

Sparebanken Hedmark

2013

Presentation of financial results

CEO Richard Heiberg

04.02.2014

About Sparebanken Hedmark

- Sparebanken Hedmark is the leading provider of financial products to people, companies and the public sector in Hedmark
- Norway's largest self-owned savings bank:
 - NOK 6.7 billion in equity
 - NOK 47 billion in total assets
 - NOK 62 billion in commercial volume (incl. loans to SpareBank 1 Boligkreditt/SpareBank 1 Næringskreditt)
 - 700 employees, 170,000 customers
 - 25 branches in Hedmark, 2 in Oppland and 1 in Akershus
- Regional bank with a local presence
 - Hedmark: Branches in 20 out of 22 municipalities
 - Oppland: Branches in Gjøvik and Lillehammer.
 - Akershus: Branch in Årnes.
- Subsidiaries
 - Estate agency (EiendomsMegler 1 Hedmark Eiendom AS)
 - Leasing and asset financing (SpareBank 1 Finans Østlandet AS)
 - Accounting and consultancy chain (SpareBank 1 Regnskapshuset Østlandet AS)
- Owns 40.5% of Bank 1 Oslo Akershus AS and 11 % of the SpareBank 1 Gruppen AS
- Rated A2 by Moody's with stable outlook.

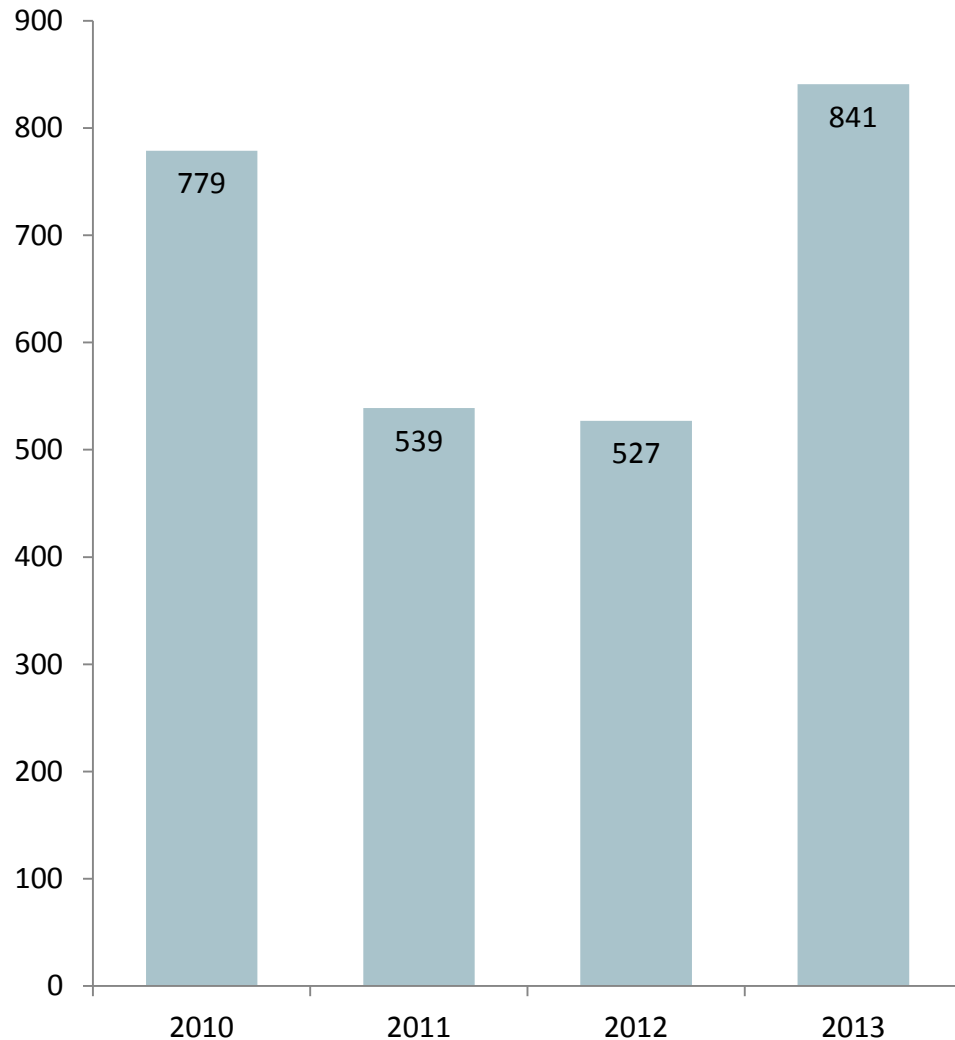


Annual results in brief

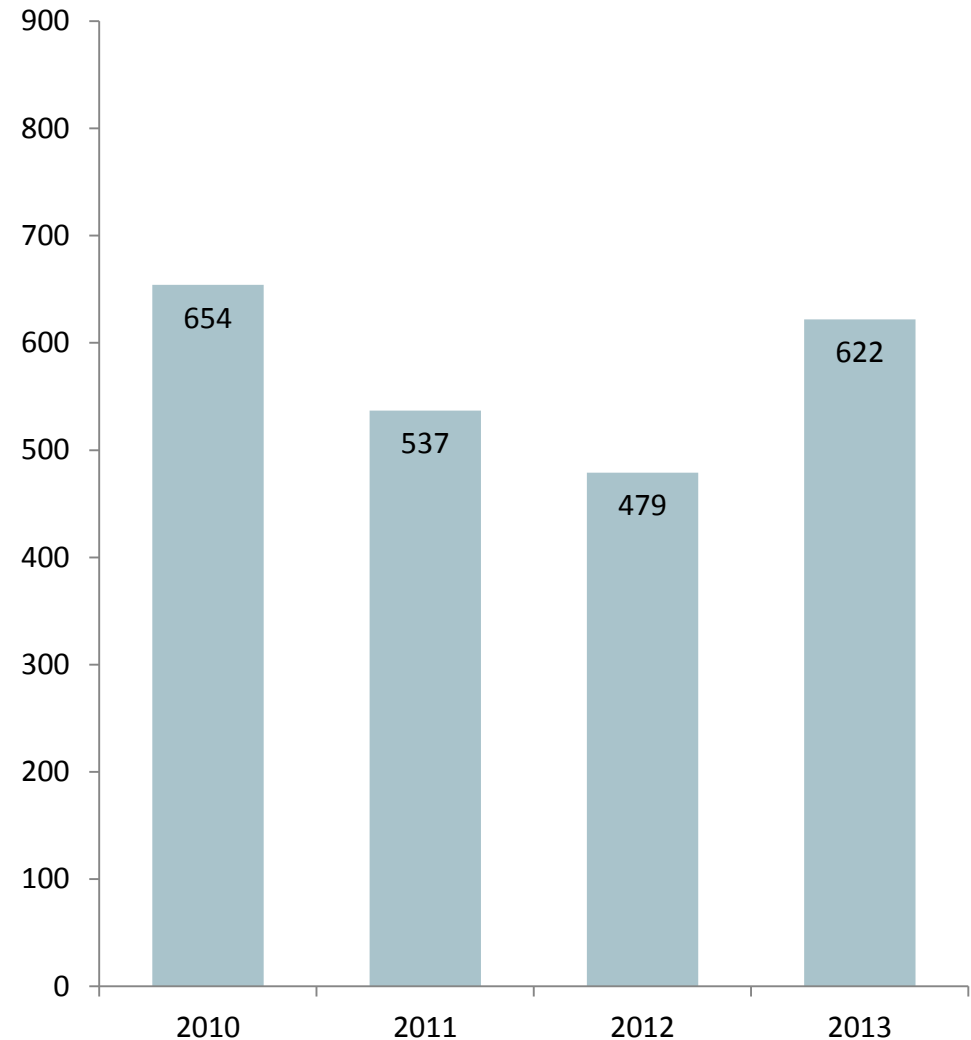
- Very good results for both the Parent Bank and Group
- Return on equity after tax was 11%
- Stable market activity, lending growth of 9% and deposit growth of 7%. Good growth for insurance products
- Good growth in new markets (Oppland, Nes)
- Somewhat higher losses, but they are still at a low level
- Good credit quality – with a significant decline in the number of problem loans
- Good financial strength – pure core capital adequacy ratio 16.2%
- New government equity requirements satisfied by a good margin
- Very good results for jointly owned companies
- Ownership interest in Bank 1 Oslo Akershus AS increased to 40.5%. Bank is showing very good results
- Very good rating from Moody's – A2 with a stable outlook

