



Sparebanken Hedmark

CEO Richard Heiberg, SB1 London Reception, 22 September 2016

Sparebanken
HEDMARK 

Executive summary



- Norway's 4th largest savings bank, following the Bank 1-acquisition.
- Still Norway's best capitalised regional savings bank.

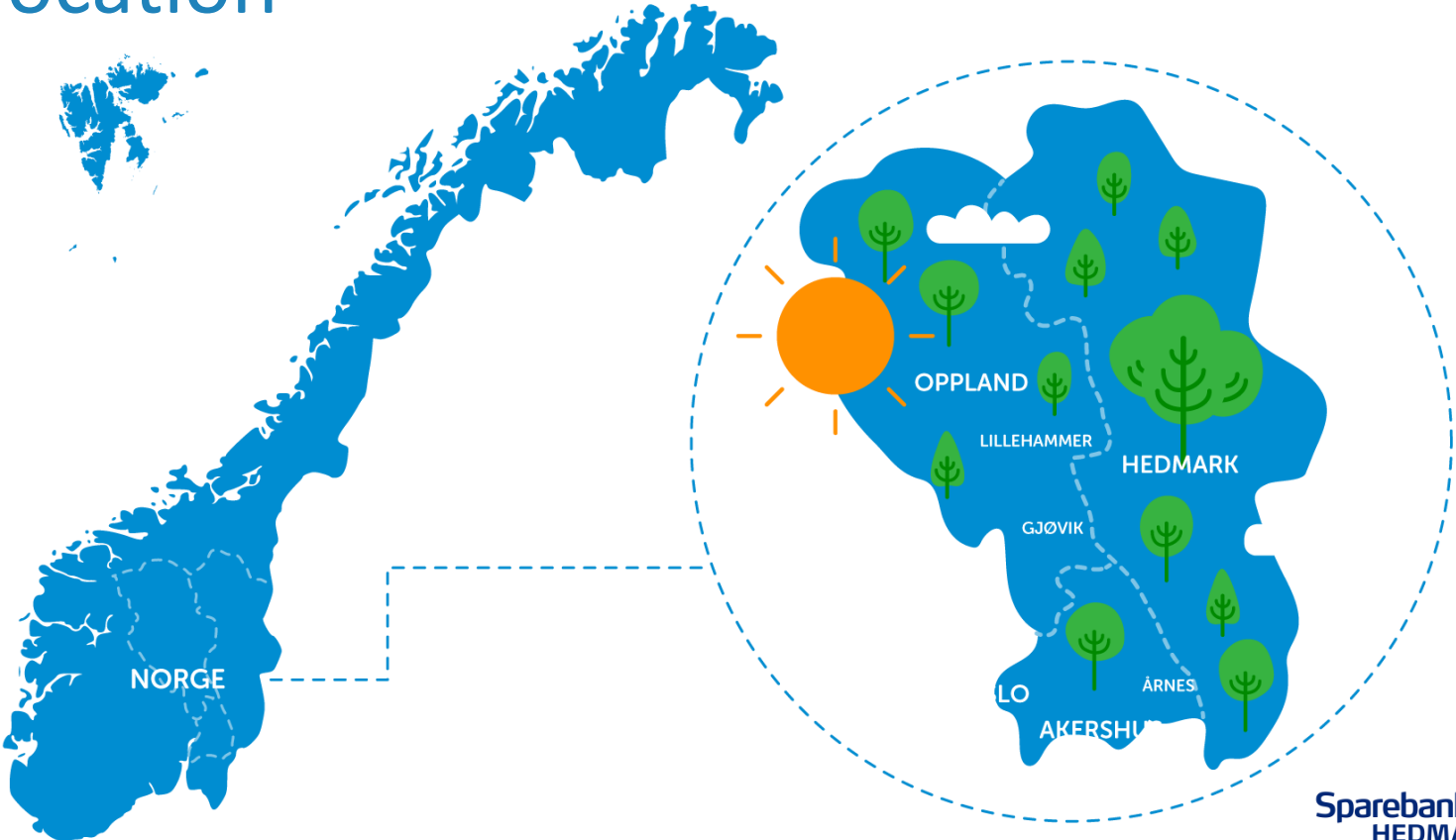


- No oil exposure, high retail share.
- Low loan losses, falling share of problem loans.



