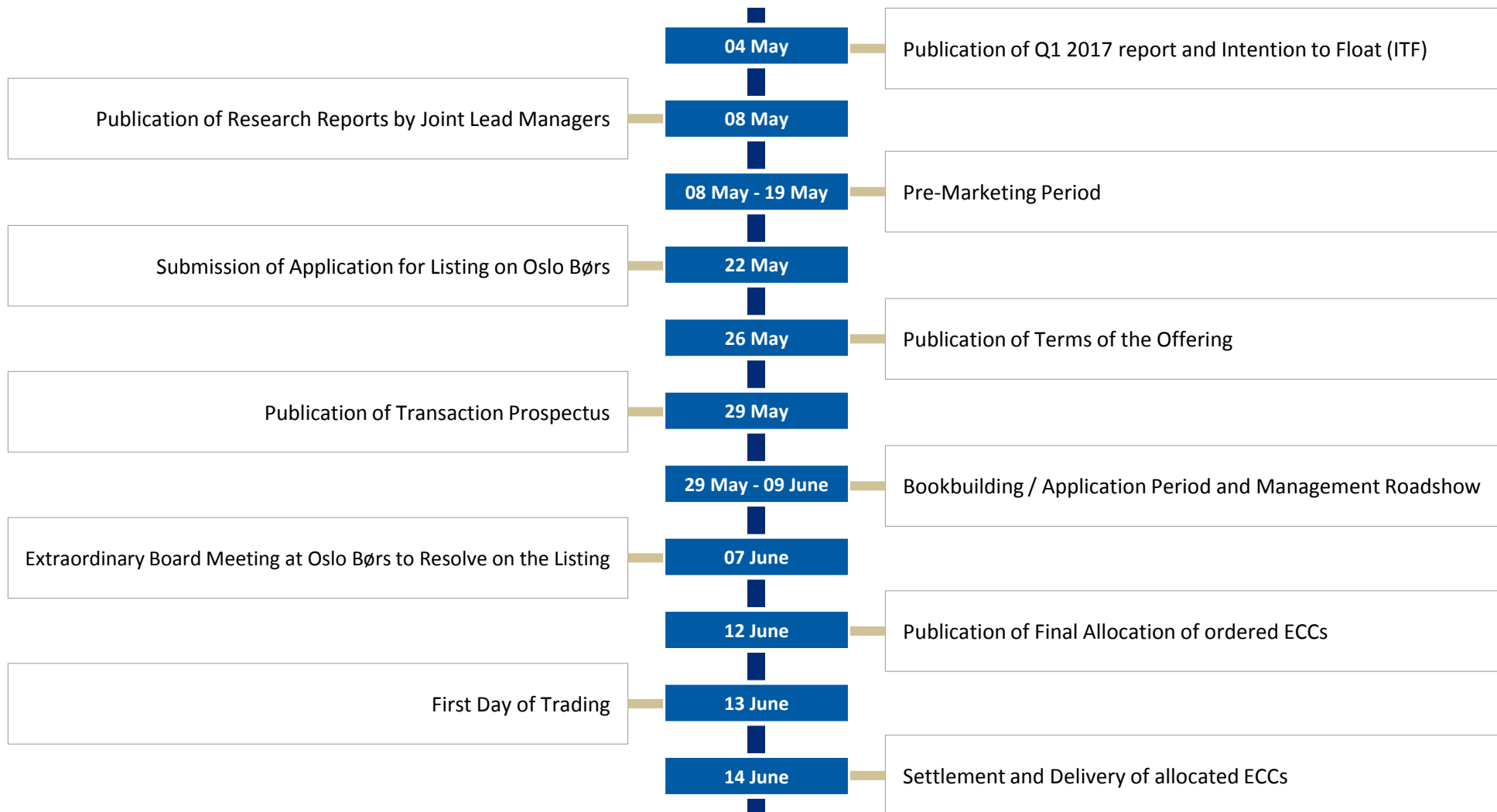
# Transaction Details

## Selected Key Terms

<b>Issuer</b>	<ul style="list-style-type: none"> <li>SpareBank 1 Østlandet (ticker "SPOL").</li> </ul>
<b>Selling ECC Holders</b>	<ul style="list-style-type: none"> <li>Sparebanken Hedmark Sparebankstiftelse ("the Foundation"), currently 75% holder of the Bank's ECCs.</li> <li>SpareBank 1 SR-Bank, SpareBank 1 SMN, SpareBank 1 Nord-Norge, SpareBank 1 Ringerike Hadeland, SpareBank 1 Modum, SpareBank 1 Søre Sunnmøre, SpareBank 1 Nordvest, SpareBank 1 Lom og Skjåk and SpareBank 1 Gudbrandsdal.</li> </ul>
<b>Place of Listing</b>	<ul style="list-style-type: none"> <li>Oslo Børs.</li> </ul>
<b>Indicative Price Range</b>	<ul style="list-style-type: none"> <li>NOK 74.50 – 82.00 per ECC, representing an equity value of the Bank's ECCs of NOK 7.9 – 8.7bn.</li> </ul>
<b>Size</b>	<ul style="list-style-type: none"> <li>NOK 2.0 – 2.2bn by sale of up to 26.8 million existing ECCs. In addition, up to NOK 200 million in new ECCs directed towards employees.</li> </ul>
<b>Free Float</b>	<ul style="list-style-type: none"> <li>In the range of approx. 28.1% and 30.6% of the ECC capital if the greenshoe option is utilized in full (approx. 25.8% - 28.1% ex. greenshoe).</li> </ul>
<b>Offering Structure</b>	<ul style="list-style-type: none"> <li>Institutional offering of existing ECCs to (i) institutional and professional investors in Norway, (ii) investors outside Norway and the US under Reg S, and (iii) US Qualified Institutional Buyers under Rule 144A.</li> <li>Retail offering of existing ECCs to the public in Norway.</li> <li>Employee offering of new ECCs to eligible employees of SpareBank 1 Østlandet with gross proceeds of up to NOK 200 million.</li> </ul>
<b>Type and Use of Proceeds</b>	<ul style="list-style-type: none"> <li>Proceeds from the sale of existing ECCs to the benefit of the selling ECC holders.</li> <li>Proceeds from the Employee Offering to the benefit of the Bank; will be used to finance profitable growth.</li> </ul>
<b>Greenshoe</b>	<ul style="list-style-type: none"> <li>Up to approx. 10% of the number of existing ECCs allocated in the institutional and retail offerings.</li> </ul>
<b>Lock-up</b>	<ul style="list-style-type: none"> <li>The Foundation and the other sellers of ECCs that do not sell their entire holding of ECCs have entered into customary lock-up agreements with the Managers for the remainder of their holding of ECCs for a period of 12 months from the date of the listing of the ECCs on Oslo Børs.</li> <li>In addition, The Norwegian Confederation of Trade Unions (LO) and affiliated unions, 15% holder of the Bank's ECCs, has entered into a 12 month lock-up.</li> </ul>
<b>Syndicate</b>	<ul style="list-style-type: none"> <li>Managers and Joint Bookrunners: SpareBank 1 Markets AS (global coordinator), Pareto Securities AS and Swedbank Norge.</li> </ul>
<b>Key Offering Dates</b>	<ul style="list-style-type: none"> <li><i>Publication of prospectus:</i> 29 May.</li> <li><i>Bookbuilding period:</i> 29 May at 09:00 (CEST) to 9 June at 16:30 (CEST). Application period for the retail offering ends 9 June at 12:00 (CEST).</li> <li><i>Announcement of price and allocation:</i> 12 June.</li> <li><i>First day of trading:</i> 13 June.</li> <li><i>Settlement:</i> 14 June.</li> </ul>
<b>Conditions</b>	<ul style="list-style-type: none"> <li>Board of Directors of Oslo Børs approving the application for listing of the ECCs on Oslo Børs in a meeting to be held on or about 7 June 2017 and the satisfaction of the conditions for admission to trading to be set by Oslo Børs, which are expected to be that (a) the Bank has in excess of 200 ECC holders, each holding ECCs with a value of more than NOK 10,000; and (b) there will be a minimum free float of the ECCs of 25%.</li> <li>The Bank and the Foundation having approved the price and allocation following the bookbuilding process.</li> </ul>

# Indicative Transaction Timeline

Selected Key Milestones





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# Value Propositions

SpareBank 1 Østlandet is one of Norway's most well-run and solid banks



# Long and Profitable Operational History

4th largest savings bank \* in Norway with established client base and diversified offering

01

Established in 1845 – known as Sparebanken Hedmark (“SBHE”) until 1 April 2017.

02

Norway’s fourth largest savings bank \* – total adjusted assets (incl. cov. bonds) of approx. NOK 139bn.

03

Operations in Hedmark, Oppland, Oslo and Akershus – a market with more than 1.7 million inhabitants.

04

Head office in Hamar (90 minute drive north of Oslo) – 38 bank branches and approx. 1,180 employees.

05

More than 290,000 customers – retail share of total lending of approximately 74%.

06

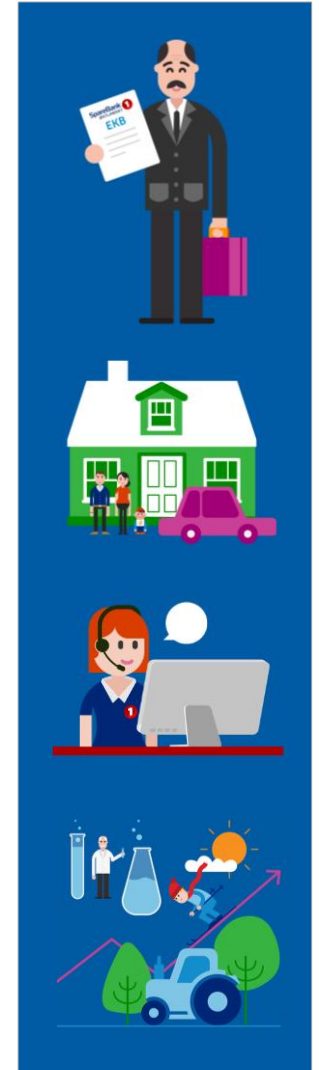
Diversified product offering – provides banking, leasing, accounting and real estate services.

07

Part of the SpareBank 1 Alliance – owns 12.4% of SpareBank 1 Gruppen AS.

08

Recently acquired Bank 1 Oslo Akershus (“B1OA”) – represents attractive footprint in the greater Oslo region.



# Acquisition of Bank 1 Oslo Akershus

Important part in the strategic direction of SpareBank 1 Østlandet towards 2018

## Geographic footprint



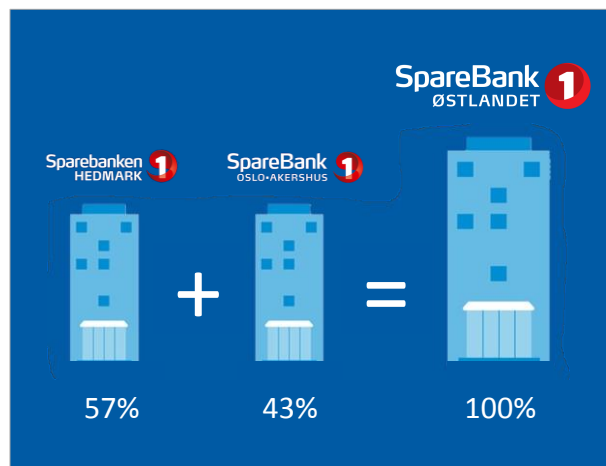
## Transaction details

- Since 2013, SBHE owned 40.5% of B1OA.
- On 10 December 2015, SBHE agreed to acquire the remaining 59.5% of B1OA from LO and the other SpareBank 1 banks.
- The agreed purchase price was NOK 1.9bn and it was settled with 90% ECCs in SBHE and 10% cash.
- Transaction completed on 29 June 2016.
- LO and the other SpareBank 1 banks owned approx. 15% and 10% of SBHE post-deal.

## Strategic rationale

- Strategic positioning towards the largest region in Norway.
- Oslo is one of the fastest growing cities in EEA.
- Integrated region for labor and housing.
- No overlapping branch network.
- Reduced costs through synergies – minimum NOK 75m annually (from 2018).
- More professional, specialized, attractive and relevant employer going forward.
- Further diversification of loan portfolio.

## Economy of scale \*



## Process timeline

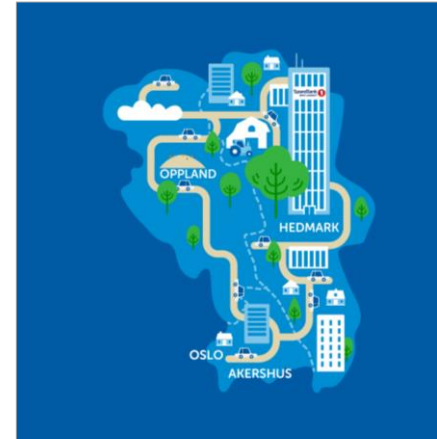
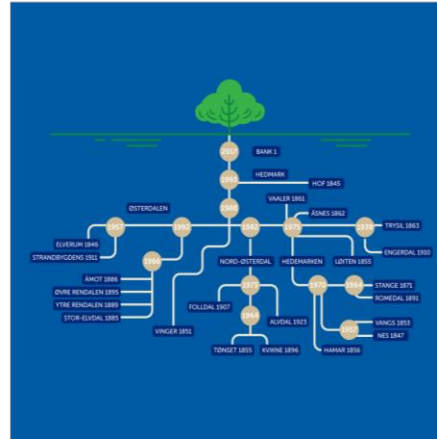
> 2013	SBHE owns 40.5% of B1OA
Dec. 15	SBHE secures 100% of B1OA **
Jun. 16	The acquisition is completed
Feb. 17	NFSA formally allows the merger
Mar. 17	New name and logo unveiled
Apr. 17	Legal merger finalized
~ Oct. '17	Technical merger concludes

## Key sources of cost synergies

- Purchases (including media and IT contracts).
- Cancellation of duplicate IT-solutions.
- Reduced number of employees, partly through a new leadership structure, and partly through reduced headcount in central support and administrative functions.
- Reduced cost allocation from “SpareBank 1 Banksamarbeidet” due to consolidation.
- Reduced administrative fees from “SpareBank 1 Boligkreditt” due to consolidation.

