

Ownership and shareholder expectations of SpareBank 1 Østlandet

sparebank
stiftelsen
hedmark

The purpose of this document is to explain to the financial markets who Sparebankstiftelsen Hedmark is, how we intend to act as owners of SpareBank 1 Østlandet, and what are our expectations as principal shareholder.

The aim for this expectation document is to enhance awareness of Sparebankstiftelsen Hedmark as a long-term, financially strong and professional owner of SpareBank 1 Østlandet, and for this to support interest in the Bank's equity capital certificates.

Index

Purpose	2
Summary	3
1. Who are we? The Foundation's history, organisation and governing bodies	7
2. What are our aims?	9
3. What do we want from our ownership?	12
4. What expectations do we have of the Bank and our investment in it?	14

Summary

Who is Sparebankstiftelsen Hedmark and how will we act?

Sparebankstiftelsen Hedmark is a financial foundation which manages the wealth built up by Sparebanken Hedmark through almost 175 years of banking business in the county. We contribute to the development of the Bank and ensure that significant financial assets are given back to the community and the population of Hedmark.

Sparebankstiftelsen Hedmark owns around 52.1 per cent of the equity capital certificates in SpareBank 1 Østlandet. According to its articles of association, the Foundation should hold more than 1/3 of the Bank's equity capital certificates.

As a competent owner, the Foundation should help SpareBank 1 Østlandet to create value for the Bank's equity certificate holders. The Foundation also has an important role as a source of equity for the Bank if there is a need for capital within SpareBank 1 Østlandet in the future.

Sparebankstiftelsen Hedmark is an independent foundation. The Foundation has to be managed by representatives living in Hedmark.

Through its strategic shareholding in the Bank and its donations, Sparebankstiftelsen Hedmark aims to help develop the region for the benefit of both residents and businesses. The ownership interest in SpareBank 1 Østlandet is the basis for the Foundation's activities and contributions to Hedmark. The Foundation gradually builds up investment capital alongside this ownership interest.

Our main goal as a shareholder is to conserve and develop the Foundation's

assets. This is best done by maintaining a modern, competitive, solid and profitable bank, which grows with its customers' needs and contributes to capital and development in its area. This has to happen within a framework of social responsibility and development.

What do we want from our ownership?

The Foundation aims to cooperate effectively with the Bank to contribute to high value creation. "What is good for the Bank is good for the Foundation".

- The Foundation aims to be a long term major shareholder owning more than 1/3 of the equity capital certificates in SpareBank 1 Østlandet.
- The Foundation will exercise longterm, predictable and active ownership.
- The Foundation will exercise this ownership role by participating in governing bodies.
- The Foundation will be a resultsoriented owner focusing on long-term profitability.
- The Foundation will be a driver for the development of the Bank, with a professional board of directors and leadership team.
- The Foundation will position itself as a financially strong foundation with the capacity to participate in share issues.

Our expectations of the Bank

The Foundation's financial goals for the ownership in the Bank are based on common general principles that apply to any professional, long-term owner. This means:

- Return on the equity capital certificates in line with the most

profitable regional savings banks in the country, taking account of solvency.

- Competitive dividends, taking account of the Bank's solvency targets and strategic ambitions.

The Foundation will work to ensure that the head office of SpareBank 1 Østlandet stays in Hamar.

Sparebankstiftelsen Hedmark wants investments in SpareBank 1 Østlandet to be profitable, and yield returns with a combination of price growth and dividend payments over time in line with the most profitable regional savings banks in the country. Good profitability and correct pricing of the Bank's equity capital certificates are a prerequisite for the Bank to be a good bank for the region.

Sparebankstiftelsen Hedmark expects the Bank to work according to its published targets for capital adequacy, return on equity and dividend rates. As an owner, we will also expect the Bank to signal its growth ambitions and cost-effectiveness, and provide good insights into macro-economic developments and expected losses.

The Foundation sees it as advantageous for the Bank to remain a major and active player in a nationwide savings bank alliance.

In February 2020, the Board of SpareBank 1 Østlandet adopted the following financial goals for the financial year 2020; tier 1 capital adequacy of 16,8 per cent (assuming today's rates), return on equity of at least 11 per cent, dividend rate of 50 per cent of the group's profit after tax and minority interests, and a growth in operating costs in the parent bank of under 3 per cent. The Foundation is satisfied with this level for 2020.

The Foundation is concerned that the Bank should not only set economic targets, but also report on target

attainment, in a comparable and consistent manner over time. Targets should be adjusted regularly and calibrated in relation to what other players in the market are achieving.

The customer dividend scheme prevents any dilution of equity certificate holders' stake in the Bank. The Foundation is pleased to see that the system of customer dividends is being actively used to market the Bank.