- Aim for merger within H1-17, integration process well underway.
- IPO planned for 2017, after the merger.
- EMTN programme established, positioned for non-NOK funding.

Our location



The region



The Inland: Hedmark and Oppland

- Around 8 % of Norway's population and 6 % of GDP.
- Diverse business sector dominated by SMEs.
- Most cyclically stable region, no exposure to oil, shipping or fishing.
- Norway's largest region for agriculture and forestry.



The capital region: Oslo and Akershus

- Around a quarter of Norway's population and a third of GDP.
- Decision centre of Norway, including the central government.
- Europe's highest level of education, half of Norway's R&D.
- Fastest-growing capital in Europe relative to size.

PHOTO: Newsec

«Old» Sparebanken Hedmark in brief



From 22 small, local savings banks to one regional savings bank:

- Established in 1845.
- Operations in Hedmark, Oppland and Akershus (Nes).

Norway's sixth largest savings bank:

- Total adjusted assets of NOK 78 bn (Q2-16).
- 190.000 customers and a market share in Hedmark of 50 %.
- Banking, accounting services, leasing and real estate agency.
- 10 % owner of the SpareBank 1 Group (Insurance).

Norway's best capitalised regional savings bank:

- No operating losses at least since the end of WW2.
- Never needed any equity or liquidity support from public authorities, including during the Nordic banking crisis.
- CET-1 ratio of 16.9 % and leverage ratio of 9.2 % (both in Q1-16).

Bank 1 Oslo Akershus in brief



Bank of the labour unions, Totalisternes Aktiebank:

- Established in 1898.
- Operations in Oslo and Akershus

The SB1 Alliance's bank in the capital region:

- Total adjusted assets of NOK 60 bn, of which NOK 52 bn in loans (Q2-16)
- 80.000 customers, market share in retail and corporate banking of 8 % and 4-5 %, respectively.
- Real estate agency with 9 % market share.

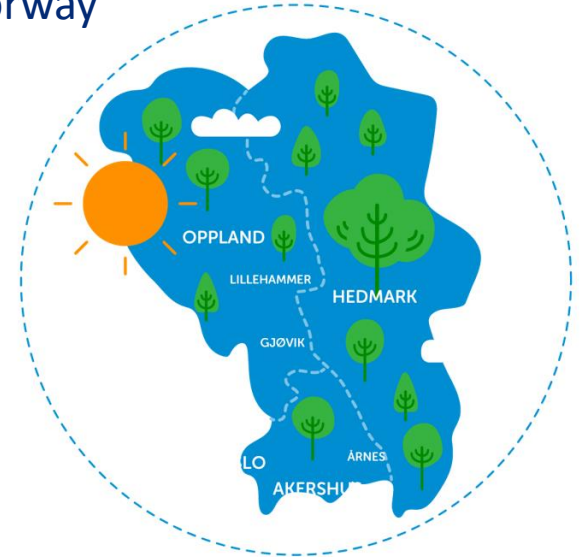


Primarily a retail bank:

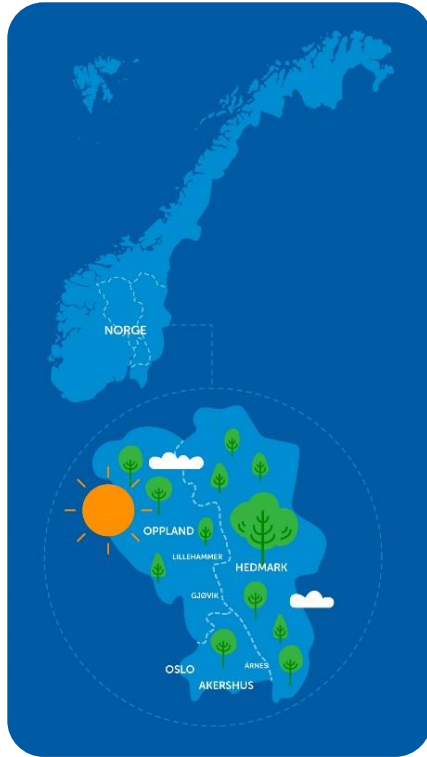
- Retail share of lending of 82 %.
- Very low loan losses, extremely low share of problem loans.
- Rated A- by several investment banks, CET-1 of 14.0 % in Q2-16.

Why acquire Bank 1?