# Key Historical Milestones

From local granaries to leading regional savings bank with attractive growth opportunities



Local granaries converted – becoming Hof Sparebank

Local savings banks with central role in local development

Merger of savings banks in Hedmark

Joins SpareBank 1 Alliance

Acquisition of Bank 1 Oslo Akershus

IPO and Listing on Oslo Børs



1845

Until 1960

1950 - 1993

2006

2016

2017

# Attractive Home Market

Major player in Eastern Norway with main focus in Hedmark, Oppland, Oslo and Akershus



## #1: INLAND REGION – Hedmark and Oppland



- Approx. 8% of national population (0.39m inhabitants).
- More than 6% of national GDP.
- Norway's largest region for agriculture and forestry.
- Diverse business sector dominated by SMEs.
- Most cyclically stable region in Norway, limited exposure to oil, shipping or fishing.

## #2: CAPITAL REGION – Oslo and Akershus

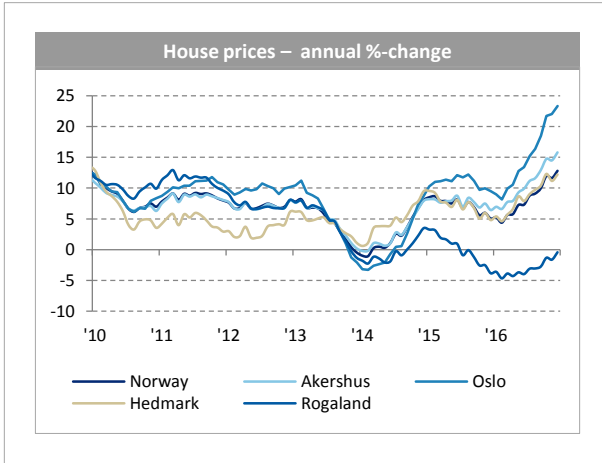


- Approx. 25% of national population (1.26m inhabitants).
- More than 33% of national GDP.
- Norway's decision center and hub – including the central government.
- Europe's 2nd highest level of education\* and above half of Norway's R&D.
- Very high population growth.

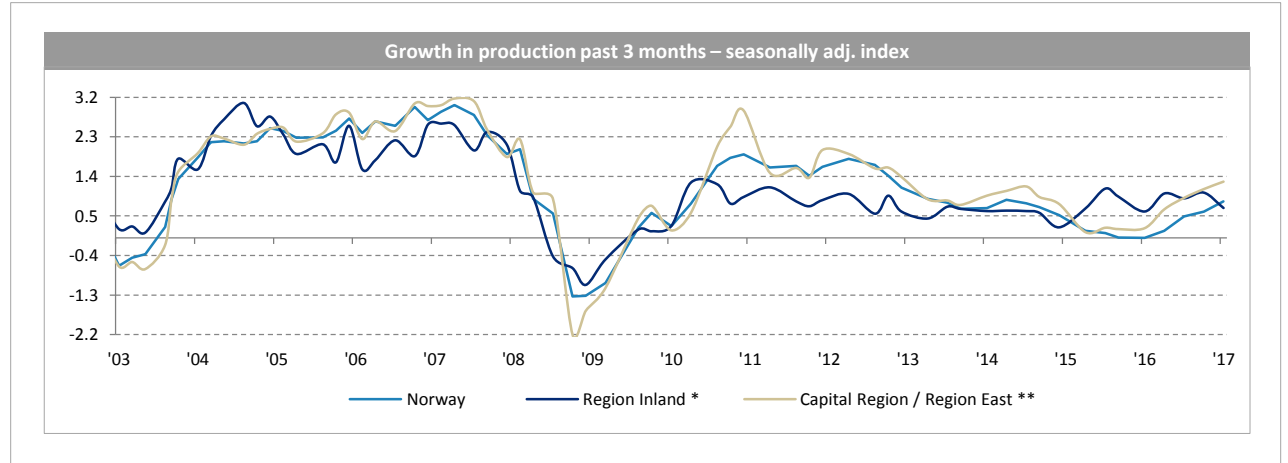
# Macroeconomic Environment

Stable home market with limited oil & offshore exposure and low unemployment

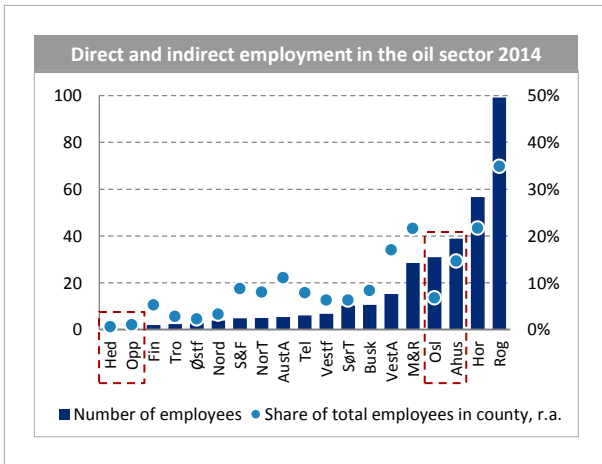
## Housing prices have risen



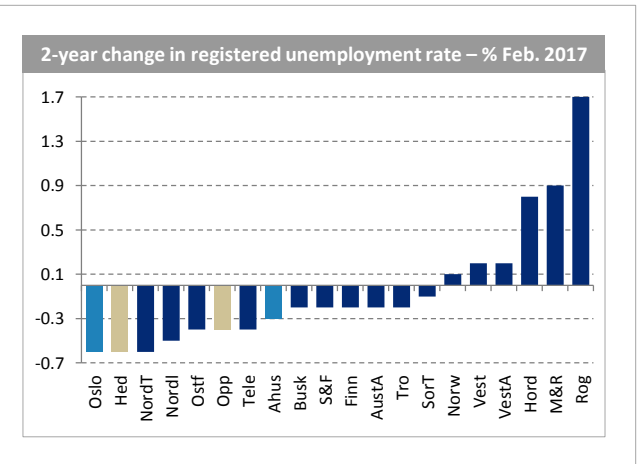
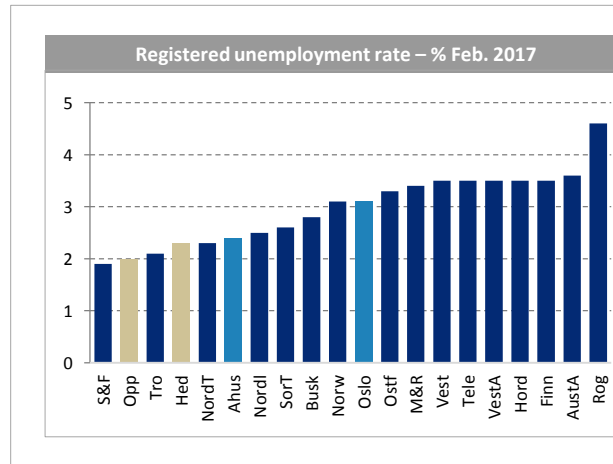
## Inland region more stable than others



## Home market with limited oil exposure



## Large regional differences in unemployment



# Diversified Main Activities

Several sources of income - parent bank, subsidiaries and other ownership interests

## Operational divisions



### Retail Segment

~ 380 employees



### Corporate Segment

~ 130 employees



### Organizations & Capital Markets

~ 20 employees



### Administration & Support

~ 220 employees

## Selected key subsidiaries

100%

EiendomsMegler 1  
Hedmark Eiendom AS  
*Real estate agent*

100%

EiendomsMegler 1  
Oslo Akershus AS  
*Real estate agent*

95%

SpareBank 1  
Finans Østlandet AS  
*Financing / Leasing*

100%

SpareBank 1  
Regnskapshuset  
Østlandet AS  
*Accounting*

## Selected other ownership interests

~25%

Totens Sparebank  
*Savings bank*

~24%

KOMM-IN AS  
*Local venture capital*

100%

Vato AS  
*Property management*

50%

Torggt 22 AS  
*Real estate SPV*

100%

Youngstorget 5 AS  
*Real estate SPV*



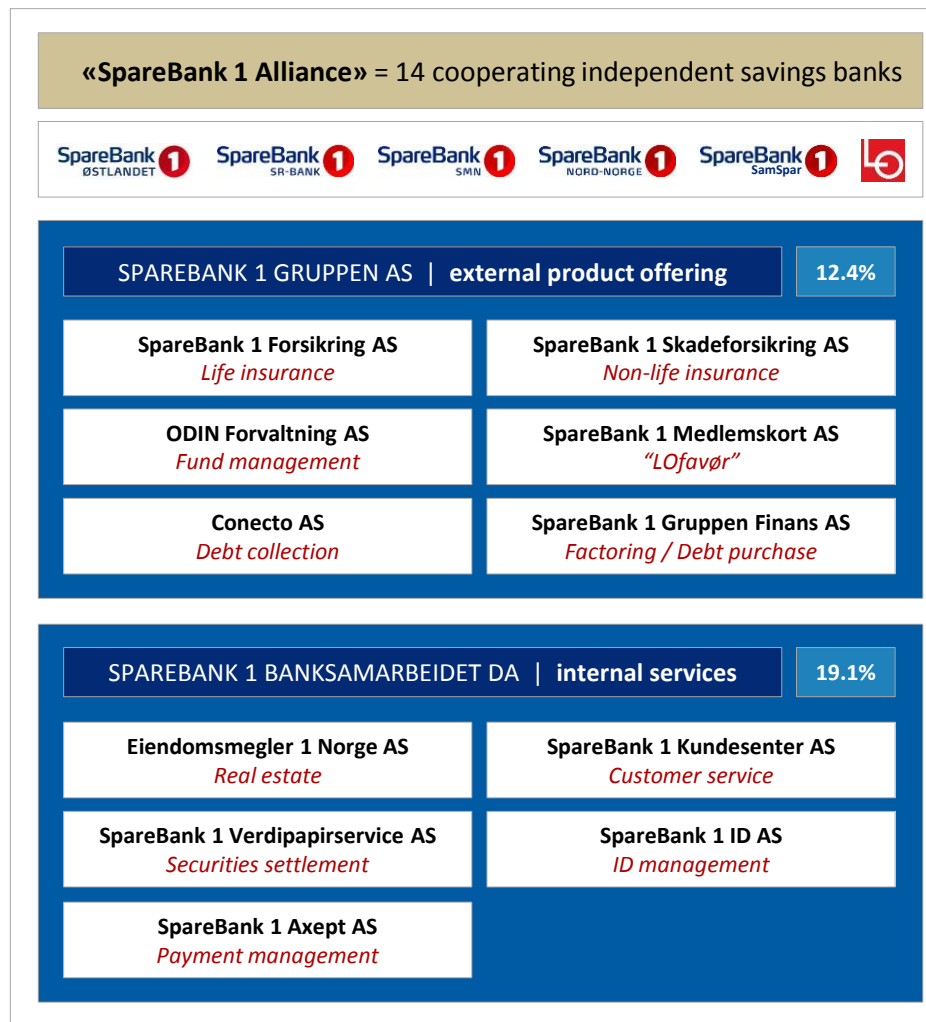
# Part of the SpareBank 1 Alliance

Provides operational and financial economies of scale as well as diversified product offering

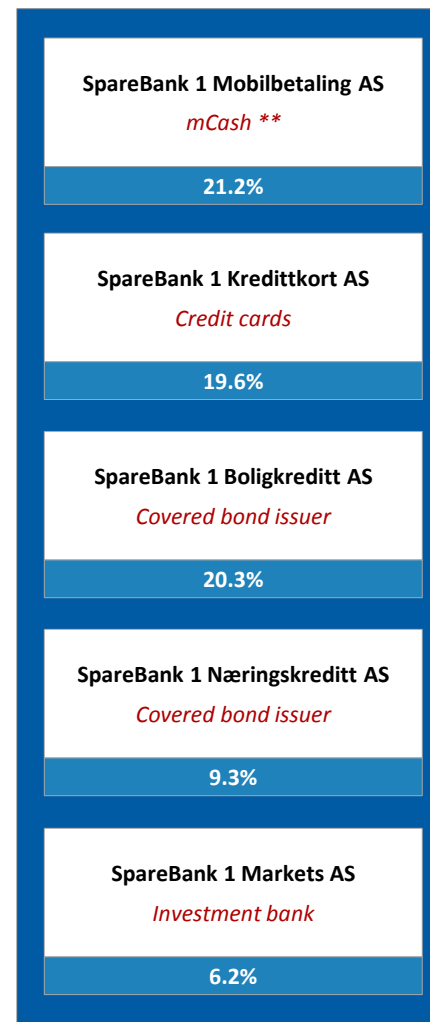
## Key comments

- The SpareBank 1 Alliance ("SB1A") consists of 14 independent savings banks, who cooperate on branding and providing a joint platform.
- SB1A is Norway's second largest \* financial group in terms of total assets.
- SB1A was created in 1996 to strengthen each local bank's competitiveness, profitability and solvency, as well as to ensure each bank's future independence and regional ties.

## Key joint ventures



## Key associated companies



# Group Management

Experienced and competent



## **Richard Heiberg | Chief Executive Officer (CEO)**

Richard is a graduate of the BI Norwegian School of Management and has an MBA from the University of Wisconsin (USA). He has extensive experience from management positions at Norske Skog, Forestia and Nordic Paper. He served on the board at SBHE from 1995 to 2009, the last four years of which were as Chairman. He has been CEO in SBHE since 2010.



## **Dag-Arne Hoberg | Head of Innovation and Business Development**

Dag-Arne graduated in engineering from Norges Tekniske Høgskole in 1981 and continued his education in management and administration. He has extensive managerial experience in the Norwegian IT industry, and assumed his position as head of IT in SBHE back in 1995.



## **Geir-Egil Bolstad | Chief Financial Officer (CFO)**

Geir-Egil holds a degree in economics and business management ("siviløkonom") with a major in finance from BI Norwegian School of Management, and an MBA from NHH. He has worked in B10A for 11 years, as a risk manager, CFO and deputy CEO. He also has previous experience from finance and risk management consulting.