Capital adjustments

The Foundation welcomes the fact that the Bank's Board of Directors is authorised to buy and issue new equity capital certificates within specified limits. The authorisation does not apply to possible decisions on mergers or major acquisitions, which the Foundation believes should always be referred to the Supervisory Board.

In a savings bank that has issued negotiable equity capital certificates, at least one-fifth but no more than two-fifths of the members of the Supervisory Board must be elected by the equity certificate holders. Over time, the Foundation hopes to see the proportion of owners' on the Supervisory Board in the upper part of this band, and believes that this will have a positive effect on turnover and the value of the equity capital certificates.

The Foundation believes that owners who hold more than 10 per cent of the issued equity capital certificates should be entitled to representation on the equity certificate holders' election committee. The Foundation also believes it is right for special arrangements to be established in the Bank's governing bodies for the Norwegian Confederation of Trade Unions (LO) for as long as LO and associated federations are major shareholders in the Bank.

In principle, the Foundation believes that, over time, equity certificate

holders over time should reach a position in the Bank where the support of a qualified majority of the owners is required to initiate share issues or capital reductions in the Bank. The Foundation may be prepared to unilaterally refrain from exercising its full ownership rights if such a provision should place it in an unfair position of power. This means that the Foundation will be prepared to undertake not to demand or block a share issue by itself.

The Bank's investor policy

The Foundation encourages the Bank to have an up-to-date and transparent investor policy at all times, which allows the markets to keep abreast of the Bank's accounts and growth ambitions. The Foundation expects the Bank to take active measures towards the capital markets to market the Bank as an investment object, and offer informed analytical coverage to support good and correct pricing of the Bank's equity.

The Foundation wants all investors to be treated equally regardless of size. In all normal situations, exchangesensitive information from the Bank must reach all market operators at the same time. The Foundation aims to support the owner community. The Foundation will not refrain from exercising our rights in a way that subsidises other owners.

Corporate governance and corporate social responsibility

The Foundation wants SpareBank 1 Østlandet to have an up-to-date published document which accounts for the Bank's stance on ownership and corporate governance at all times, as well as a publicly available code of ethics.

The Foundation wants SpareBank 1 Østlandet to contribute to sustainable development of society through responsible business operations. Among other things, this means addressing ethical, environmental and social considerations, and the Foundation is concerned that the Bank should have up-to-date and transparent guidelines in these areas at all times. The fact that the Bank publishes documents in these areas also means that the Foundation expects the documents to be actively followed up.

The Foundation believes the Bank should comply with the guidelines for financing and investment in companies that apply to The Government Pension Fund Global and The Government Pension Fund Norway.



Who are we? The Foundation's history, organisation and governing bodies

Who is Sparebankstiftelsen Hedmark?

Sparebankstiftelsen Hedmark is a financial foundation which manages the wealth built up by Sparebanken Hedmark through almost 175 years of banking business in the county. We contribute to the development of the Bank and ensure that significant financial assets are given back to the community and the population of Hedmark. The Foundation is the largest holder of equity capital certificates in SpareBank 1 Østlandet.

The ownership interest in SpareBank 1 Østlandet is the basis for the Foundation's activities and contributions to Hedmark. The Foundation gradually builds up investment capital alongside this ownership interest.

Large parts of the equity in SpareBank 1 Østlandet come from local savings banks in Hedmark since the mid-19th century. A significant proportion of the returns on this wealth should be allocated to non-profit purposes in Hedmark.

The Foundation aims to contribute to the Bank's further development, while ensuring that benefits are returned to the community that built up this capital. The Foundation aims to be a long-term and stable shareholder in SpareBank 1 Østlandet and maintain the savings bank tradition.

The Foundation's ownership interest

Sparebankstiftelsen Hedmark owns around 52.1 per cent of the equity capital certificates in SpareBank 1 Østlandet. According to its articles of association, the Foundation should always hold more than 1/3 of the Bank's equity capital certificates.

As a competent owner, the Foundation should help SpareBank 1 Østlandet to

create value for the Bank's equity certificate holders. The Foundation also has an important role as a source of equity for the Bank if there is a need for capital within SpareBank 1 Østlandet in the future.

Sparebankstiftelsen Hedmark is an independent foundation. The Foundation has to be managed by representatives living in Hedmark. All elected officials of the Foundation must be resident in Hedmark and have deposits with the Bank. The general assembly of the Foundation should reflect the customer structure of the former Sparebanken Hedmark, other interest groups and social interests related to the Foundation's activities.

Through its strategic shareholding in the Bank and its donations, Sparebankstiftelsen Hedmark aims to help develop the region for the benefit of both residents and businesses.

History of the Bank

SpareBank 1 Østlandet has its roots in Hedmark in local savings banks established in the area from 1845 onwards. Funds from local granaries, commons, municipalities and private individuals were the basis for the first savings banks in Hedmark. Through several mergers, over 20 local savings banks evolved into Hedmark's largest source of capital, with its headquarter in Hamar.