Result before tax for Group and Parent Bank

Result before tax accumulated - Group



Result before tax accumulated – Parent bank



Profit/loss 2013 (Group)

	2013	2012
Net interest income	1.008	955
Net commission income	370	250
Other income	189	185
Total operating expenses	916	864
Result bank operation before losses	651	526
Losses on loans and guarantees	72	42
Result bank operation after losses	579	484
Dividends	21	7
Net profit from ownership interest	326	95
Net income from financial assets/liabilities	-84	-59
Profit/loss before tax	841	527
Tax charge	147	124
Profit/loss after tax	694	403

Income statement 2013 (Group)

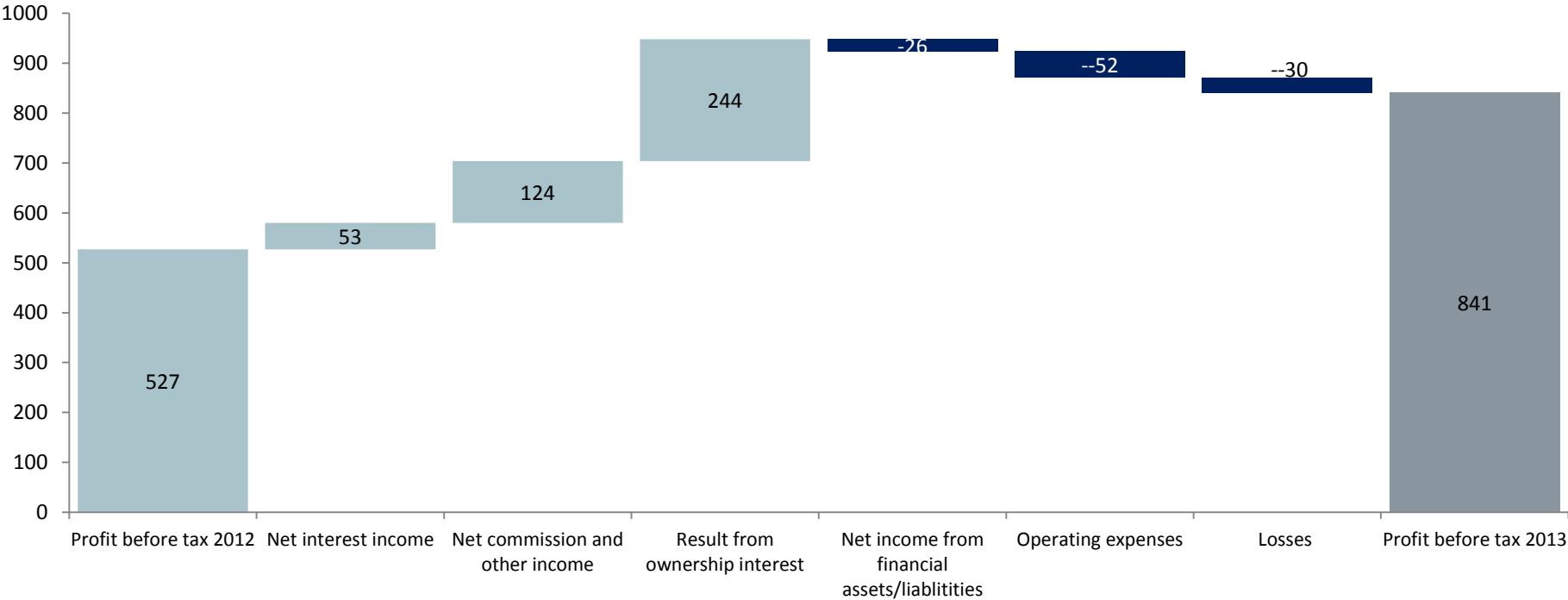
	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Net interest income	263	266	252	227	242
Net commission income	100	104	89	77	74
Other income	46	49	48	46	44
Total operating expenses	235	223	227	231	223
Result bankoperation before losses	174	196	162	119	137
Losses on loans and guarantees	43	4	22	3	23
Result bankoperation after losses	131	192	140	116	114
Dividends	3	0	18		
Net profit from ownership interest	121	98	53	54	-5
Net income from financial assets/liabilities	-3	-19	26	-88	-21
Profit/loss before tax	251	271	237	82	88
Tax charge	38	49	51	9	29
Profit/loss after tax	213	222	186	73	59