## **Vidar Nordheim | Chief Risk Officer (CRO)**

Vidar holds a degree in Economics and Business Management ("siviløkonom") from BI Norwegian School of Management. He previously worked for Gjensidige Forsikring. Vidar has held a number of positions in SBHE since he started working for the bank back in 1990.



## **Hans Olav Wedvik | Head of Corporate Banking**

Hans Olav holds a bachelor's degree in business administration from BI and supplementary qualifications within finance and risk management from NHH. He has previously worked in DnB Finans, DnB Asset Management ASA, and from 2006 to 2016 he was the CEO of SpareBank 1 Finans Østlandet AS. He has been part of SBHE's Group Management since 2016.



## **Espen Mejlænder-Larsen | Head of Organizations and Capital Markets**

Espen holds a BSc in Economics and Business Management and a MSc in Investment and Financing from BI Norwegian School of Management. He has worked in several positions in B10A since 1995, among other Head of Treasury and Capital Markets. He has also worked in SEB (2011-2014) as a fixed income broker responsible for funding in Norwegian savings banks.



## **Kari Elise Gisnås | Head of Personal Banking**

Kari holds degrees in finance from the Norwegian College of Agriculture, marketing management from BI Norwegian School of Management and customer relationship management from NKI. She has managerial experience from the banking and finance and from the food industry. Kari also has extensive board experience. She has worked at SBHE since 2001.



## **Gudrun Michelsen | Chief Operating Officer (COO)**

Gudrun is a certified public accountant with additional education which includes law studies. She has worked for several years within accounting and management consulting, and has long experience from different leadership roles in B10A.



## **Siv Stenseth | Head of Communications**

Siv holds a degree in journalism from Norsk Journalisthøgskole and a MSc in Management and Communications from BI Norwegian School of Management. She also holds a degree in social work (SHT) and has extensive experience in the areas of media and communications and in working with individuals. She has worked in her current position at SBHE since 2003.



## **Eldar Kjendlie | Head of HR and Legal**

Eldar holds a BSc in Business and a MSc in Management and Employment Law from BI Norwegian School of Management. He has worked in a variety of positions at SBHE since 1988 and has experience in project management and committee work.

# Board of Directors

Seasoned and diligent



**Siri J. Strømmevold | Chairwoman**

Member of the BoD since 2006 and chairwoman since 2012. She holds a BSc in Engineering with Computer Science from Kongsberg Ingeniørhøgskole, a BSc in Electronics from Telemark Ingeniørhøgskole and is a Business Economist from NKS. She is the CEO and owner of Tynset Bokhandel. Previous experience from Saga Petroleum, Statoil and Mobil Exploration.



**Nina C. Lier | Deputy Chairwoman**

Member of the BoD since 2010 and deputy chairwoman since 2016. She holds a MSc in Economy and Business Administration from the Norwegian School of Economics (NHH). She has worked several years in the health sector. She is CFO of Sykehuset Innlandet HF. Previous experience from Oppland Sentralsykehus and PriceWaterhouseCoopers DA.



**Erik Garaas | Board Member**

Member of the BoD since 2013. He holds a Cand. Oecon from the University of Oslo, an YMP from INSEAD and a TEP from the University of Virginia. Erik has previous experience as Group EVP in Gjensidige Forsikring, Group MD of the Finance Department in Gjensidige, CEO in Gjensidige NOR Asset Management and GM in DNB Asset Management. He retired in 2012.



**Guro Nina Vestvik | Board Member (foundation)**

Member of the BoD since 2016. She holds a BSc in Business and Administration from BI Norwegian School of Management as well as a one year program in Administration and Leadership from Hedmark University. Guro is working as PM in Eleverumregionens Næringsutvikling AS. Previous experience from Moelven Industrier ASA and Gjensidige.



**Morten Herud | Board Member**

Member of the BoD since 2013. He holds a MSc in Economy and Business Administration from the School of Business at the University of Gothenburg. He currently is MD in Sintef Raufoss Manufacturing-Kongsvinger AS. Morten has previous experience from 7sterke AS, Ibas AS, Walbro Automotive AS, Hydro Aluminium Magnor AS, Nevi Finance AS and Nevi Corporate AS.



**Hans-Christian Gabrielsen | Board Member (LO)**

Member of the BoD since 2016. He holds a Certificate of Apprenticeship as Process Operator and a BSc in Management and Organization from Vestfold University College. He currently is President of LO. He has previous experience from the Norwegian United Federation of Trade Unions, Røyken Kommune, Røyken Arbeiderparti, SB1 Gruppen and B10A.



**Espen Bjørklund Larsen | Board Member (employee representative)**

Member of the BoD since 2007. He has studied two years of Business and Administration, and one year of Innovation, at Hedmark University. He also has an Executive Master of Management from BI Norwegian Business School. Espen holds several positions through the Finance Sector Union of Norway. Previous experience from SBHE (Customer Service and Wealth Management).



**Vibeke Hanvold Larsen | Board Member (employee representative)**

Member of the BoD since 2016. She holds a BSc in Business and a Graduate Diploma in Information Technology from Swinburne University of Technology (Melbourne, Australia). She currently works in SPOL as a Customer Service Representative at the Retail Customer Centre. Vibeke has previous experience as Store Manager at Coop Prix and Coop Mega.



# Transition from Self-Owned to Listed ECC Bank

The ECCs secure broad ownership and facilitate aligned interests among stakeholders

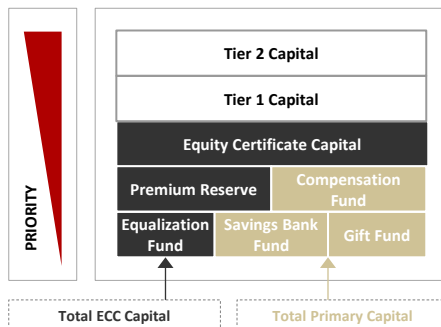
## The ECCs at a glance

01	106,202,540 ECCs outstanding
02	ECCs own 67% of Total Equity
03	ECCs control 30% of the Sup. Board
04	Foundation will own >50% of ECCs

## ECC owners pre IPO

Name	# of ECCs	%
The Foundation	79,740,000	75.1 %
LO * and affiliated unions	15,881,965	15.0 %
Samarbeidende Sparebanker AS	5,438,749	5.1 %
SpareBank 1 Nord-Norge	1,713,942	1.6 %
SpareBank 1 SR-Bank	1,713,942	1.6 %
SpareBank 1 SMN	1,713,942	1.6 %

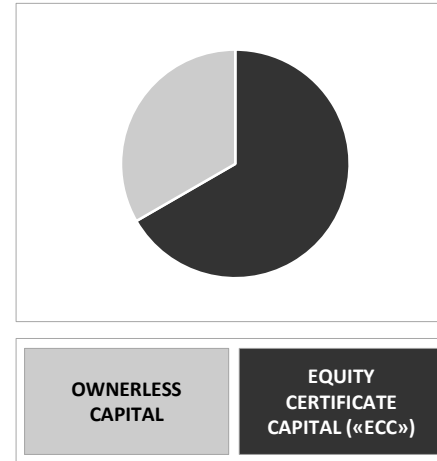
## Equity structure in ECC banks



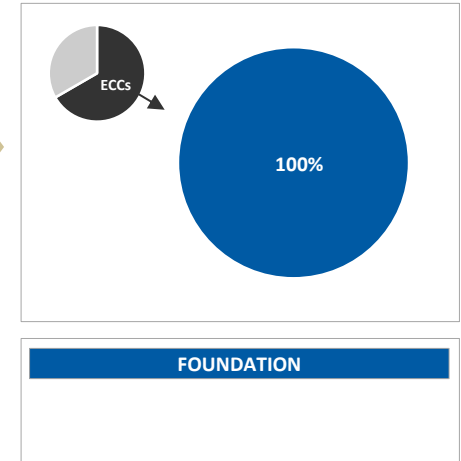
## About the ECC instrument

- ECC banks have 2 types of equity capital:
  - Primary Capital ("ownerless" equity):** Retained earnings built up over time.
  - ECC Holders' Equity:** Equity Certificate Capital and related equity reserves.
- ECCs are similar to shares. Key differences are:
  - Rights to assets/profits.
  - Governing influence.
- Main ECC principles are:
  - Profits are distributed proportionally on the basis of total equity ownership share.
  - Negative profits are mainly absorbed by the Primary Capital.
  - The Articles of Association predefine the power ECC owners have in governing bodies.

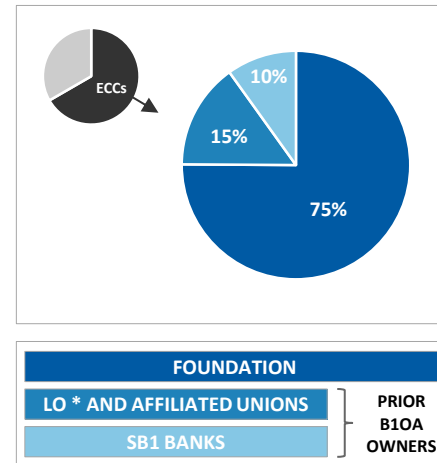
## Conversion of Equity Capital



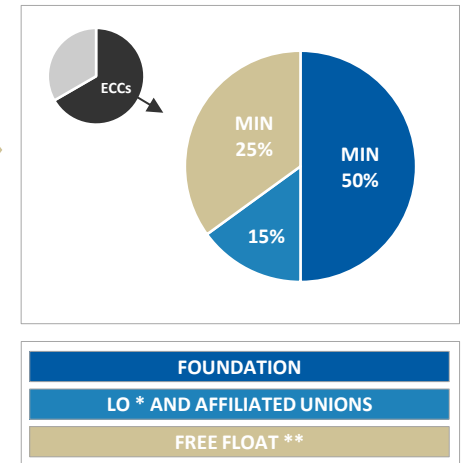
## #1: SBHE post Conversion



## #2: SBHE post B10A



## #3: SPOL post IPO



## The Foundation at a glance

- **Unique:**
  - Largest Equity Capital Certificate foundation in Norway.
  - Cash Reserves of up to approx. NOK 1.5bn \* and growing.
- **Long-term:**
  - Infinite time-horizon in principle.
  - Shall always own at least 50% of the ECCs (according to bylaws).
  - Active and competent ownership with BoD representation.
- **Focus on the local community:**
  - “Self-owned” – based in Hedmark county.
  - Governed by people living in Hedmark with close knowledge of the bank and local community.
  - Capacity and plans for significant donations within a responsible and reasonable framework.

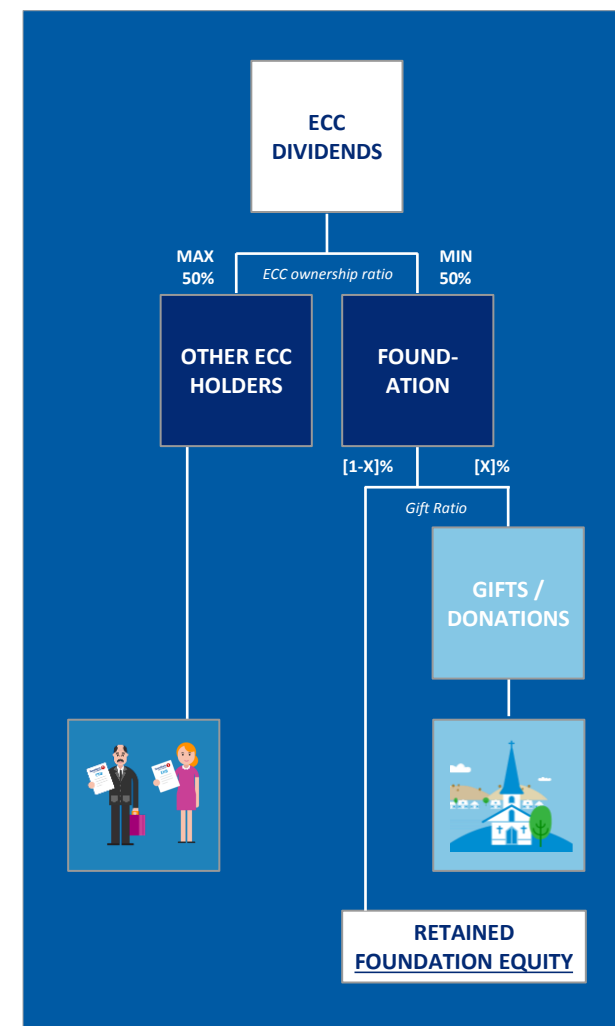
## Important local contributor

- 01 Culture
- 02 Education
- 03 Research
- 04 Sports



*The foundation will first and foremost prioritize the district that has built up the equity capital of the former SBHE when distributing gifts*

## Distribution of ECC dividends



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# Q1 2017 Summary

Stable underlying performance - Expenses affected by merger integration

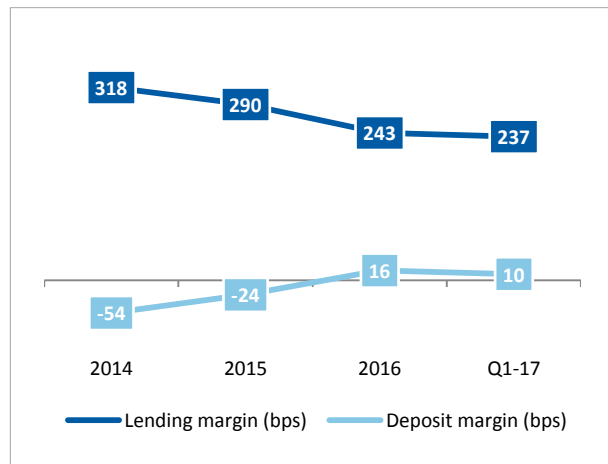
01	PORTFOLIO GROWTH	Annual growth of <b>91.6%</b> in gross loans excl. cov. bonds - <b>NOK 84.9bn</b> at the end of Q1 2017.
02	NET INTEREST MARGIN	Net interest income in percent of average assets of <b>1.85%</b> - up from <b>1.79%</b> in 2016.
03	OTHER INCOME	Non-interest income <b>39.9%</b> of total income.
04	COST / INCOME RATIO	Group cost/ income ratio of <b>56.5%</b> - reflecting merger integration expenses.
05	LOAN LOSSES	Annualized loan losses of <b>-0.12%</b> - write-backs in the quarter of <b>NOK 26m</b> .
06	RETURN ON EQUITY	Annualized ROE after tax of <b>9.3%</b> .
07	CET 1 RATIO	CET 1 ratio of <b>16.7%</b> - well above target of <b>16.0%</b> .
08	DEPOSITS	Deposit ratio of <b>73.9%</b> .
09	NON-PERFORMING LOANS *	<b>0.51%</b> of total commitments at end of Q1 2017 - down from <b>0.55%</b> at the end of 2016.
10	TOTAL PROVISIONS **	Total provision ratio of <b>81.0%</b> .