On 1 April 2017, Sparebanken Hedmark merged with SpareBank 1 Oslo Akershus and took the name SpareBank 1 Østlandet. From 13 June 2017, SpareBank 1 Østlandet was exchange-listed.

Establishment of capital

The equity in SpareBank 1 Østlandet consists of the surplus from almost

175 years of banking operations. Until 27 November 2015, the primary capital constituted the Bank's equity. The primary capital was self owned capital and subject to the governing principles set out in the Bank's articles of association and savings bank law. The Supervisory Board, which is the Bank's supreme governing body, consisted of members elected by customers, employees and the public. The Bank's equity was 'ownerless' in the sense that nobody owned it.

On 27 November 2015, 60 per cent of the Bank's equity capital was converted into share capital. This part of the equity consists of equity capital certificates (ECCs). When the Bank was converted into an equity certificate bank, Sparebankstiftelsen Hedmark was also established. All of the equity capital certificates were transferred to the Foundation free of charge.

The share capital (ECC) was increased with the purchase of Bank 1 Oslo Akershus AS. The share capital thus increased as a proportion of the Bank's equity. The share capital was further increased at the time of the exchange listing, through employees' acquisition of equity capital certificates.

An up-to-date summary of share capital (ECC) as a percentage of the Bank's total equity is available in the Bank's quarterly reports. The ECCs share of total equity (equity certificate capital ratio) is expected to remain stable in the future, based on the customer dividend scheme. This provides for a share of the Bank's profits to be returned those who are customers of the Bank. It was SpareBank 1 Østlandet that introduced the system of customer dividends for Norwegian banks, and the Bank remains almost unique in offering this bonus scheme to good customers.

Exchange listing of the Bank's share capital

The Bank's registered share capital totals NOK (5,358,999,350), divided into (107,179,987) equity capital

certificates with a face value of NOK 50 each. The equity capital certificates were listed on the Oslo Stock Exchange on 13 June 2017, with the ticker SPOL.

Through the purchase of SpareBank 1 Oslo Akershus AS, LO and the other SpareBank 1 banks acquired equity capital certificates in what was then Sparebanken Hedmark through a private placement. The Foundation therefore held 75.08 per cent of the equity capital certificates in SpareBank 1 Østlandet before the listing, while LO and the SpareBank 1 banks held 14.95 and 9.96 per cent respectively. In connection with the listing, several of the SpareBank 1 banks sold all or some of their equity capital certificates in SpareBank 1 Østlandet. The Foundation also sold a proportion of its equity capital certificates. This brought new equity certificate holders to the Bank. The equity capital certificates are freely traded on the Oslo Stock Exchange. An overview of the Bank's largest shareholders is updated regularly on the Bank's website. A share issue in 2018 expanded the Bank's capital to strengthen its solvency and capacity for growth, and the Foundation's ownership interest is now approx. 52.1 per cent.

Until 3 June 2019, the Foundation had a commitment in its articles of association to own at least 50 per cent of the equity capital certificates in the Bank. On 3 June 2019, the Foundation decided to request an amendment to the articles of association, whereby it is only required to hold 1/3 of the equity capital certificates in the future. On 23 September, the Foundation received final approval for the amended articles of association from the Financial Supervisory Authority of Norway.

The equity certificate holders are represented in the Bank's Supervisory Board by 12 out of the 40 members, equivalent to 30 per cent.

What are our aims?

Sparebankstiftelsen Hedmark aims to be a competent and long-term owner in SpareBank 1 Østlandet, to manage the Foundation's other financial assets and contribute to development and growth in Hedmark.

This note focuses on the Foundation's role as an owner in the Bank. The Foundation is the largest shareholder, but it is also part of the community of owners. In many cases it is natural for us to consult with other holders of equity capital certificates. At the same time, as a major shareholder, we want to maintain good contacts with the Bank's Board of Directors and administration. They are responsible for the Bank's day-to-day business, and the Foundation is conscious of the difference between the influence of the owners and the responsibilities of the Board.

Our main goal as a shareholder is to conserve and develop the Foundation's assets. This is best done by maintaining a modern, competitive, solid and profitable bank, which grows with its customers' needs and contributes to capital and development in its area. This must be done within the framework of social responsibility and community building that has always been a core area for Norwegian savings banks, and which has not been altered by restructuring and exchange-listing.

The Foundation's ethical guidelines

Sparebankstiftelsen Hedmark is an independent foundation with a long-term goal of contributing to positive development in Hedmark. Applicants for donations, authorities, partners and the public should have confidence in our competence, quality and integrity.

The code of ethics sets out the fundamental principles for our personal

behaviour and business practice and provides the framework to ensure that we act in accordance with the relevant legislation and internal policies and our core values.