- Strategic positioning towards the largest region in Norway
- Integrated region for labour and housing
- A better and more competent bank
- More diversified loan portfolio
- Reduced costs through synergies
- Improve the efforts of the SB1 alliance in the capital region



«New» Hedmark, unchanged values



Norway's fourth largest savings bank, merger by H1-17 on-track:

- Operations in Hedmark, Oppland Oslo and Akershus.
- Total adjusted assets of NOK 137 bn, with around NOK 115 bn in loans.
- Appr 270.000 customers, 40 branch offices and 1150 employees.
- Owned by the foundation (75 %), LO (15 %) and other SB1-banks.

The strategic direction:

- Maintain position as preferred financial partner in our original market area, while being the bank with the strongest growth in our new market areas.
- Uncomplicated, transparent banking and financial services in our core markets.
- Local presence combined with SB1 Alliance's leading position in digital channels.

New bank, unchanged values:

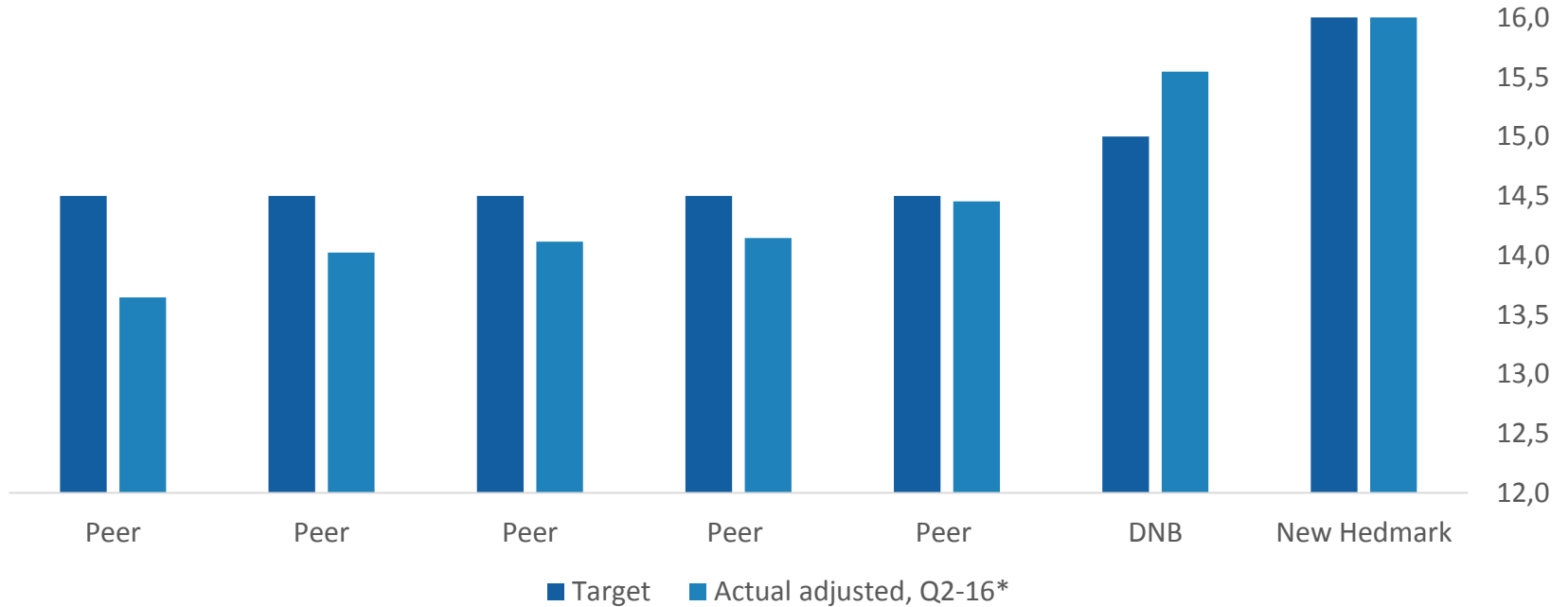
- Still the best capitalised regional savings bank, CET-1 of 16 %.
- Focus on retail and SME lending, continuation of church tower principle.