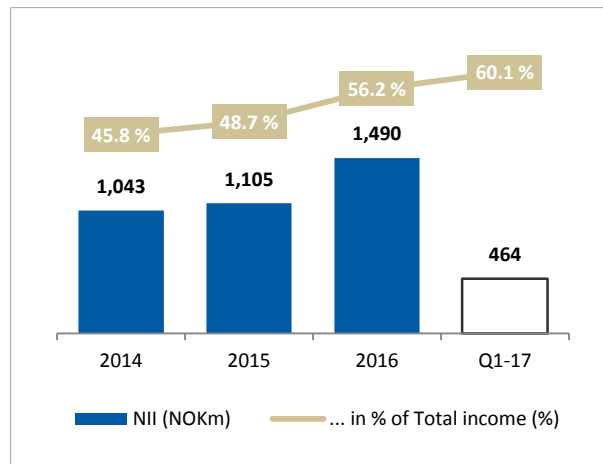
# Key Income Statement Figures

Diverse source of income, stable cost base, low loan losses and solid profitability

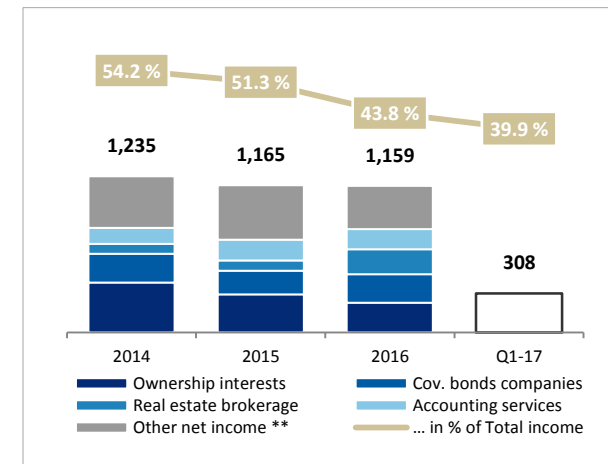
### Key customer margins vs. 3m NIBOR



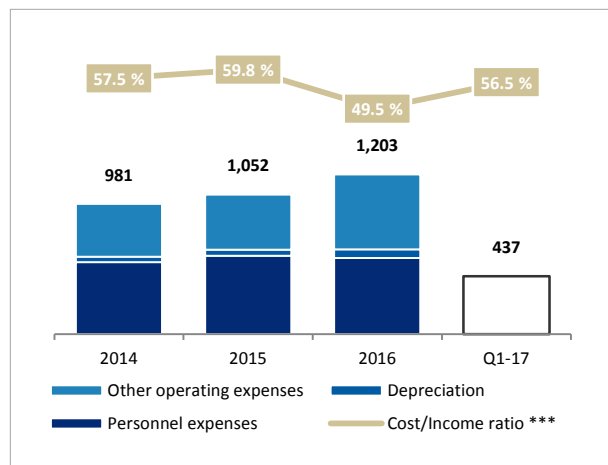
### Net interest income



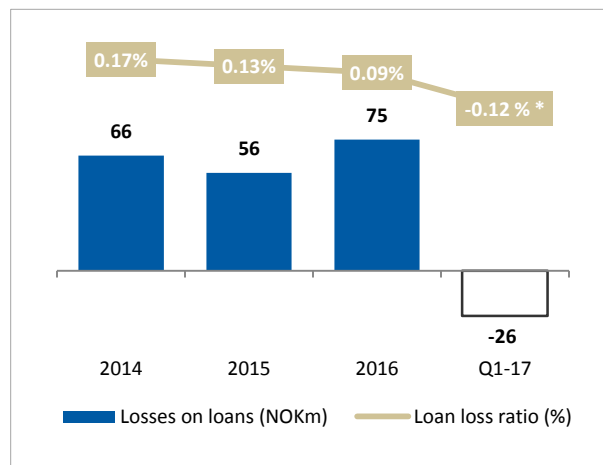
### Other income



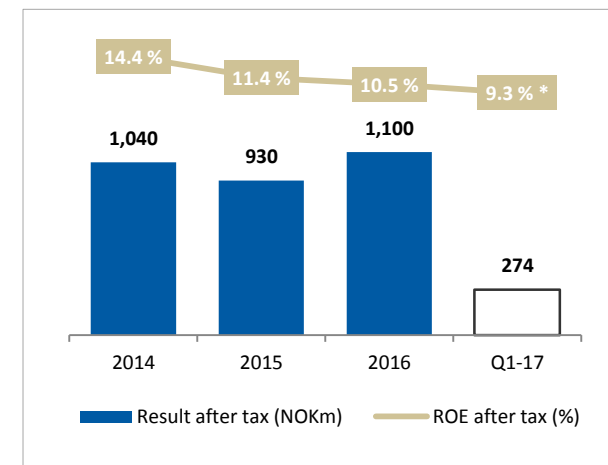
### Operating expenses



### Losses on loans



### Result after tax

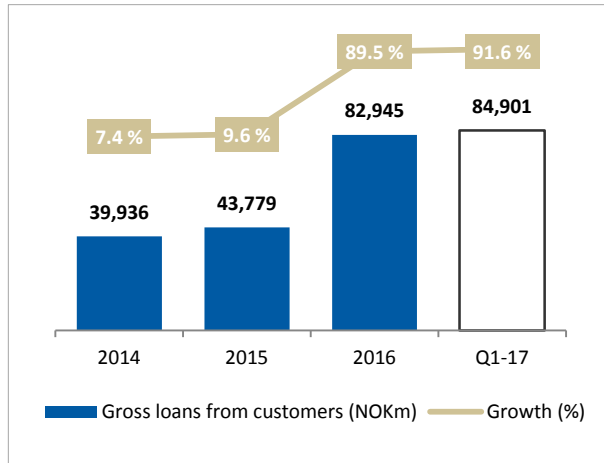




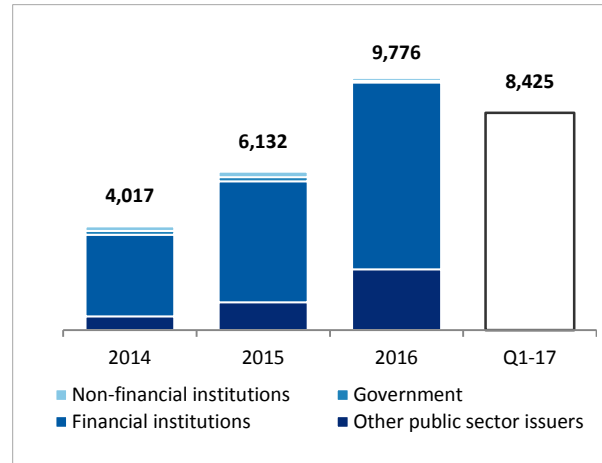
# Key Balance Sheet Figures

Well managed Balance Sheet with sound credit quality

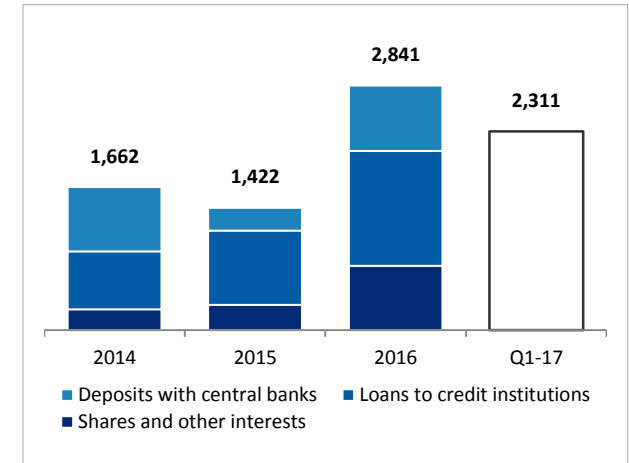
### Gross loans to customers



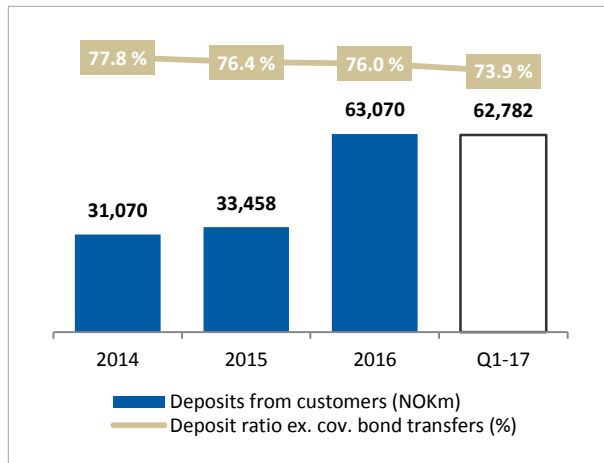
### Certificates and bonds



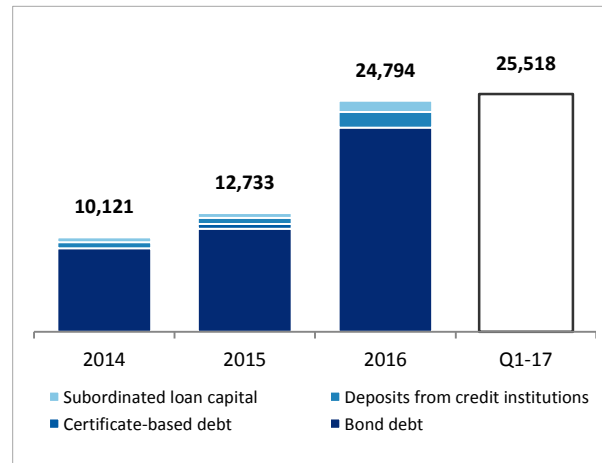
### Other liquid assets



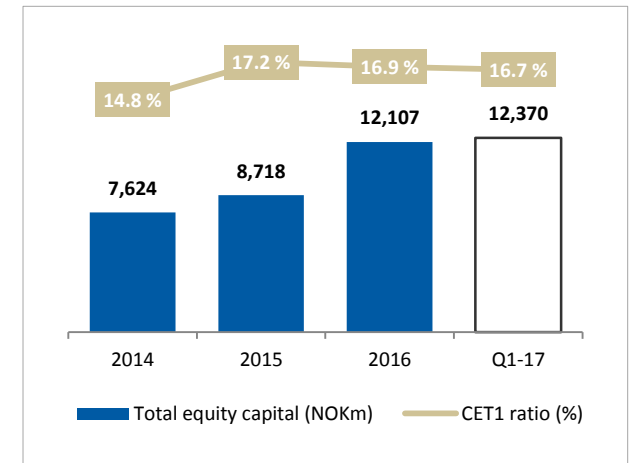
### Deposits from customers



### Other funding sources



### Total equity



# Detailed Financial Figures

## Income Statement and Balance Sheet

### Income Statement

NOKm	YE 2016	YE 2015	YE 2014	Q1 2017	Q1 2016
Interest income	2,494	1,972	2,101	787	472
Interest expenses	1,004	867	1,058	322	176
<b>Net interest income</b>	<b>1,490</b>	<b>1,105</b>	<b>1,043</b>	<b>464</b>	<b>297</b>
Commission income	830	514	575	277	123
Commission expenses	71	53	50	22	13
Other operating income	180	190	138	53	50
<b>Net commission and other income</b>	<b>939</b>	<b>651</b>	<b>663</b>	<b>308</b>	<b>160</b>
Dividends from other than group companies	46	9	13	9	0
Net profit from ownership interests	236	301	394	6	70
Net profit from other financial assets and liabilities	-62	205	166	-14	-63
<b>Net income from financial assets and liabilities</b>	<b>220</b>	<b>514</b>	<b>572</b>	<b>0</b>	<b>7</b>
<b>Total net income</b>	<b>2,649</b>	<b>2,270</b>	<b>2,279</b>	<b>773</b>	<b>464</b>
Personnel expenses	573	590	543	232	148
Depreciation	65	46	41	21	11
Other operating expenses	565	416	397	184	94
<b>Total operating expenses</b>	<b>1,203</b>	<b>1,052</b>	<b>981</b>	<b>437</b>	<b>253</b>
<b>Profit before losses on loans and guarantees</b>	<b>1,446</b>	<b>1,218</b>	<b>1,298</b>	<b>335</b>	<b>211</b>
Losses on loans and guarantees	75	56	66	-26	9
<b>Profit/loss before tax</b>	<b>1,371</b>	<b>1,162</b>	<b>1,232</b>	<b>361</b>	<b>202</b>
Tax charge	271	233	192	88	33
<b>Results for the accounting year</b>	<b>1,100</b>	<b>930</b>	<b>1,040</b>	<b>274</b>	<b>169</b>