The guidelines apply to employees of Sparebankstiftelsen Hedmark, as well as to all members of the governing bodies. Among other things, our code of ethics states that:

1. We communicate actively, openly and honestly

The reputation of Sparebankstiftelsen Hedmark rests on trustworthiness in everything we do. Our communication should therefore be based on openness, objectivity and truthfulness.

All applications for donations are confidential information, while all awards are made public.

2. We act in a business-like manner

Sparebankstiftelsen Hedmark manages large financial assets and must be run according to commercial principles. Competent long-term management is a prerequisite for a long-term and substantial ownership interest in SpareBank 1 Østlandet and essential to fulfilling our social role.

3. We behave responsibly

Sparebankstiftelsen Hedmark manages significant funds. The community around us should have confidence that we are managing these funds for the benefit of the public. Among other things, we should maintain a high level of awareness of this through a responsible level of events and other spending on behalf of the Foundation.

4. We do not accept

We do not accept gifts or participate in events that are liable to affect our objectivity and independence. Nor will we offer these to our partners, business contacts, customers, suppliers or others.

Our basic model is to cover the travel and living expenses of our own employees. All personal gifts that go beyond pure merchandising of trivial value should be returned to the giver.

5. We avoid conflicts of interest

No one may take part in or seek to influence a decision when there are factors liable to impair confidence in the individual's independence. We are particularly sensitive when we find ourselves in a work situation that involves our own interests, family or close friends. In general, anyone who has a personal interest in the outcome of a case, or the family or friends, should not be involved in or decide on the matter in question.

We are responsible for managing all eligibility issues and conflicts of interest in a proper manner.

6. We are discreet

Confidential handling of information is an important condition for trust. Everyone has a duty of confidentiality with regard to matters that have come to their knowledge through their work for the Foundation. This applies to knowledge of the Foundation, of ownership, of persons applying for donations from the Foundation and of other stakeholders. The duty of confidentiality also applies after a person's employment or term of office in the Foundation has ended.

7. Follow-up and consequences

Everyone is expected to follow the code of ethics and contribute to compliance. Serious violations may have consequences for the employment or office.

The Foundation's articles of association

The articles of association cover the purpose, financing and governing bodies of the Foundation.

Mission statement

The purpose of the Foundation is to manage equity capital certificates allocated to the Foundation when it was established and to exercise significant long-term and stable ownership in SpareBank 1 Østlandet with a view to maintaining its relative stake in the Bank, including participation in share issues. The Foundation may also invest the funds in an appropriate and responsible manner with a view to security, liquidity and risk-adjusted returns.

The Foundation may dispose parts of the surplus and distribute dividends to not-for-profit activities. In its distribution of dividends, the Foundation shall prioritise the region which built up the capital in Sparebanken Hedmark.

Through its ownership in SpareBank 1 Østlandet, the Foundation should maintain the savings bank traditions in Hedmark. The Foundation may also engage in other activities that are consistent with its stated purpose and the constraints imposed by the regulations for savings bank foundations at any given time.

Taking out loans

The Foundation may take out loans in accordance with the constraints imposed by the regulations for savings bank foundations at any given time.

Corporate bodies

The Foundation should have a general assembly, a board of directors and an election committee. The Foundation must also employ a general manager.

The general assembly should consist of 14 members and 7 deputies. The composition of the general assembly should reflect the customer structure

of Sparebanken Hedmark, which established the Foundation, other interest groups and social interests related to the Foundation's activities. The members of the general assembly are divided between the regions of Hedmark and will be elected by the deposit holders with the Bank.

If the Foundation wishes to sell equity capital certificates in SpareBank 1 Østlandet which were assigned to it when the Foundation was established, this must be approved by the general assembly.

The Foundation has a Board of five directors and three deputies, who are also divided among the regions of Hedmark. Board members and deputies must not hold directorships in or be employed by SpareBank 1 Østlandet or any other company in the same group. However, they may be elected to represent the Foundation in the Bank's governing bodies.

Management and disposition of the Foundation's funds

The management of the funds should be prudent and the Board must ensure that the Foundation's funds are managed in a proper manner and in line with the Foundation's purpose. The Foundation's short-term funds are to be invested in banks and low risk interest-bearing securities. To be in line with the Foundation's purpose, wherever possible, the Foundation must ensure in its management that the Foundation's primary capital is preserved, and that its ownership interest makes up more than 1/3 of the issued equity capital certificates in SpareBank 1 Østlandet at all times.

The Foundation may make donations for not-for-profit activities in accordance with the purposes of the Foundation.

What do we want from our ownership?

Our ownership interest should be exercised in accordance with generally accepted principles of corporate governance. Through digital channels and participation in investor meetings and in other contexts, the Foundation will actively communicate its activities and ownership strategy to investors and other stakeholders.