Still the best capitalised regional savings bank



- Superior solidity remains key to our DNA.
 - Never recorded an operating loss since the end of WW II.
 - The only regional bank that did not need support during the major bank crisis in Norway in the early 1990s.
- Long-term CET-1 target of 16 % - already achieved.
- Foundation as the largest owner
 - Largest EC-foundation in Norway, by a clear margin.
 - Minimum 50 % owner share.
 - Important equity source and infinite time horizon.
 - Liquid reserves of up to NOK 1.5 billion – and growing.

CET-1 targets and actual



* For peers and DNB, Q2-16 includes 75 % of the half-year result while Hedmark's figure includes 80 % of the half-year result

With an uncomplicated and stable loan portfolio



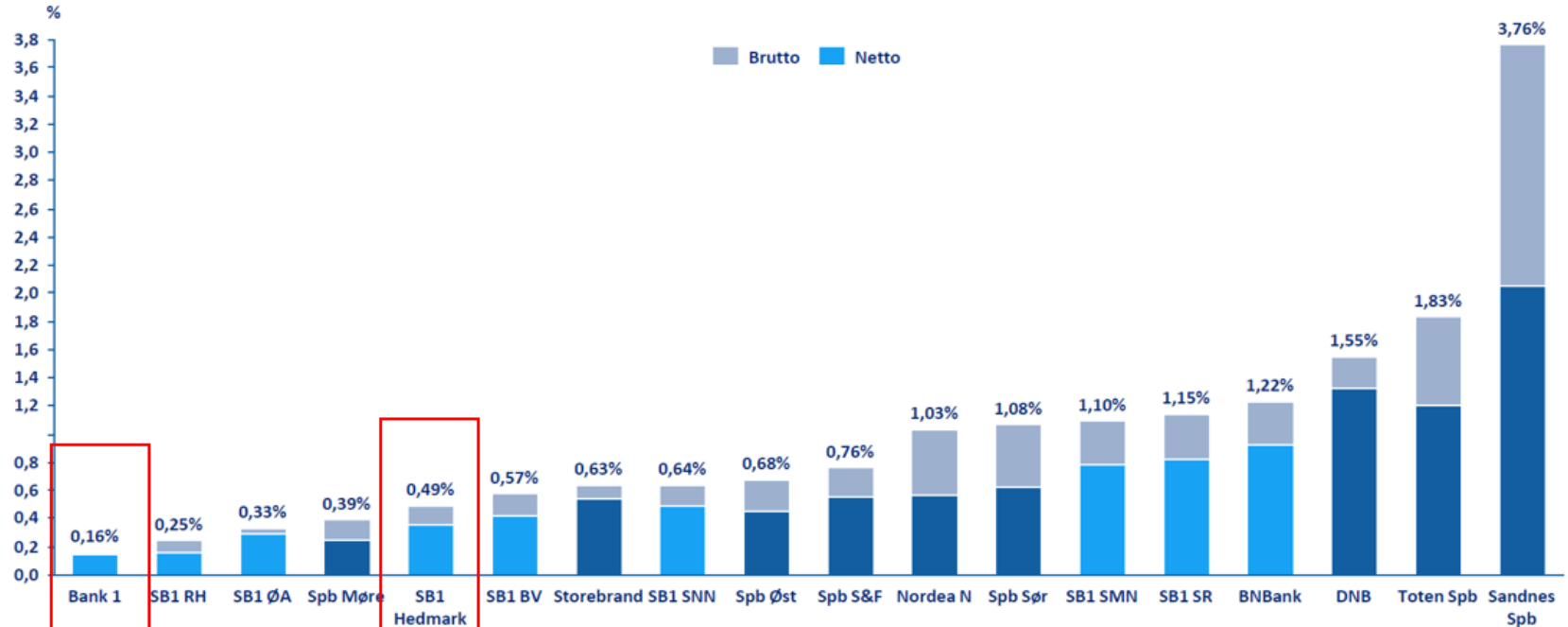
- Prudent lending, the church tower principle holds.
- Long history of low and stable loan losses.
- High share of retail lending, around 75 %
 - 80 % including agriculture, 2nd largest corporate exposure.



- Less than 0.1 % exposure to the oil sector.
 - Positive development for export businesses in the region.
 - Falling unemployment, rising house prices.
- Uncomplicated and transparent business model.

Problem loans compare well with other banks

Total defaulted and doubtful commitments, per cent of gross loans per Q2-16.