### Balance Sheet

NOKm	YE 2016	YE 2015	YE 2014	Q1 2017	Q1 2016
<b>ASSETS</b>					
Cash and deposits with central banks	759	264	748	430	544
Loans to credit institutions	1,335	864	675	1,462	888
Loans to customers	82,537	43,526	39,691	84,523	44,050
Certificates and bonds	9,776	6,133	4,017	8,425	6,261
Financial derivatives	810	455	531	786	507
Shares, units and other equity interests	747	294	239	419	303
Investments in associates and joint ventures	3,618	3,386	3,073	3,617	3,538
Assets held for sale	5	-	-	5	-
Property, plant and equipment	587	341	336	586	345
Goodwill and other intangible assets	371	211	185	368	210
Deferred tax asset	-	-	33	-	-
Other assets	695	497	406	1,240	538
<b>Total assets</b>	<b>101,240</b>	<b>55,971</b>	<b>49,934</b>	<b>101,861</b>	<b>57,185</b>
<b>LIABILITIES</b>					
Deposits from credit institutions	1,654	660	665	1,558	1,250
Deposits from customers	63,070	33,458	31,070	62,782	33,675
Liabilities arising from issuance of securities	21,937	11,576	8,951	22,754	11,743
Financial derivatives	349	320	330	307	312
Current tax liabilities	247	167	150	117	135
Deferred tax liabilities	118	65	-	106	48
Other debt and liabilities recognised in the BS	554	510	639	662	538
Subordinated loan capital	1,203	496	505	1,206	491
<b>Total liabilities</b>	<b>89,132</b>	<b>47,253</b>	<b>42,310</b>	<b>89,491</b>	<b>48,190</b>
<b>EQUITY CAPITAL</b>					
Equity capital certificates	5,310	3,987	-	5,310	3,987
Premium funds	520	-	-	520	-
Dividend equalisation fund	974	503	-	974	503
Primary capital	3,313	3,019	6,645	3,307	3,015
Provision for gifts	33	50	42	29	46
Fund for unrealised gains	134	135	109	136	151
Hybrid capital	400	-	-	400	-
Dividends	148	-	-	148	-
Other equity	1,228	1,023	827	1,498	1,253
Minority interests	47	-	-	49	40
<b>Total equity capital</b>	<b>12,107</b>	<b>8,718</b>	<b>7,624</b>	<b>12,370</b>	<b>8,995</b>
<b>Total equity capital and liabilities</b>	<b>101,240</b>	<b>55,971</b>	<b>49,934</b>	<b>101,861</b>	<b>57,185</b>

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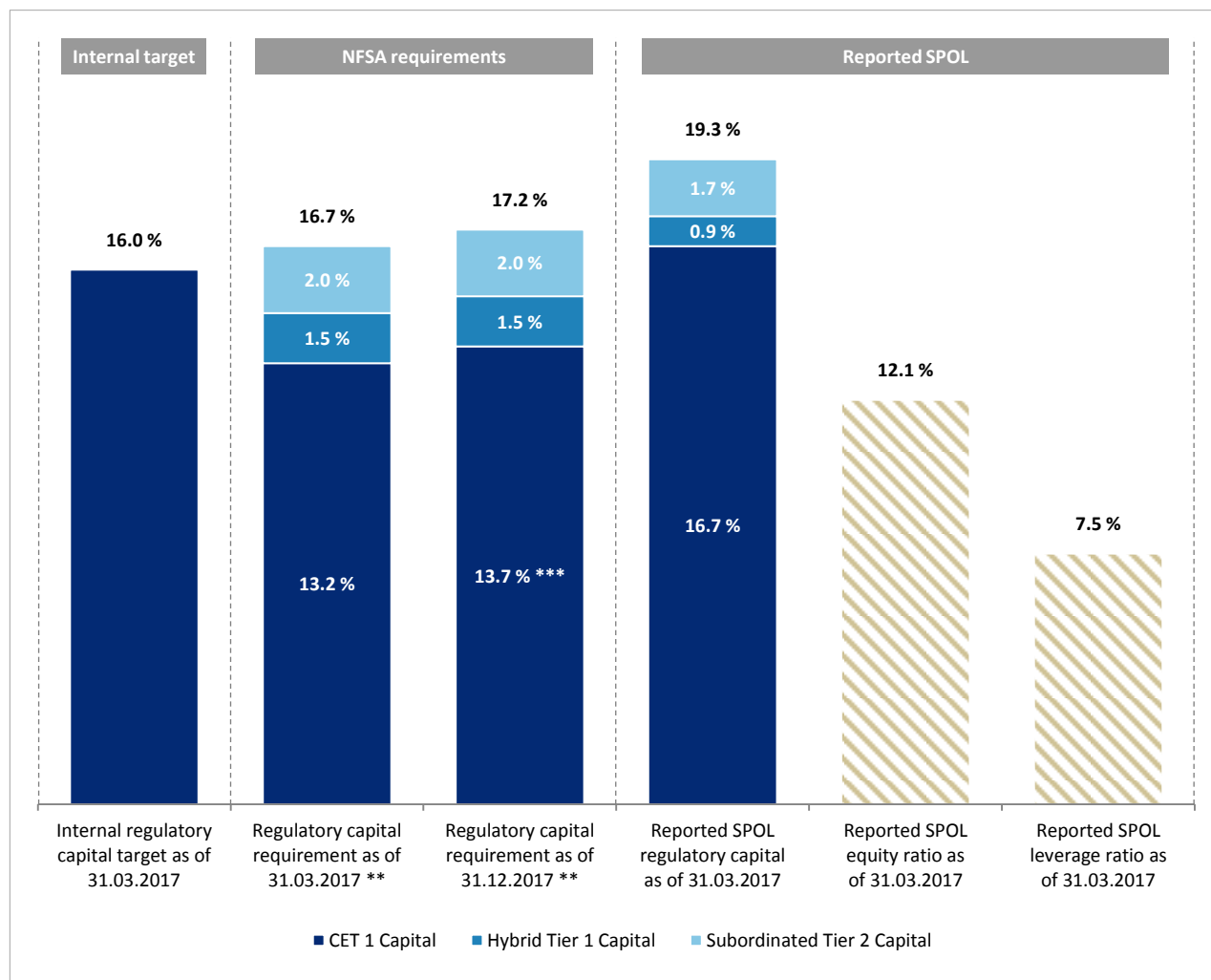
07

Summary and Long-Term Ambitions

# Regulatory Capital

SPOL is Norway's most solid regional savings bank \* with a CET 1 ratio of 16.7%

## Capital ratios as of 31 March 2017

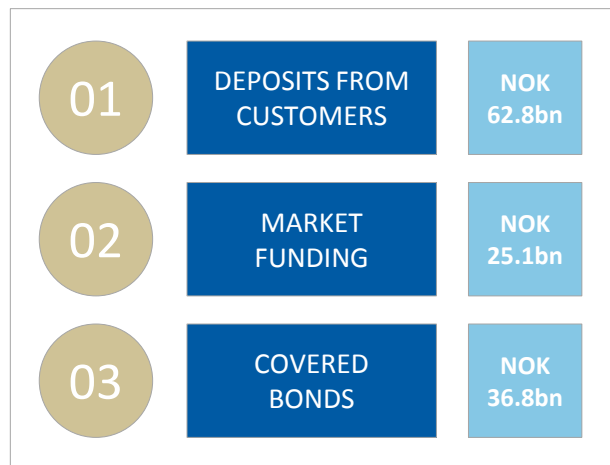


## Key comments

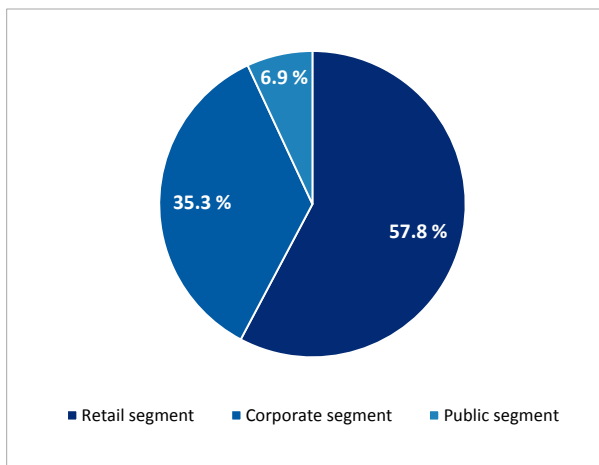
- One of very few banks that did not need support during the banking crisis in Norway in the early 1990s.
- Aims to remain the most solid regional savings bank with a CET 1 ratio target of 16.0%.
- Actual CET 1 ratio and leverage ratios of 16.7% and 7.5%, respectively (Q1 2017).
- In addition, the Foundation will be a long-term owner with solid capital reserve.



## Sources of funding \*



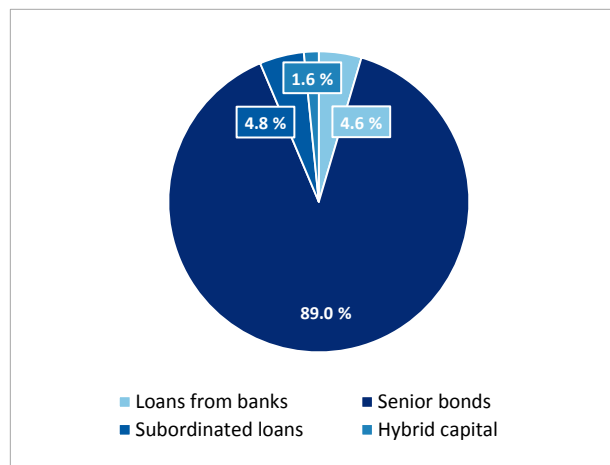
## Deposits from customers by type \*



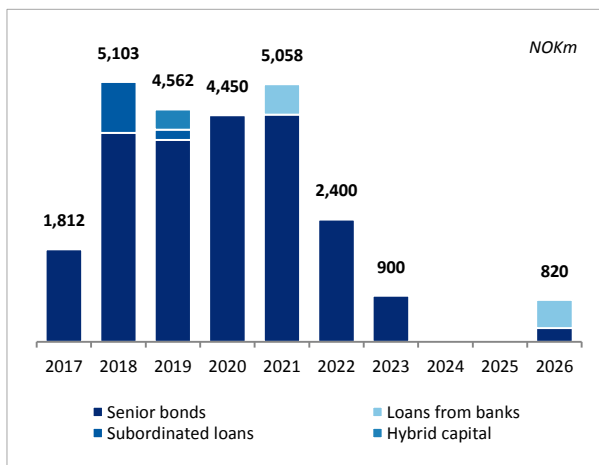
## Key comments

- Deposits as key source of funding - small, stable deposits accounting for 64%.
- Significant share of deposits from local municipalities and LO.
- Covered bond financing through SpareBank 1 Alliance companies.
- Market funding largely in Norway at competitive prices.
- Average time to maturity for market funding of 3.1 years as of Q1 2017.

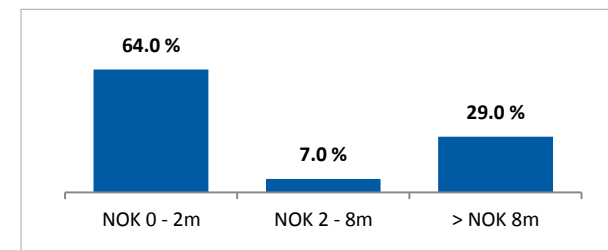
## Market funding by type \*



## Market funding by maturity \*



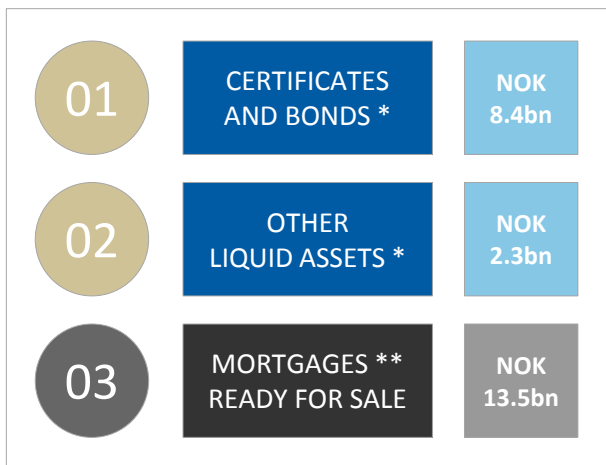
## Deposits from customers by size \*



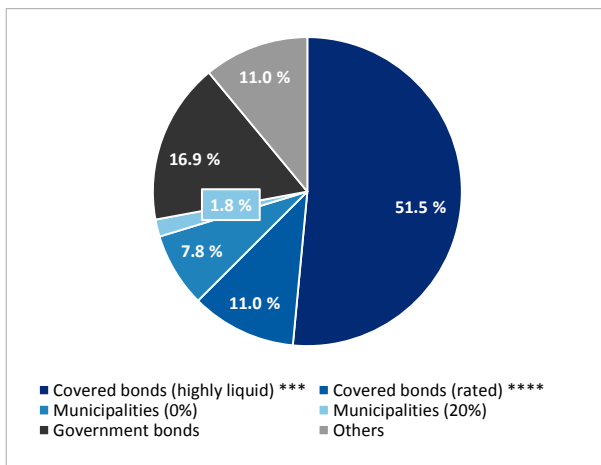
## Deposits ratios \*

Deposit ratio ex. covered bonds	73.9%
Deposit ratio incl. covered bonds	51.6%

## Sources of liquidity



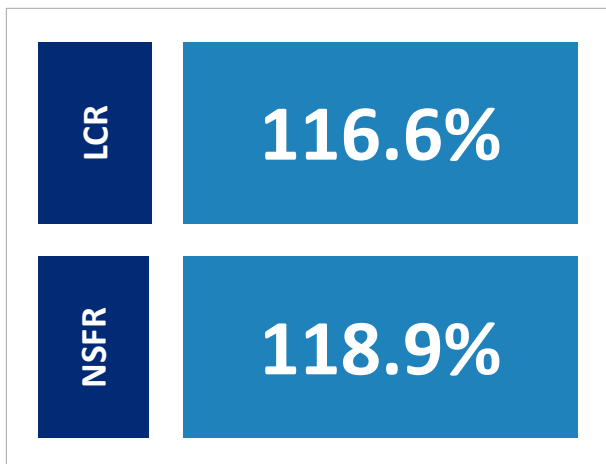
## Certificates and bonds by type \*



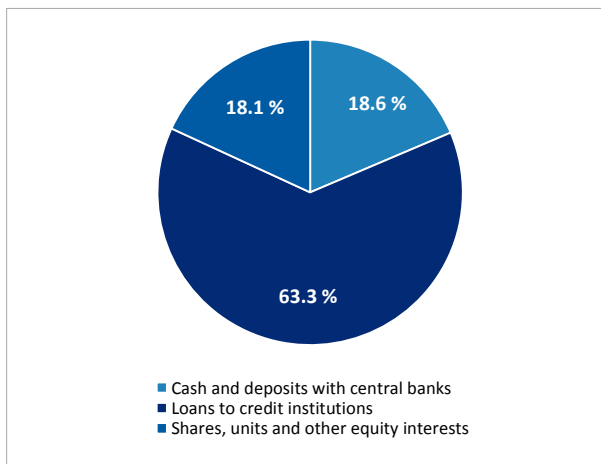
## Key comments

- Main part of liquidity portfolio consisting of high-quality certificates and bonds, mostly from Norwegian covered bond issuers and municipalities.
- LCR-ratio of 116.6% - well above the year end 2017 requirement of 100%.
- Mortgages ready for sale to the covered bond company adds to liquid reserves.
- Internal liquidity requirement of 12 months of normal business without access to external financing.