Specification of results (Group)

<i>(Nok million)</i>	2013	2012
Parent Bank's profit before tax	622	479
Dividends received from subsidiaries and joint ventures	-123	-101
Profit /loss attributable to:		
SpareBank 1 Gruppen AS	132	60
Bank 1 Oslo Akershus AS	133	15
SpareBank 1 Boligkreditt AS	17	20
EiendomsMegler 1 Hedmark Eiendom AS	5	5
SpareBank 1 Finans Østlandet AS	79	37
SpareBank 1 Regnskapshuset Østlandet AS	-4	2
Other companies	-20	11
Consolidated profit before tax	841	527
Tax	147	124
Consolidated profit after tax	694	403

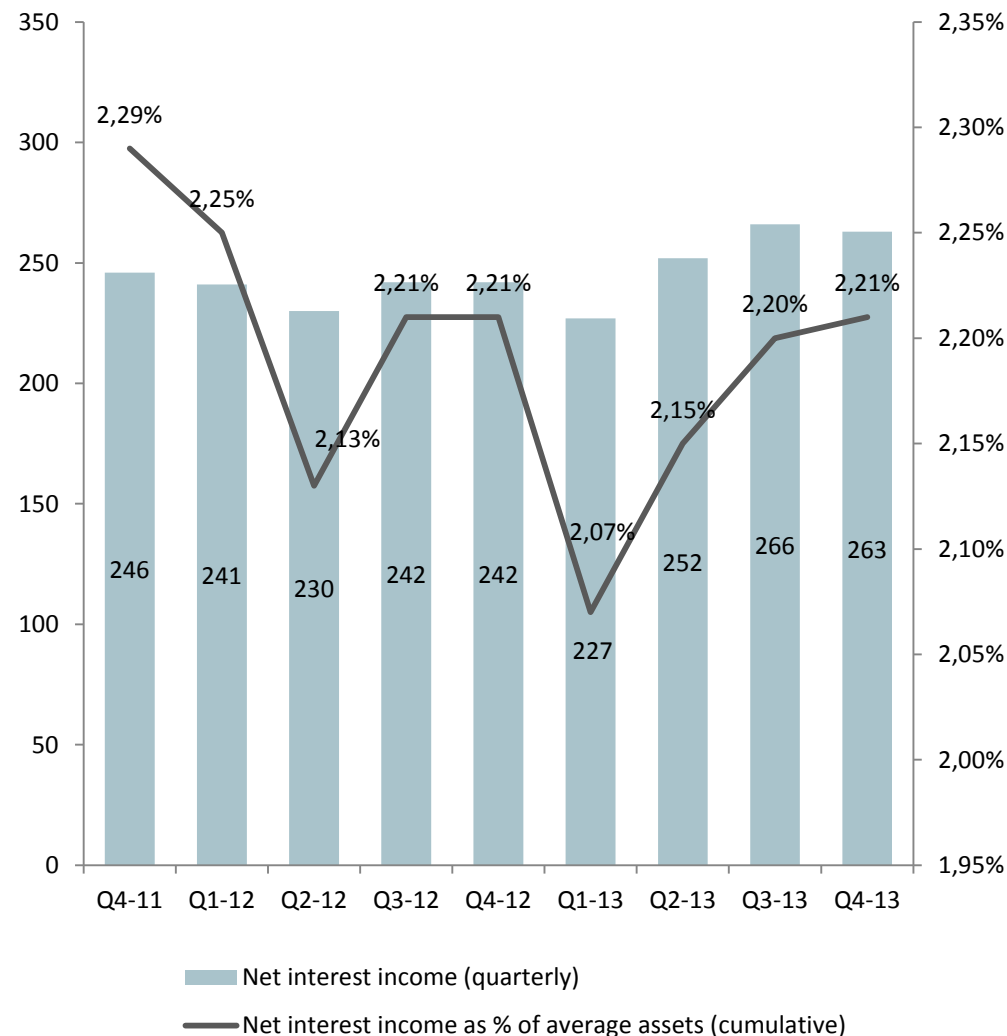
Specification of the consolidated profit (Group)