The Foundation aims to cooperate effectively with the Bank to contribute to high value creation. "What is good for the Bank is good for the Foundation".

- The Foundation aims to be a longterm major shareholder owning more than 1/3 of the equity capital certificates in SpareBank 1 Østlandet.
- The Foundation will exercise predictable and active ownership.
- The Foundation will exercise this ownership role by participating in governing bodies.
- The Foundation will be a resultoriented owner focusing on long-term profitability.
- The Foundation will communicate a long-term perspective in its ownership.
- The Foundation will be a driver for the development of the Bank, with a professional board of directors and leadership team.
- The Foundation will position itself as a financially strong foundation with the capacity to participate in share issues in the Bank.
- The Foundation will be a professional owner.

Profitability and dividends

The Foundation's financial goals for its interest in the Bank are based on common general principles that apply to any professional, long-term owner. This means:

- A return on the equity capital certificates in line with the most profitable regional savings banks in the country, taking account of solvency needs.
- Competitive dividends, taking account of the Bank's solvency targets and strategic ambitions.
- The Foundation will be an important player in the region in its role as the principal shareholder in the Bank.
- The Foundation's donations will contribute to growth and development in the county of Hedmark.
- The donations will never be so large as to threaten the Foundation's ability to participate in share issues in the Bank and maintain more than a 1/3 ownership interest.
- The Foundation will work to ensure that the head office of SpareBank 1 Østlandet stays in Hamar. However, the Foundation expects the Bank to expand its market area over time, and also to be involved in mergers and cooperative combinations with other banks.

Asset management

The Foundation has substantial capital alongside its investment in SpareBank 1 Østlandet. This is divided into an investment and a liquidity portfolio, adapted to the Foundation's need for operating capital and the contingency capital a good owner must always have at hand.

The Foundation's liquidity portfolio includes low-risk and high-liquidity interest-bearing securities. The Foundation's short-term liquidity reserve should consist of highly liquid securities or bank deposits. The Foundation will also manage an investment portfolio with lower liquidity and greater risk of exchange rate fluctuations.

The Foundation can preserve or increase its ownership interest in SpareBank 1 Østlandet by purchasing equity capital certificates in the market

and by participating in share issues. Such transactions are subject to the Foundation having available liquidity. The Foundation must be conscious of its responsibility as a long-term major shareholder. In the previous share issue in 2018, the Foundation acted as guarantor for the issue by way of prior subscription, but declined to take an allocation when market demand was good. It is important for the Foundation that there should be good liquidity in the equity capital certificates. This provides for better pricing of the securities over time.



What expectations do we have of the Bank and our investment in it?

The Bank's vision and values

SpareBank 1 Østlandet has developed a vision and a set of values that the Foundation subscribes to. These are expressed by the Bank as follows:

Vision

“Creating together” is the group's vision.

This expresses an ambition that:

- Together we create positive experiences for our customers.
- Together we take relevant initiatives, provide quick service and meet our customers' needs.
- Together we contribute to openness, mutual trust and cooperation across the Bank.
- Together we set clear goals, take responsibility for our actions, and produce good results for our customers and for the Bank.
- Together we create success stories and improve ourselves for the benefit of our customers, the Bank and the community around us.

Values

“Proficient, nearby and engaged” are our values.

This means, among other things, that we strive to be:

- Distinguished for good service, proven quality and long-term relationships with customers.
- Nearby in the sense of being approachable and accessible, with short decision paths.
- Engaged in the sense of being visible, taking the initiative with our customers and making a positive contribution to social development.

The Bank's financial goals

Sparebankstiftelsen Hedmark wants investments in SpareBank 1 Østlandet to be profitable, and yield returns with a combination of price growth and dividend payments over time in line with the most profitable regional savings banks in the country. Good profitability and correct pricing of the Bank's equity capital certificates are a prerequisite for the Bank to be a good bank for the region.

Sparebankstiftelsen Hedmark expects the Bank to work according to its published targets for capital adequacy, return on equity and dividend rates. As an owner, we also expect the Bank to signal its growth ambitions and cost-effectiveness, and provide good insights into macro-economic developments and expected losses.

The Foundation wants the Bank to have financial ambitions that combine focus on capital adequacy with a return on equity on a par with or better than other regional savings banks. The Foundation also wants the Bank to strive to pay dividends every year where the Bank's solvency allows this, thus ensuring that the Bank has good access to the equity markets on competitive investment terms.

The Foundation wants the Bank to remain a significant and active player in a nationwide savings bank alliance.

In February 2020, the Board of SpareBank 1 Østlandet adopted the following financial goals for the financial year 2020; tier 1 capital adequacy of 16,8 per cent (assuming today's rules), return on equity of at least 11 per cent, dividend rate of 50 per cent of the

group's profit after tax and minority interests, and a growth in operating costs in the parent bank of under 3 per cent. The Foundation is satisfied with this level for 2020.