## Liquidity ratios \*\*



## Other liquid assets by type \*



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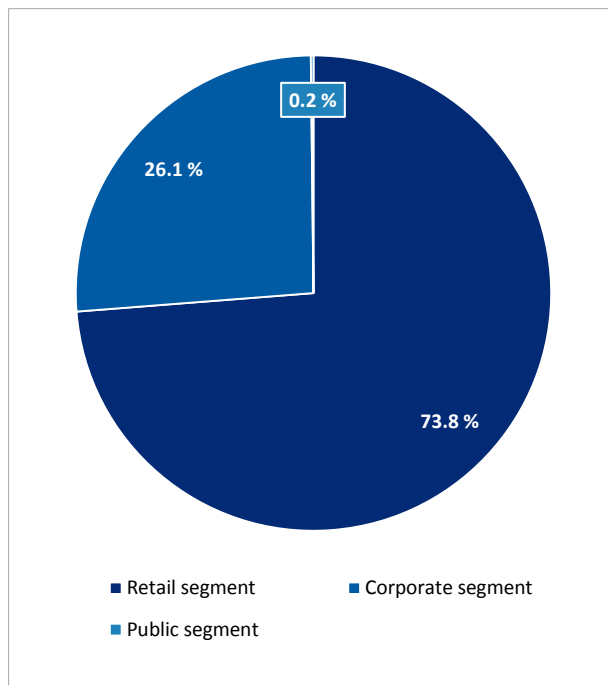
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Summary and Long-Term Ambitions

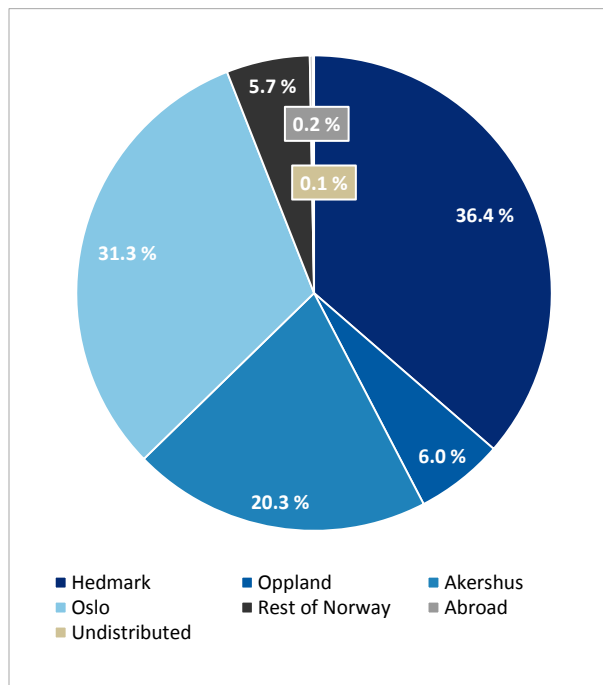
# Diversified Loan Portfolio

High retail share and widespread geographical exposure results in a balanced portfolio

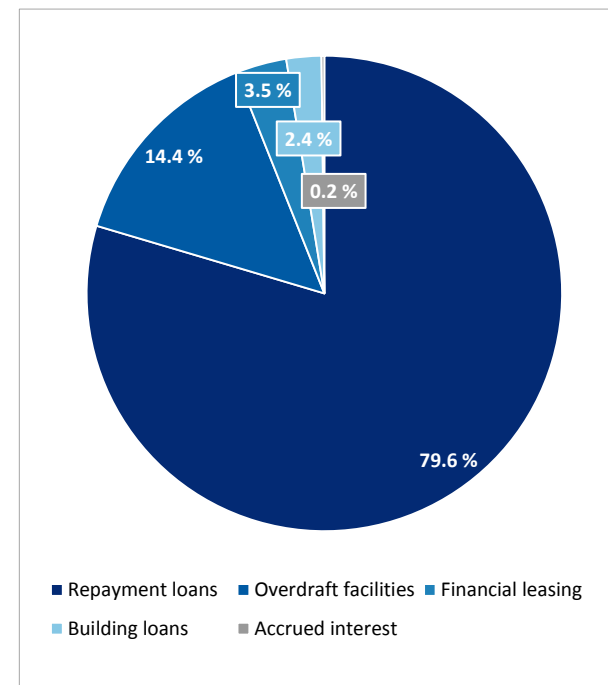
Gross loans incl. cov. bonds by market \*



Gross loans by geography \*\*



Gross loans by type \*



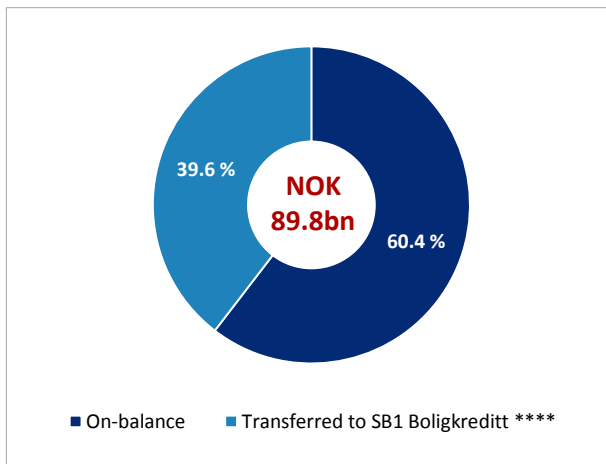
- Solid loan portfolio with low loan losses, limited defaulted and other doubtful commitments, healthy provisions and satisfactory diversification.
- High retail share of lending of 73.8% vs. corporate share of lending of 26.1%.
- Weighted LTV on the mortgage portfolio including loans transferred to covered bond companies of 56.7% \*.
- Commercial real estate loans as the largest corporate lending exposure (approx. 48.7% \*) - well diversified geographically, by type and by tenant base.
- Loans to agricultural sector as the second largest corporate lending exposure (approx. 13.8% \*) - a sector with below average loan losses historically.



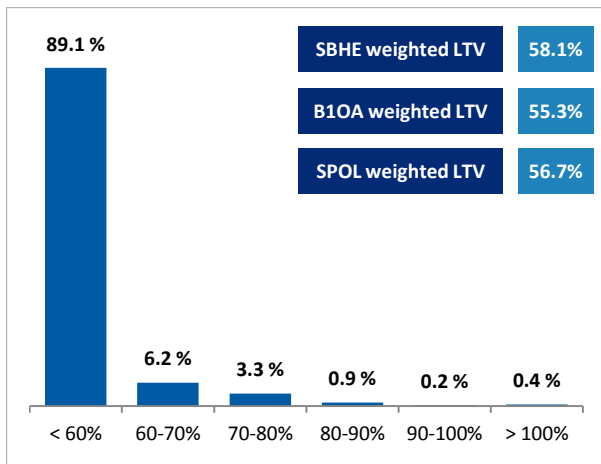
# Retail Segment

73.8% of gross loans including transfers to covered bond companies

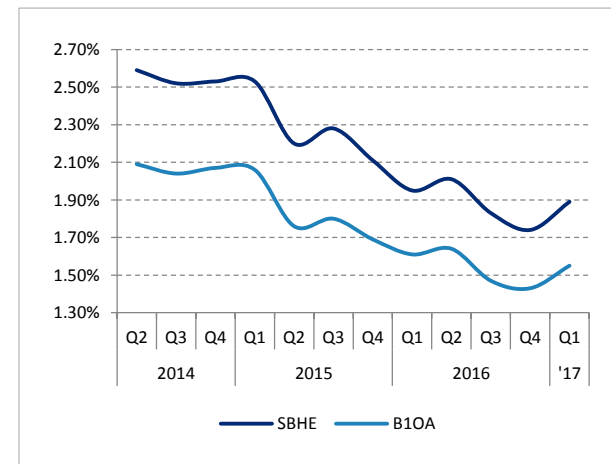
On-balance vs. covered bond transfers \*



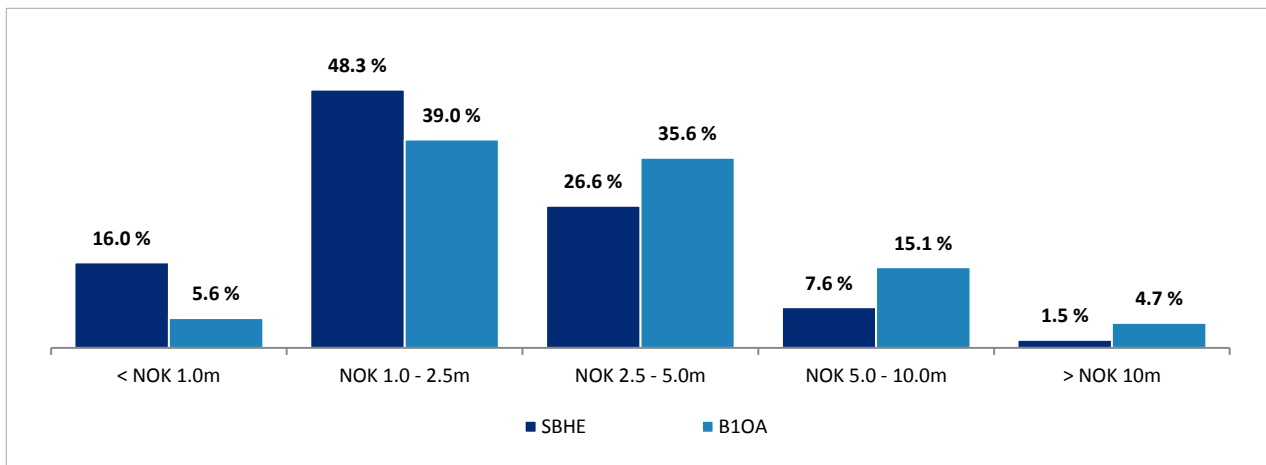
Retail segment incl. cov. bonds by LTV \*



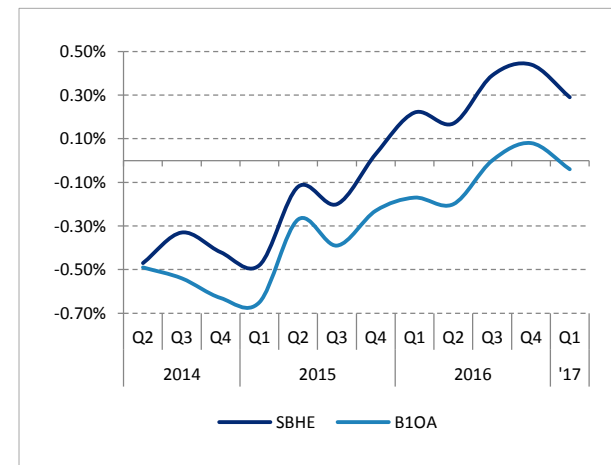
Development in lending margins \*\*\*



Retail segment incl. cov. bonds by size \*\*



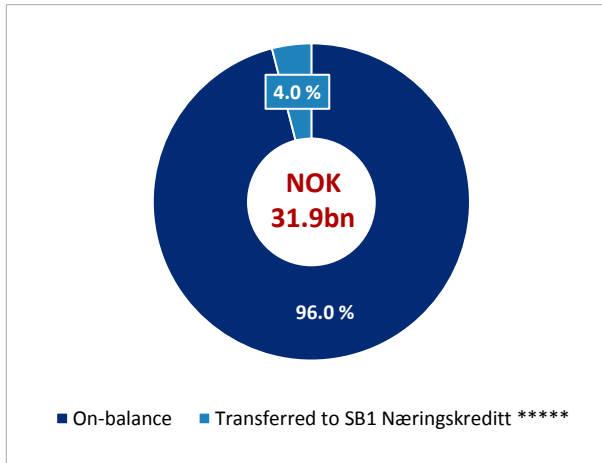
Development in deposit margins \*\*\*



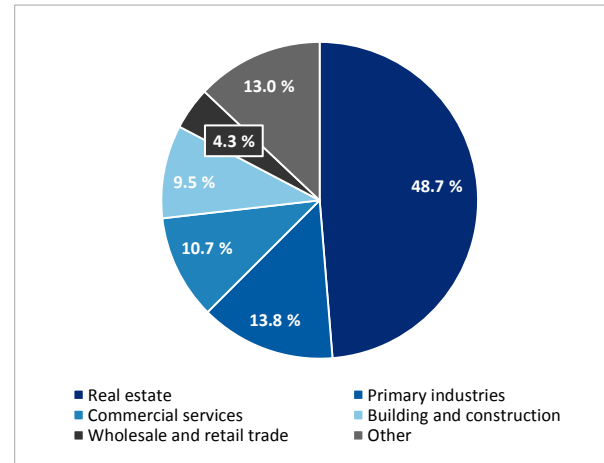
# Corporate Segment \*

26.1% of gross loans including transfers to covered bond companies

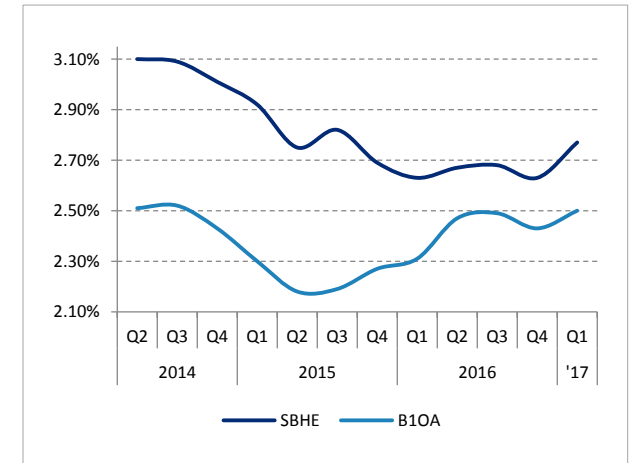
On-balance vs. covered bond transfers \*\*