Change in profit before tax 2012 vs 2013

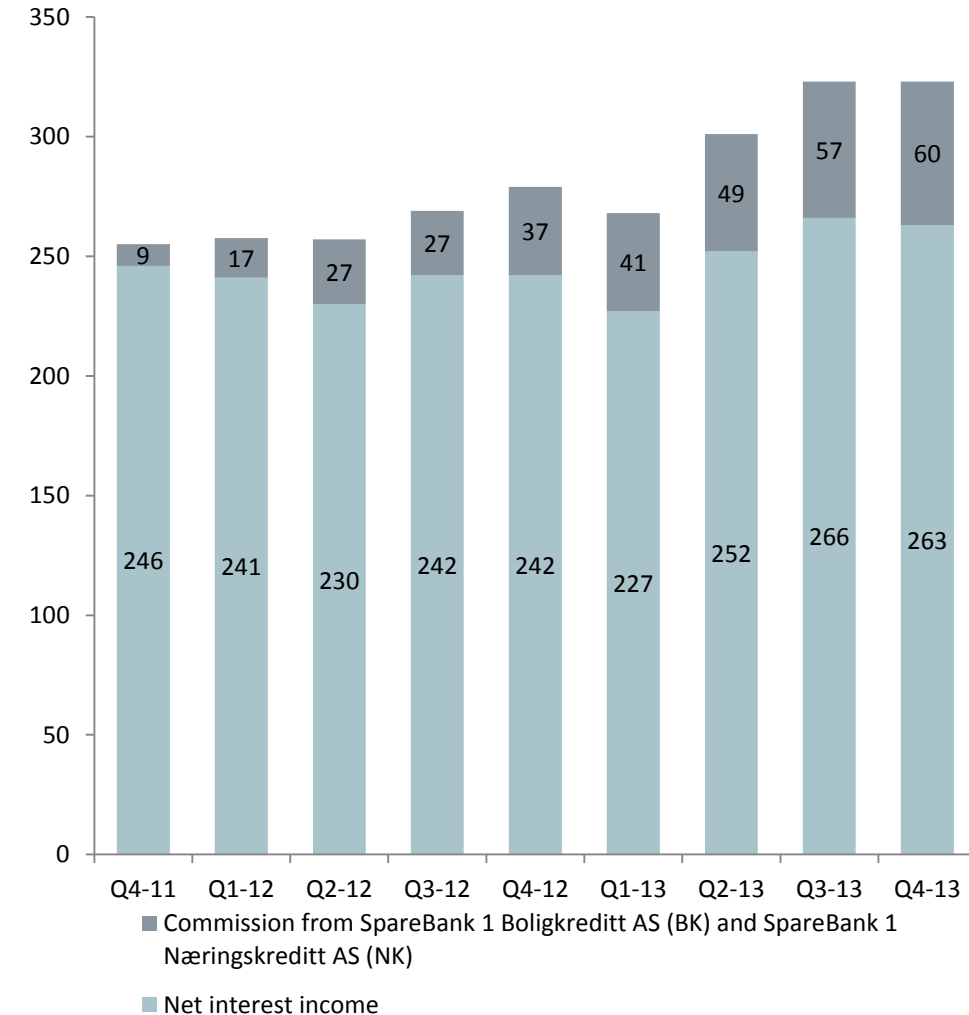


Net interest income (Group)