The Foundation is concerned that the Bank should not only set economic targets, but also report on target attainment, in a comparable and consistent manner over time. Targets should be adjusted regularly and calibrated in relation to what other players in the market are achieving.

The Foundation also wants the Bank to evolve in line with its customers' needs, especially in relation to new products and contacts through new channels and on new platforms. The Bank must always be perceived as relevant and forward-looking in its offerings to existing and new customers.

Dividend policy

The Foundation wants SpareBank 1 Østlandet to provide competitive and stable cash dividends, based on good profitability and adequate solvency. The Bank aims to pay 50 per cent of each year's profit after tax in dividends to equity certificate holders and in customer dividends from primary capital, and the Foundation supports this dividend policy.

The customer dividend scheme prevents any dilution of equity certificate holders' stake in the Bank. The Foundation is pleased to see that the system of customer dividends is being actively used to promote the Bank.

The Bank's long-term profitability target is a return on equity of 10 per cent. The Foundation has noted that this is somewhat lower than that of comparable banks, based on the Bank's ambition to remain the country's most solid regional savings bank. Coupled with the high proportion of lending to the retail market, and the fact that a large part of the business is in a part of the country not much affected by economic fluctuations, the Foundation expects the Bank to be able to sustain

the dividend rate even if we should fall into a recession.

Capital adjustments

The Foundation is pleased to note that the Board of Directors is authorised to purchase own equity capital certificates for up to 10 per cent of the Bank's share capital, and will vote to renew such authorisations. The Board should be free to determine the ways in which equity capital certificates may be acquired, pledged and disposed of, but these should preferably be in the securities market via the Oslo Stock Exchange. Among other things, it should be possible to use the authorisation to acquire equity capital certificates for purchase by employees of the bank group.

The Foundation also wishes the Board of the Bank to be authorised to increase share capital in accordance with the law, so this can be increased in one or more steps by up to 10 per cent of the Bank's total share capital. The preferential rights of equity certificate holders may be waived, but this must be justified in each case. The authorisation may be used for the necessary strengthening of the Bank's equity, the issuance of equity capital certificates, activities consistent with the Bank's purpose, or in connection with the sale of equity capital certificates to employees and/or elected officials. The authorisation does not apply to possible decisions on mergers or major acquisitions, which the Foundation believes should always be referred to the Supervisory Board.

The formal influence of the owners and the Foundation

The supreme governing body of SpareBank 1 Østlandet is the Supervisory Board. This is composed of equity certificate holders, depositors, employees and representatives of the public sector. Equity certificate holders have 12 members in the Supervisory Board. Depositors, employees and public-sector representatives have 14, 10 and 4 representatives respectively.

In a savings bank that has issued equity capital certificates, at least one-fifth but no more than two-fifths of the members of the Supervisory Board must be elected by the equity certificate holders. Over time, the Foundation expects to see the proportion of owners' on the Supervisory Board in the upper part of this band, and believes that this will have a positive effect on turnover and the value of the equity capital certificates.

The Foundation has 10 of the 12 equity certificate representatives on the Supervisory Board and one member of the Board of Directors of the Bank. The Foundation believes this is a reasonable level, balancing the Foundation's role as the principal shareholder and the desire for representation from different ownership groups in the Bank.

The Foundation believes that owners who hold more than 10 per cent of the issued equity capital certificates should be entitled to representation on the equity certificate holders' election committee. The Foundation also believes it is right for special arrangements to be established in the Bank's governing bodies for the Norwegian Confederation of Trade Unions (LO) for as long as LO and associated federations are major shareholders in the Bank.

In principle, the Foundation expects that, over time, equity certificate holders should reach a position in the Bank where the support of a qualified majority of the owners is required to initiate share issues or capital reductions in the Bank. The Foundation may be prepared to unilaterally refrain from exercising its full ownership rights if such a provision should place it in an unfair position of power. This means that the Foundation will be prepared to undertake not to demand or block a share issue by itself.

The Bank's investor policy

The Foundation encourages the Bank to

have an up-to-date and transparent investor policy at all times, which allows the markets to keep abreast of the Bank's accounts and growth ambitions. The Foundation expects the Bank to take active measures towards the capital markets to market the Bank as an investment object, and offer informed analytical coverage to support good and correct pricing of the Bank's equity.

The Bank has stated that it is anxious that correct, relevant and timely information about the company's development and results should create confidence in actual and prospective investors. Such information lays the foundation for good liquidity and correct pricing of SpareBank 1 Østlandet's equity capital certificates. The Foundation endorses this, and the Bank follows the current recommendations from the Oslo Stock Exchange for investor relations and ownership policies at all times.