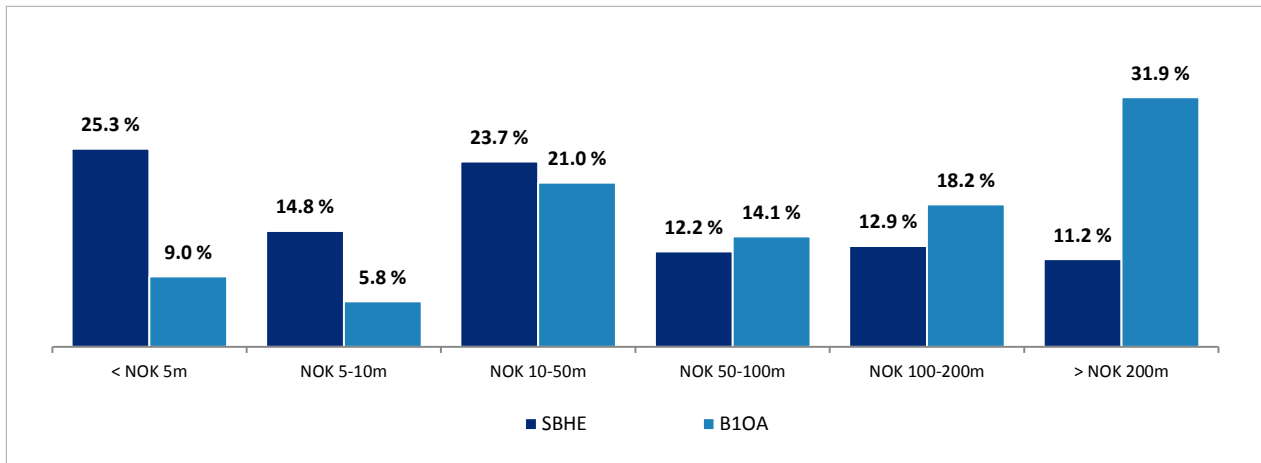
Corporate segment incl. cov. bonds by sector \*\*



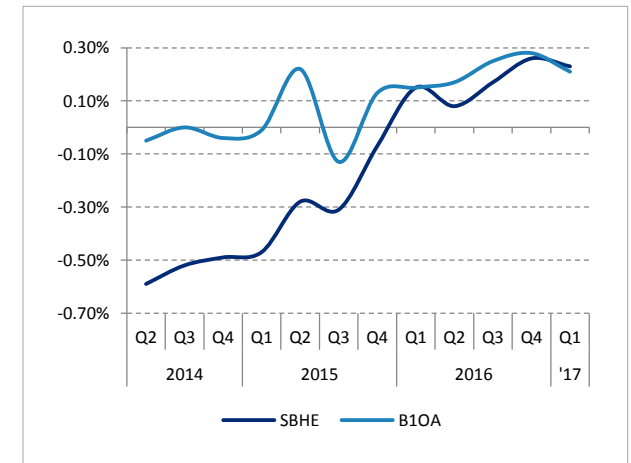
Development in lending margins \*\*\*\*



Corporate segment incl. cov. bonds by size \*\*\*



Development in deposit margins \*\*\*\*



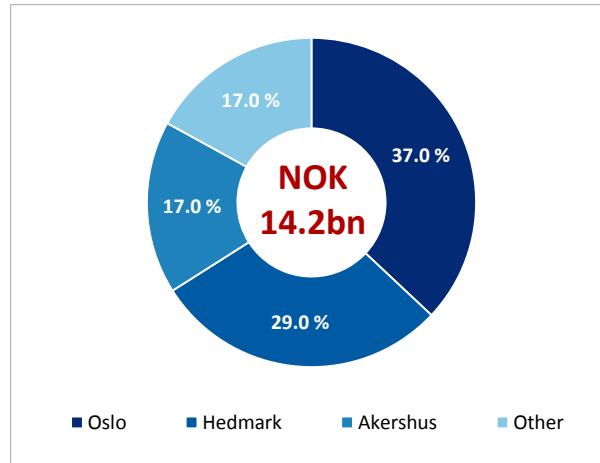
# Commercial Real Estate Exposure

## Overview

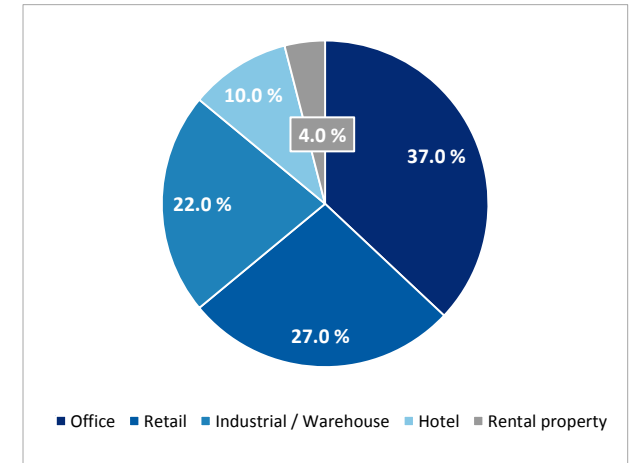
### Key comments

- Largest corporate lending exposure (48.7% \*\* of corporate lending including transfers to covered bond companies).
- Well secured with satisfactory LTV.
- Well-diversified geographically, by type of buildings and by tenant base.
- Long remaining time to maturity on rental contracts, with more than 50% on contracts longer than 5 years.

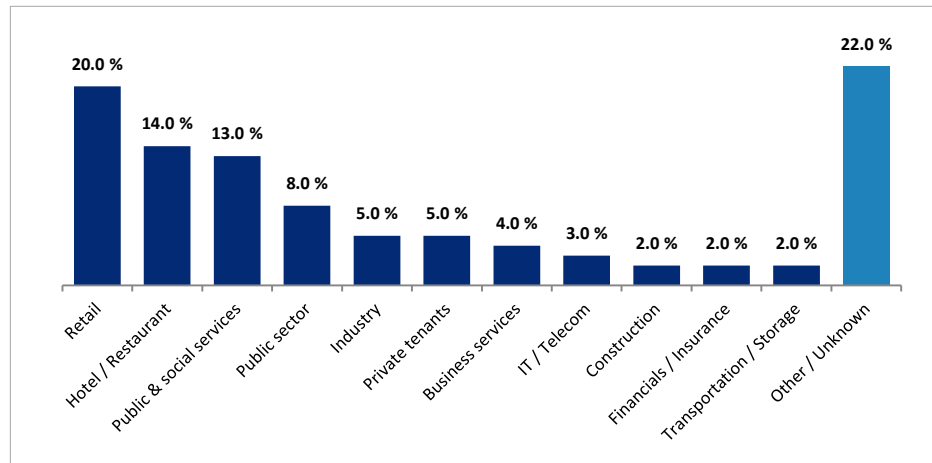
### Real estate exposure by geography \*



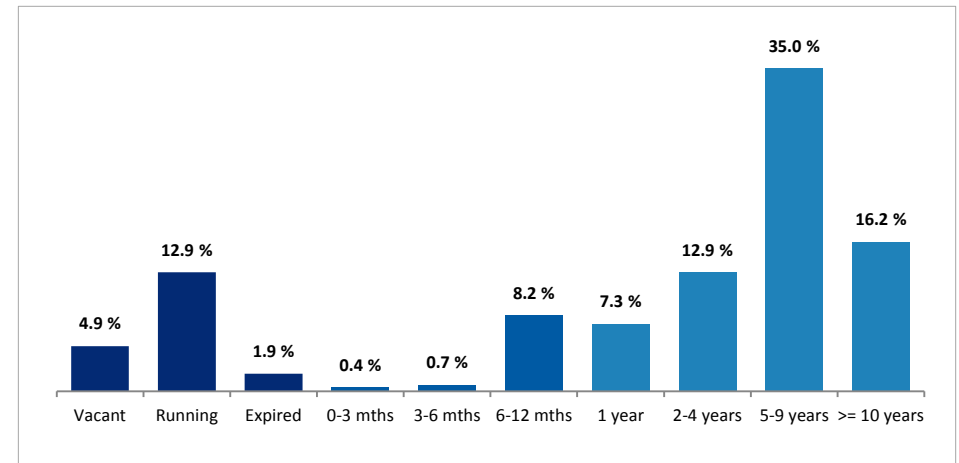
### Real estate exposure by category \*



### Share of rental income by sector \*



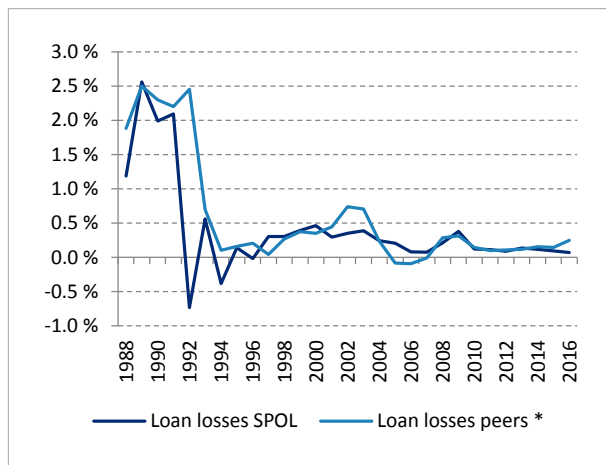
### Remaining time to maturity on rental contracts \*



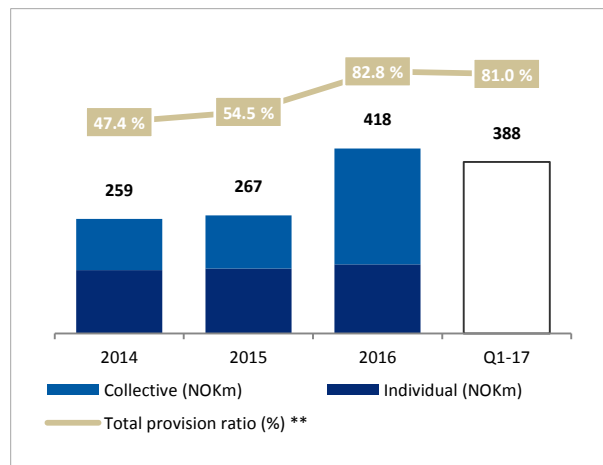
# Solid Loan Portfolio Quality

Low loan losses, limited defaulted and other doubtful commitments and healthy provisions

## Long history of low loan losses



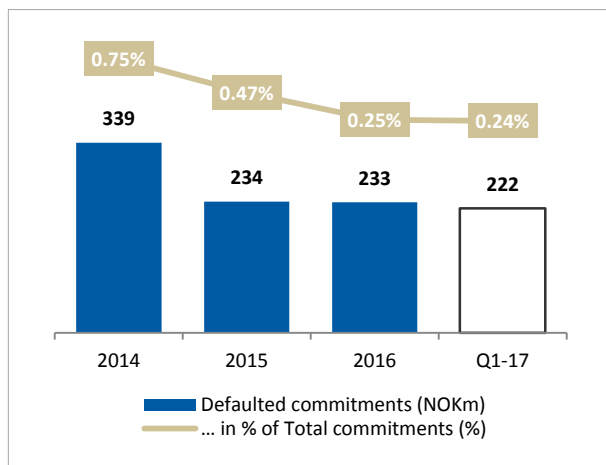
## Collective and individual provisions



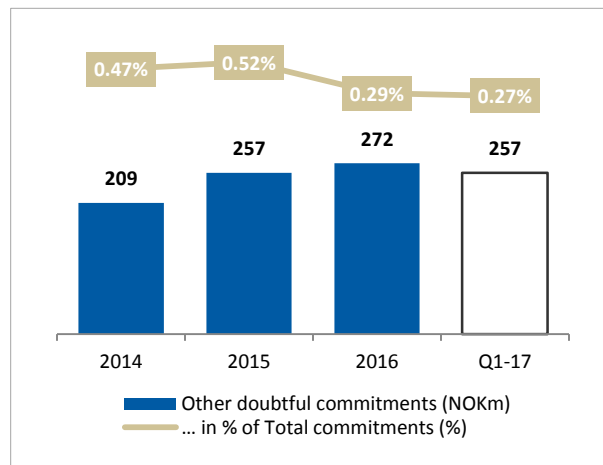
## Key comments

- Long history of low and stable losses.
- Low level of defaulted and other doubtful commitments.
- Solid provision buffer.
- Important contributing factors:
  - Simple / transparent business model.
  - Professional credit risk management.
  - Conservative lending practice.
  - Local banking strategy.
  - Cyclically stable home-region.

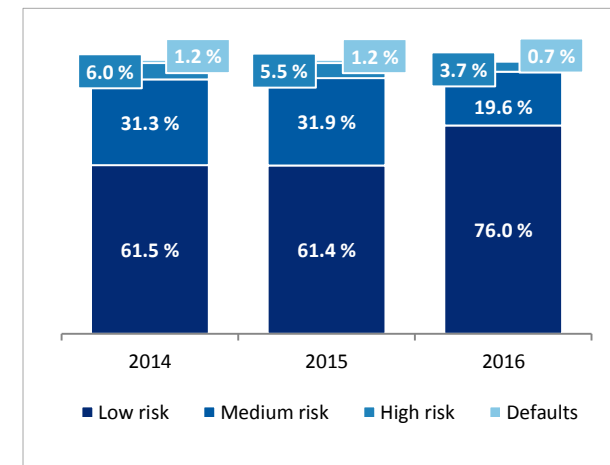
## Defaulted commitments (past due >90 days)



## Other doubtful commitments



## Gross loans by risk classification



# Strong Credit Rating

Low business and financial risk together with a stable outlook yields a “baa1” rating

## Key comments \*

### Credit ratings

Baseline credit assessment	Long-term deposit rating	Senior unsecured debt rating	Outlook
baa1	A1	A1	STABLE

### Credit strengths

- “SPOL's ratings are supported by its very strong macro profile.”
- “Solid capital levels – which are the strongest among peers.”
- “Asset risk metrics improve post acquisition of B10A – on the back of a lower credit risk portfolio.”
- “Large volume of deposits and junior debt resulting in deposit ratings benefiting from a very low loss-given-failure rate.”
- “Moderate probability of government support results in one additional notch of uplift for issuer and deposit ratings.”