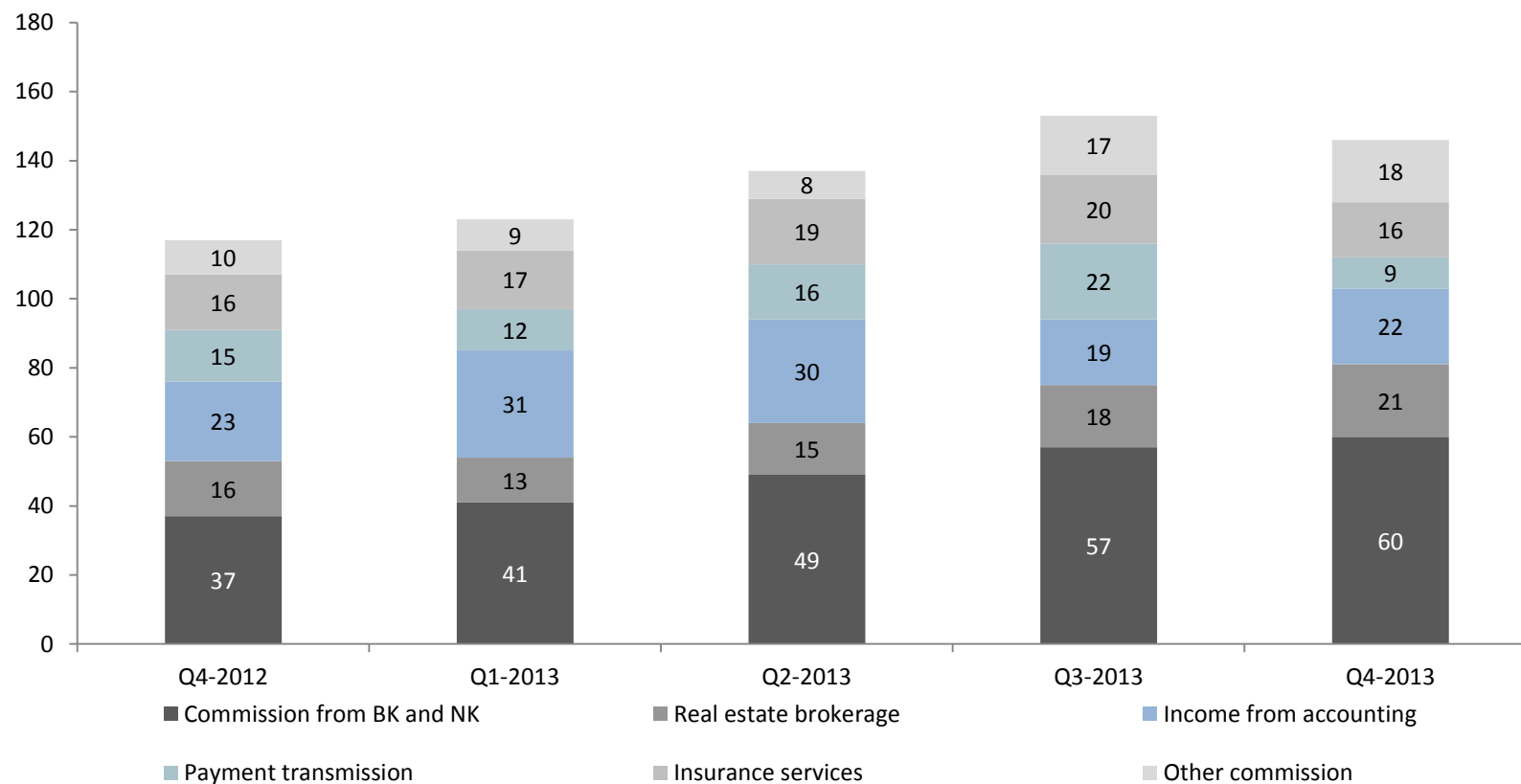
Interest income excl. Commission from cover bond companies



Interest income incl. commission from cover bond companies



Net commission and other income (Group)



Income from financial assets and liabilities (Group)