As a major shareholder, the Foundation may receive confidential insider information and give advance signals about its assessments if it is done in accordance with securities trading rules and is necessary for the Bank's internal planning, e.g. in connection with mergers or capital issues. The Foundation wants all investors to be treated equally regardless of size. In all normal situations, stock-exchange-sensitive information from the Bank must reach all market operators at the same time.

As a major shareholder, we will have regular meetings with the Bank, and receive information and give responses on an equal footing with other owners. We will also have regular contact with analysts and others who observe the Bank, and will have an open and transparent line for dialogue with other co-owners of SpareBank 1 Østlandet. We will take the responsibility that our ownership interest places on us at all times, but will also safeguard our own interests

as an investor and the requirements of the community to ensure a return on our equity. We will be a supporter of the owner community, but will not waive our rights in a way that subsidises other owners.

The Foundation welcomes ownership from all over the country and from investors outside Norway. The Foundation wants performance reports and presentations as well as other exchange-sensitive information to be published in both Norwegian and English at the same time. The channels for information must be in line with market practice for the information and may be updated over time.

The Bank's presentations given in conjunction with interim and annual reports should be open to everyone, including the press.

The Bank's policy on corporate governance

The Foundation wants SpareBank 1 Østlandet to have an up-to-date published document which accounts for the Bank's stance on ownership and corporate governance at all times. The Bank must provide an annual account of the principles and practices of corporate governance in accordance with Section 3-3b of the Norwegian Accounting Act and the Norwegian recommendation on corporate governance. It should follow the "Norwegian recommendation on corporate governance" in so far as it applies to savings banks with equity capital certificates, and account for any deviations from the recommendation.

The Bank has reported deviations from the recommendation in three areas:

- The governing bodies in a savings bank will differ slightly from the wording of the recommendation.
- All members of the Supervisory Board's election committee are elected from among the groups represented on the Supervisory Board, and there are no members taken from

outside the Supervisory Board.

- The Bank is subject to ownership limits and licensing requirements under Norwegian laws and regulations for the finance industry.

The Foundation has no comments on the deviations.

The Foundation expects the Bank to have a publicly available code of ethics which should be in line with regulations and current market practice, including eligibility criteria for employees and elected officials. The Bank's policies for management salaries should be prudent and in line with practice in the Bank's own market area. The Foundation does not want SpareBank 1 Østlandet to be a leader in salaries paid to management or to employees in general.

The Bank's role in society

The Foundation wants SpareBank 1 Østlandet to contribute to sustainable development of society through responsible business operations. Among other things, this means addressing ethical, environmental and social concerns.

The Bank has governing documents in the areas of ethics, social responsibility and sustainability, which cover:

- Strategy for corporate social responsibility and sustainability
- General guidelines for corporate social responsibility and sustainability
- Overall guidelines (policy documents) for employee and human rights
- Overall guidelines (policy document) for agriculture and nature
- Ethical guidelines
- Social responsibility requirements for suppliers

The Bank also has separate guidelines for specific business areas:

- Guidelines for corporate social responsibility and sustainability in the corporate market

- Guidelines for corporate social responsibility and sustainability in corporate governance
- Guidelines for corporate social responsibility and sustainability in liquidity management
- Guidelines for corporate social responsibility and sustainability for the distribution of securities funds
- Guidelines for internal control and communication - money laundering

The Foundation is concerned that the Bank should have up-to-date and transparent guidelines in these areas at all times. The positions taken must be based on the Bank's history and the role of savings banks, and take proper account of the specific social conditions that characterize Hedmark and the business community in the region, even if the Bank progressively expands its market area. Throughout its existence, the Bank has had an important role in the development of the local communities of which it is a part. The Bank's judgments must take a long-term environmental and social view.

The fact that the Bank publishes documents in these areas also means that the Foundation expects the documents to be actively followed up. Such broad social goals are a management responsibility in the same way as the goals for profitability, solvency and healthy business operations. The tasks of management include ensuring that no conflict arises between the economic and social and sustainability goals that are set.