### Credit Challenges

- “The bank's funding profile is underpinned by relatively high reliance on market funding but also a sizeable deposit base.”
- “Acquisition of B10A exerts some pressure on profitability, although we expect a gradual recovery.”

## Rating report from Moody's Investors Service dated 12 April 2017 \*



### CREDIT OPINION

12 April 2017

Update

Rate this Research >>

#### RATINGS

SpareBank 1 Østlandet	
Domicile	Hamar, Norway
Long Term Debt	Not Assigned
Type	Not Assigned
Outlook	Not Assigned
Long Term Deposit	A1
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

#### Contacts

Nondas Nicolaidis	357-2569-3006
VP-Sr Credit Officer - EMEA Banking Group	nondas.nicolaidis@moody.com
Malika Takhtayeva	44-20-7772-8662
Associate Analyst	malika.takhtayeva@moody.com
Louise Eklund	46-8-5025-6569
Associate Analyst	louise.eklund@moody.com
Jean-Francois Tremblay	44-20-7772-5653
Associate Managing	

### SpareBank 1 Østlandet

Update

#### Summary Rating Rationale

Moody's assigns a baseline credit assessment (BCA) of baa1 to SpareBank 1 Østlandet (known as Sparebanken Hedmark prior to April 2017), a long-term deposit rating of A1, and a senior unsecured debt rating of A1. We also assign a Counterparty Risk Assessment (CR Assessment) of Aa3(cr) long term and Prime-1(cr) short term.

SpareBank 1 Østlandet BCA of baa1 primarily reflects the bank's strengthened franchise and solid regional position following the acquisition of Bank 1 Oslo Akerhus (B10A) in June 2016 and its legal merger (absorption of B10A as a fully-owned subsidiary) on 1 April 2017, as well as the bank's healthy standalone credit profile. The immediate benefits conferred to the bank include improvements in its asset quality position (problem loans ratio dropped to 0.6% in December 2016 from 1.2% in December 2015), as well as deeper loans and earnings geographical diversification, greater reach in the Oslo-Akershus area and opportunities for further expansion of its client base. Although the transaction has placed some downward pressure on the bank's capital and profitability metrics, we believe that such metrics are likely to recover over the medium term. The bank's BCA also takes into account its relatively high level of capital markets funding, a common feature among the largest savings bank in Norway.

The bank's A1 deposit and senior unsecured debt ratings take into account our Loss Given Failure (LGF) analysis, which benefits from its large volume of deposits and substantial layers of subordination. This liability structure results in very low LGD and in effect two notches of rating uplift from the bank's BCA. In addition our current assessment of a moderate probability of government support results in one additional notch of rating uplift for debt and deposits.

#### Exhibit 1 Rating Scorecard - Key Financial Ratios



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Summary and Long-Term Ambitions

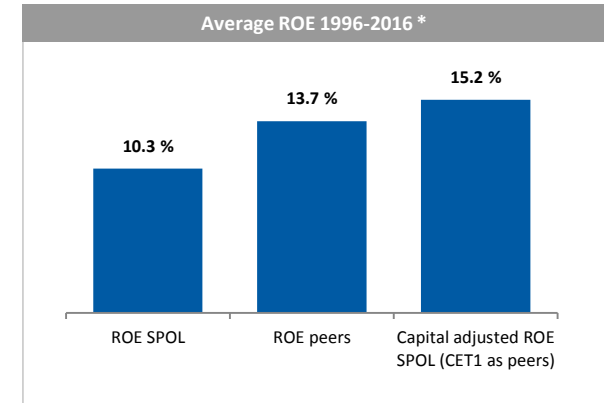
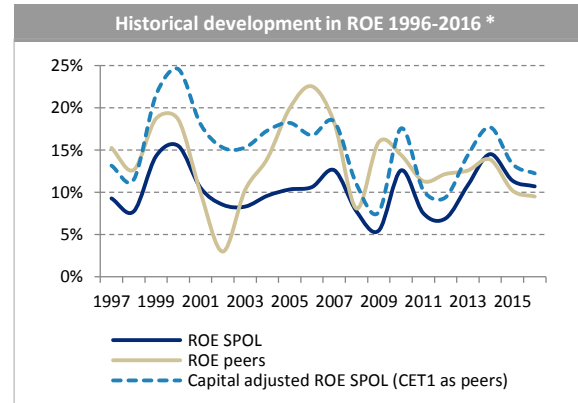
# Profitable with High Dividend Capacity

Long history of consecutive profits and a competitive profitability level vs. peers

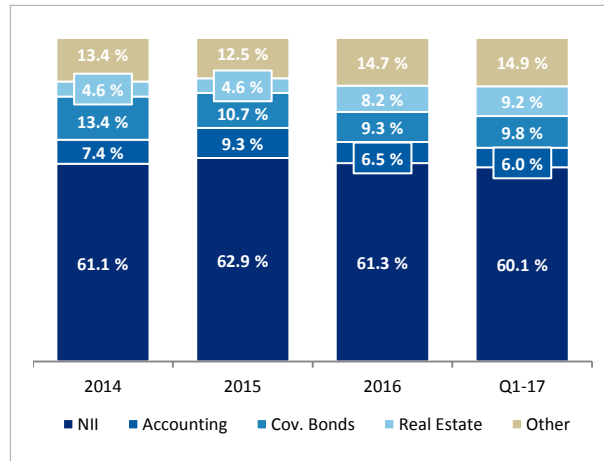
## Key comments

- Profitable operations, with a ROE target of 10% – in line with historical returns.
- Stable profitability over time, with low losses and a transparent business model. No annual deficits since World War II.
- Significant cost synergies from the merger with B1OA – estimated minimum of NOK 75m per annum (from 2018).
- Profitability, stability and capitalization supports competitive and stable dividends, with a targeted dividend share of 50%.

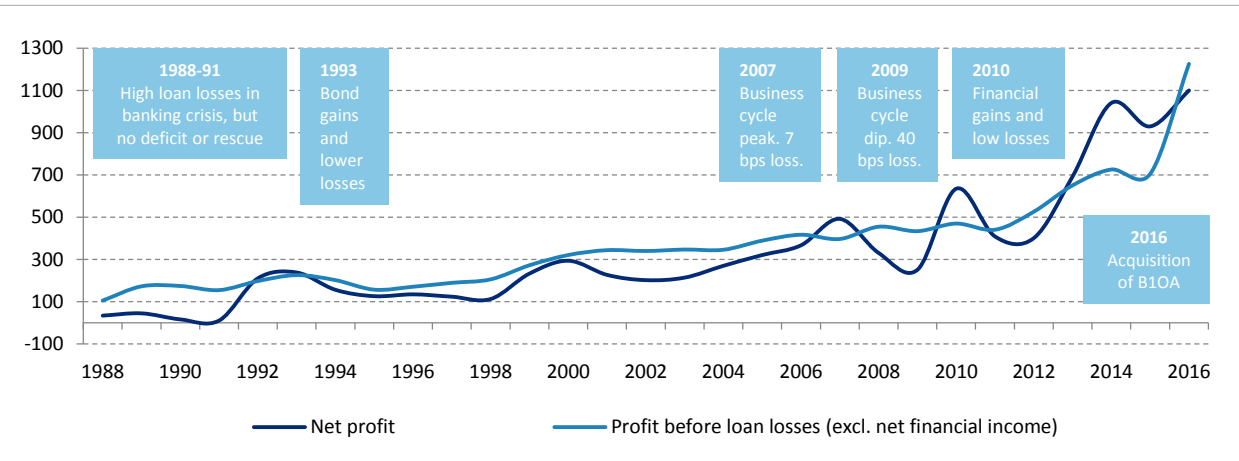
## Strong profitability adjusted for gearing



## Diversified income sources \*\*



## Long history of consecutive profits



# Dividend Policy to ECC holders and Customers

Goal of 50% of SPOL's annual profits to be distributed as ECC and customer dividends

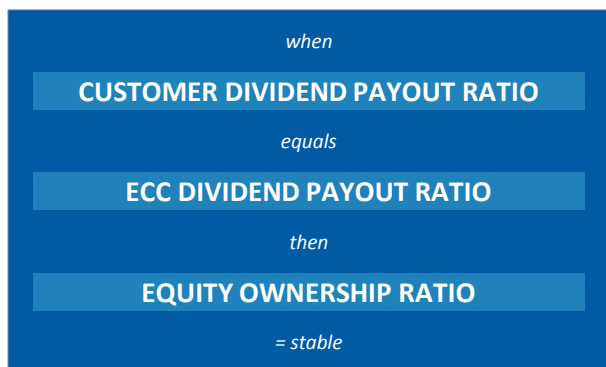
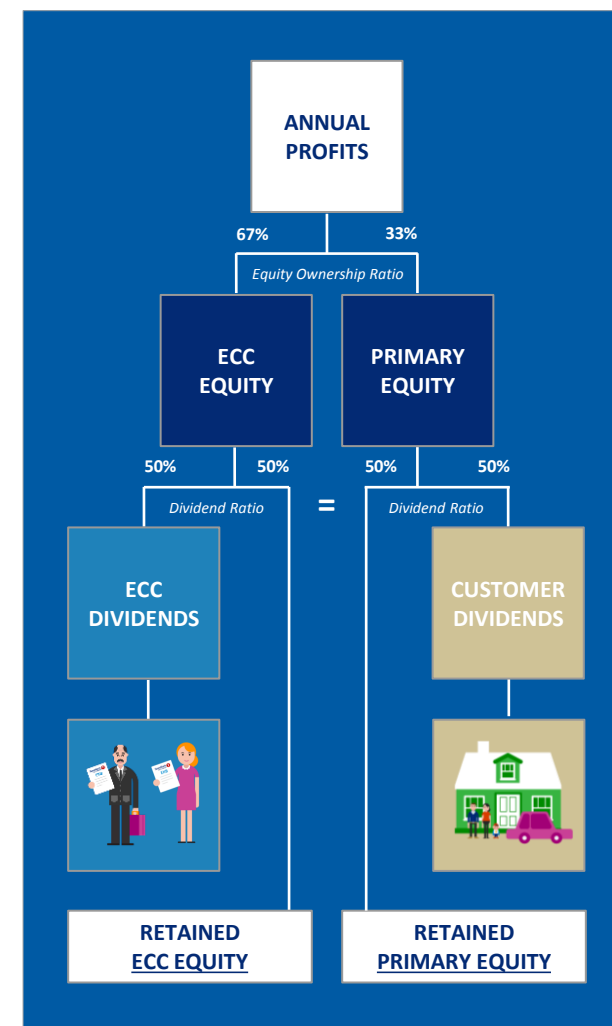
## ECC dividends

- SPOL puts emphasis on giving its ECC owners a competitive and stable cash dividend, based on good profitability and high dividend capacity.
- Goal of a **stable ratio of 50%** of the ECC holders' share of SPOL's annual profit after tax to be distributed as ECC dividends each year.
- The Supervisory Board decides if and how much dividends shall be paid out based on an annual evaluation of SPOL's profitability, financial soundness and market expectations.

## Customer dividends

- SPOL is the first bank in Norway to offer dividends to the bank's customers (both retail and corporate) through a new and innovative distribution mechanism.
- Main purposes:
  1. Provide a new powerful marketing tool which is unique for SPOL in Norway which aims to **increase customer loyalty**.
  2. Provide a simple solution for stabilizing the Equity Ownership Ratio over time (limit ECC dilution) by **balancing ECC dividends vs. customer dividends**.
- Calculated based on customers' daily balances throughout the last calendar year and are granted for deposits up to NOK 2m and loans up to NOK 2m.
- The payout is sourced from the Primary Capital's share of SPOL's annual profits.
- Effective from and including 2017.

## Distribution of profits \*





# Attractive Growth Opportunities

Supported by strong home market position and balanced digital vs. local banking philosophy

## Strong home market position

- Strong market position in Hedmark, with an estimated market share of approximately 50%.
- Spearheading the SpareBank 1 Alliance's ambitions in the capital region – through the acquisition of Bank 1 Oslo Akershus.
- Growth in retail market based on careful lending practices, aimed primarily towards relation customers and union members.
- Strong traditions for innovation – including digital banking.

## SPOL believes in digital banking ...

- Norwegian banks incl. SPOL are in the forefront in digital banking.
- Among our retail customers:
  - 9 out of 10 use either internet or mobile banking regularly.
  - The future is mobile – approx. 23% of our retail customers only use mobile banking.
- Self-sufficiency: 80 % of all retail banking transactions and services done by customers on their own.
- Increasing digitalization also among businesses.

## ... but SPOL also believes in local banking

- Our largest competitor, DNB, is closing many branch offices in the region.
- We believe that most people still want to discuss personal economy with their bank – even the millennials.
- We believe that business leaders need discussion partners that understand their particular situation – especially in the SME segment, including SPOL's agricultural customers.
- We believe that SPOL needs to remain local to remain relevant – as a true savings bank.



*"SPOL launched Europe's first internet bank in 1996 and remain in the forefront"*



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# Key Highlights

SpareBank 1 Østlandet – “a true savings bank”

01

Norway’s most solid regional savings bank \*



02

Low credit risk in loan portfolio  
– very low loan losses



03

Profitable with high dividend capacity



04

Strong home market position  
– attractive growth opportunities



# Strategy and Long-Term Ambitions

Solid operations and attractive financials through stringent strategic direction

## The strategic direction going forward

01

Continue to be the preferred financial partner in the Bank's original market area (Hedmark) – while being the Bank with the strongest growth in new market areas (Oslo, Akershus and Oppland counties).

02

Focus on simple, transparent banking and financial services in the Bank's core markets.

03

Maintain a local presence combined with the Spare-Bank 1 Alliance's leading position in digital channels.

04

Combine the best of the two former banks – with former SBHE's history of solidity and high net interest income and former B1OA's ability to widen SPOL's income base through cross-sales.

## Key long-term financial targets





# SpareBank ØSTLANDET