	2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Dividends	21	3		18		
Net profit from ownership interest	326	125	99	48	54	-5
Profit/loss and change in value of bond and certificates	-21	-13	10	19	-37	-21
Profit/loss and change in value of shares	2	-1	3			
Profit/loss and change in value of financial derivatives	-65	5	-33	14	-51	
Net income from financial assets and liabilities	263	119	79	99	-34	-26

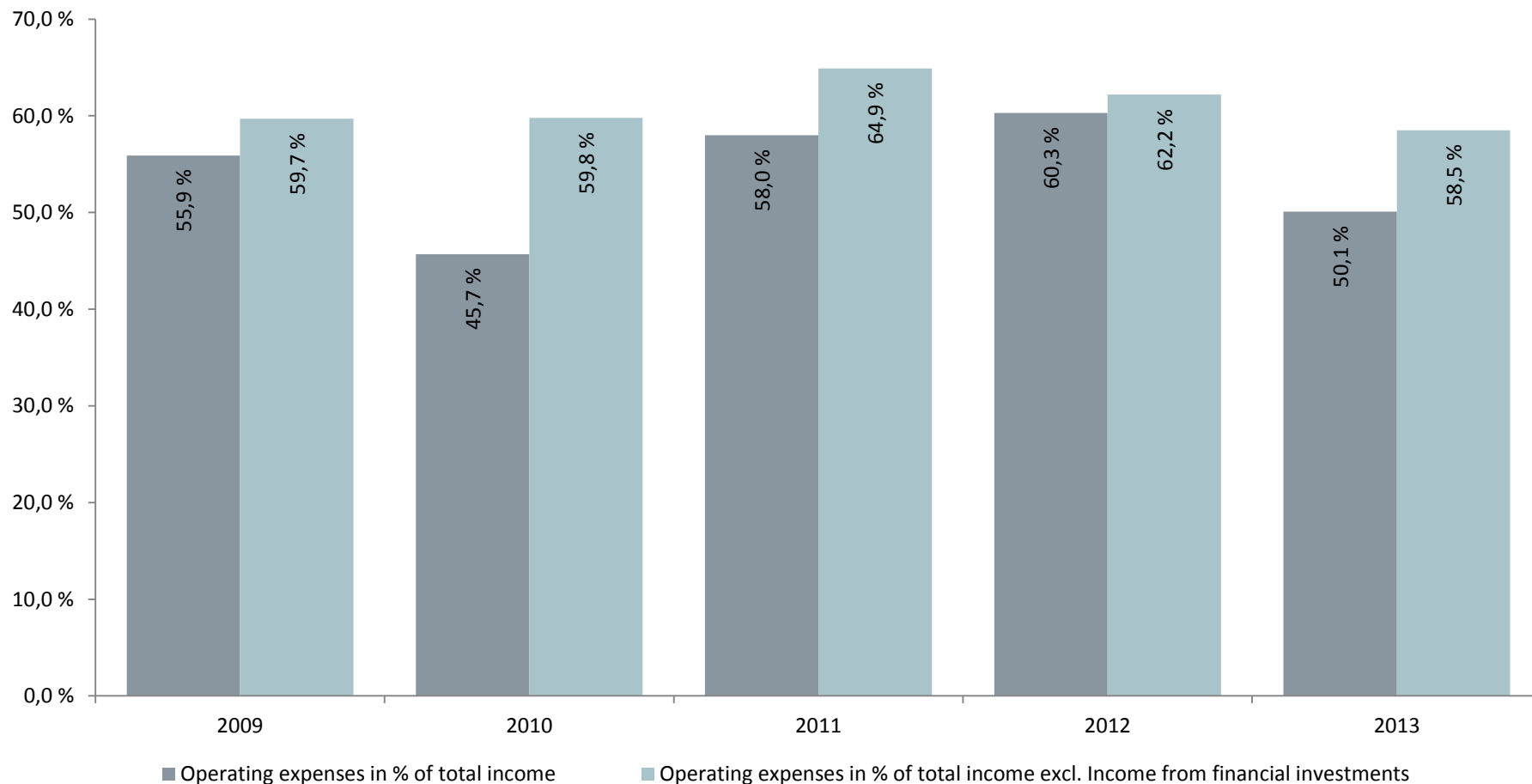
Net income from financial assets and liabilities (Group)