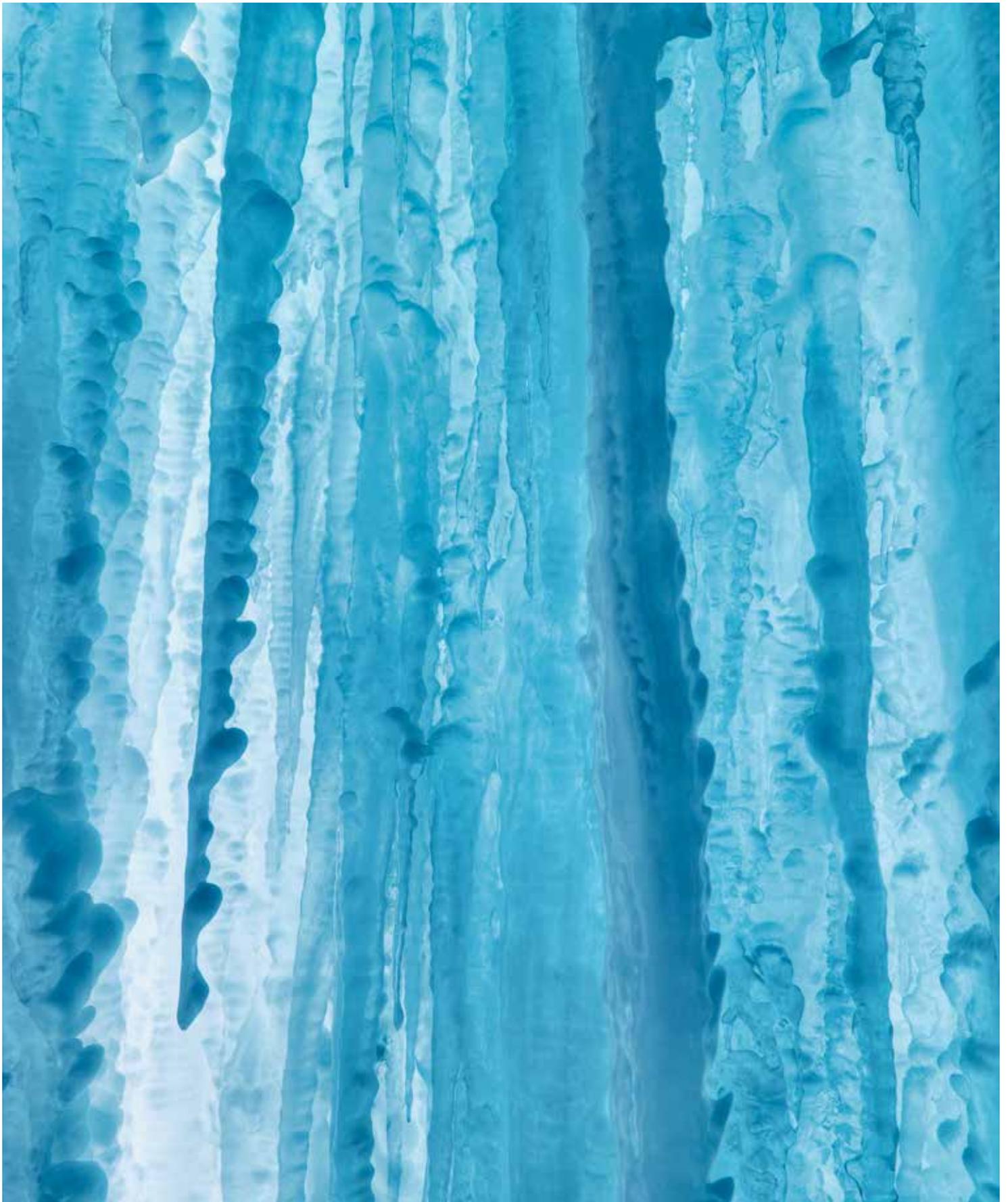
The Foundation expects the Bank to:

- Have a conscious attitude to climate risk and work to reduce its impact on climate and the environment.
- Help to prevent any adverse impact on local areas listed as Unesco World Heritage sites, wetlands registered in the Ramsar Convention or vulnerable habitats/protected areas registered by the International Union for Conservation of Nature (IUCN).

- Ensure that commercial relationships that take the business into areas with endangered plant and animal species, including animals on the IUCN Red List of endangered species, take these into account and limit their interference in nature.
- Encourage its customers and associates to set targets for energy efficiency and reduction of greenhouse gases, work to reduce pollution and contribute to best practices for waste management and recycling, as well as replacing fossil fuels with renewable energy.
- Encourage its customers and business associates to:
 - respect the United Nations conventions on human and labour rights and not contribute to any breaches of these.
 - respect the ILO conventions, particularly the ILO's eight core conventions, which set out minimum rights to be respected in the workplace. These are divided into the four main categories of prohibition of child labour, freedom of association, prohibition of discrimination and prohibition of forced labour.
 - Safeguard the rights of individuals in war or conflict situations.

The Bank should comply with the guidelines for financing and investment in companies that apply to The Government Pension Fund Global and The Government Pension Fund Norway.

The Foundation has zero tolerance for corruption and economic crime in its own business, and expects this to apply to the Bank and all companies and business associates it deals with. In case of suspected corruption or money laundering, the Bank must contribute to full disclosure on its own part and assist in investigating the matter. The Bank will document its follow-up of matters that are contrary to the Bank's expectations and recommendations in its corporate social responsibility and sustainability guidelines.



sparebank
stiftelsen
hedmark

Design and production:
Ferskvann reklamebyrå
Photo:
Bård Løken | Gettyimages