Source: SpareBank1 Gruppen

Acquisition well received by Moody's

MOODY'S
INVESTORS SERVICE

ISSUER COMMENT

Sparebanken Hedmark Acquires Remaining Stake in Bank 1 Oslo Akershus, a Credit Positive

From [Credit Outlook](#)

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On Monday, [Sparebanken Hedmark](#) (A2 stable, baa2¹) announced that it will increase its ownership in Bank 1 Oslo Akershus (unrated) to 100% from 40.5%. Sparebanken Hedmark reached an agreement to buy the remaining shares from the Norwegian Confederation of Trade Unions (LO) (29.9%) and the other banks in the Sparebank 1 alliance (29.6%) for a total consideration of NOK1.9 billion. Pending Sparebanken Hedmark's board and regulatory approvals, the bank will finance approximately 90% of the purchase through issuing equity certificates to LO and the alliance banks, making them co-owners of the Sparebanken Hedmark group, and paying the remainder in cash.

The purchase is credit positive for Sparebanken Hedmark because the consolidated bank will have a wide franchise including the growing Oslo market. Sparebanken Hedmark will also be a strongly capitalized bank with a pro forma common equity Tier 1 ratio of 15.2% as of 30 September 2015.

Bank 1 Oslo Akershus is focused on the retail market (80% of total loans). It operates in Oslo and Akershus through 18 branches and 430 employees, with total assets of NOK53.8 billion. Although Bank 1 Oslo Akershus' profitability is strong, with a 9.2% return on equity (ROE), Sparebanken Hedmark's 12.3% ROE is stronger because it is able to charge higher margins in its area of operation. Bank 1 Oslo Akershus does have very strong asset quality, illustrated in its problem loan ratio of 0.2% at the end of September 2015, compared with the Norwegian banking

Best rated, but not the highest rating

	SH	SNN	SMN	SR	SØR	VEST	MØR	S&F	ØST	HEL	DNB
Macro Adj. Score (total)	a1	a2	a2	a3	a3	a3	a2	a3	a3	a2	a3
Notches adj. from Macro to Assigned scores	-2,8 -14	-1,2 -5	-1,7 -8	-1,5 -7	-1,6 -7	-1,4 -6	-1,6 -7	-1,5 -6	-1,2 -5	-2,1 -9	-0,9 -4
Financial Profile	baa1	a3	baa1	baa2	baa1	baa1	baa1	baa1	baa1	baa1	a3
Rating committee adjustment	-1	-1	0	0	0	0	0	0	-1	-1	0
Assigned BCA	baa2	baa1	baa1	baa2	baa1	baa1	baa1	baa1	baa2	baa2	a3
Affiliate Support	+1	0	0	+1	0	0	0	0	0	0	0
Adjusted BCA	baa1	baa1	baa1	baa1	baa1	baa1	baa1	baa1	baa2	baa2	a3
LGF+GovSup notching	+2	+3	+3	+3	+3	+3	+2	+2	+2	+2	+4
Deposits Rating	A2	A1	A1	A1 (neg)	A1 (neg)	A1 (neg)	A2	A2 (neg)	A3	A3	Aa2 (neg)

Financial targets and ownership composition



Financial targets:

- ROE after tax: 10 %
- CET-1: 16 %
- Dividend share: 50 %



Ownership overview per 30 June 2016:

- Sparebanken Hedmark Sparebankstiftelse (75 %)
- LO (The Norwegian Confederation of Trade Unions, 15 %)
- Other SB1-banks (10 %)

Steps towards the IPO



Step 1



Decision to evaluate

Step 2



Evaluation, decision to convert, implementation

Foundation

Step 3



Equity issue to B1OA-owners

Foundation

B1OA-owners

Step 4



IPO

Foundation

B1OA-owners

Free float

Funding strategy



- Covered bond financing through SB1 Boligkreditt will remain the largest non-deposit funding vehicle.
 - Outstanding around NOK 35 bn.



- NOK-senior market will remain key source of financing.
 - Outstanding around NOK 22 bn.



- Access European market through the EMTN-programme, primarily through private placements
 - Over time: Around 20 % of total senior funding.

Disclaimer

This presentation contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although Sparebanken Hedmark believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors.

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.

This presentation does not imply that Sparebanken Hedmark has undertaken to revise these forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes compared to the date when these statements were provided.