	2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Dividends	21	3		18				7
Net profit from ownership interest	326	125	99	48	54	-5	46	10
Profit/loss and change in value of bond and certificates	-21	-13	10	19	-37	-21	-114	7
Profit/loss and change in value of shares	2	-1	3				1	
Profit/loss and change in value of financial derivatives	-65	5	-33	14	-51		66	31
Net income from financial assets and liabilities	263	119	79	99	-34	-26	-1	55

Operating expenses (Group)

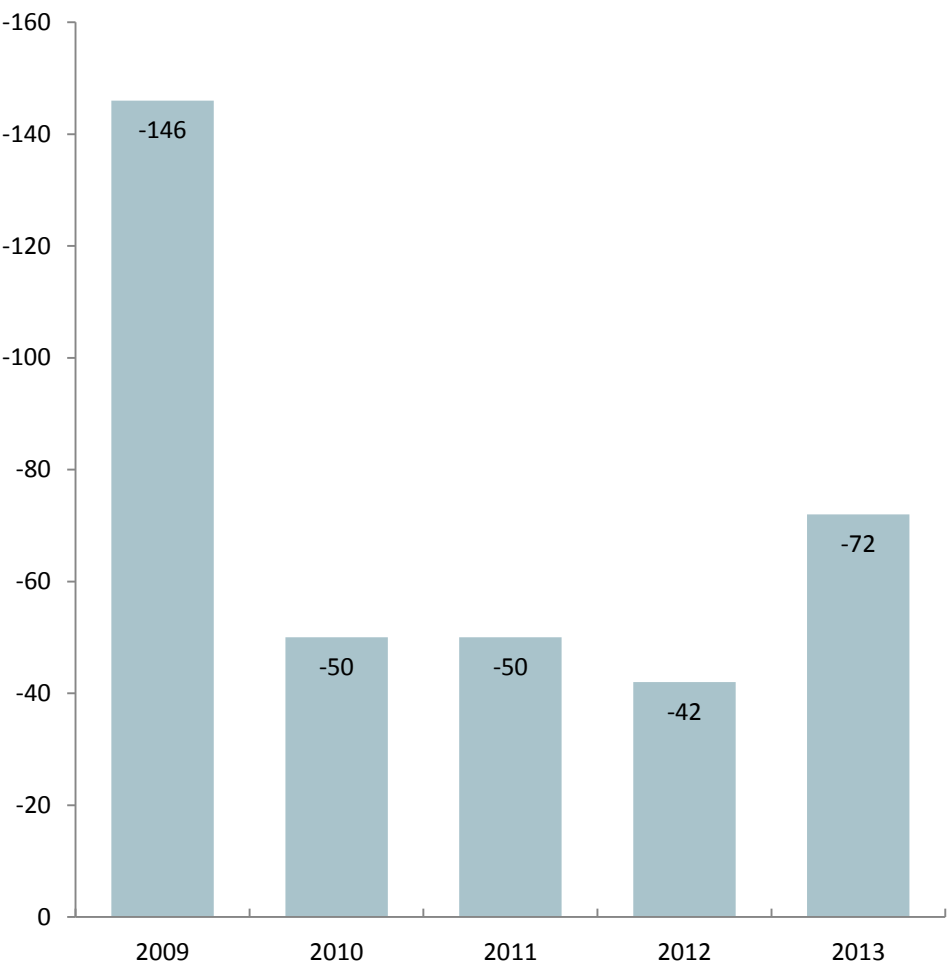
	2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Payroll	359	91	90	86	92	87
Pension costs	49	11	13	12	12	3
Social security expenses	79	22	19	18	20	20
Total personnel expenses	487	124	122	116	125	110
	0	0				
Total operating expenses and other expenses	287	78	67	75	67	77
Total personnel- and operating expenses	774	203	189	191	191	187
	0	0				
Depreciation	39	10	10	10	9	9
Other operating expenses	103	22	24	27	30	27
Total personnel- and operating expenses	916	235	223	227	231	223

Operating expenses in per cent of income (Group)

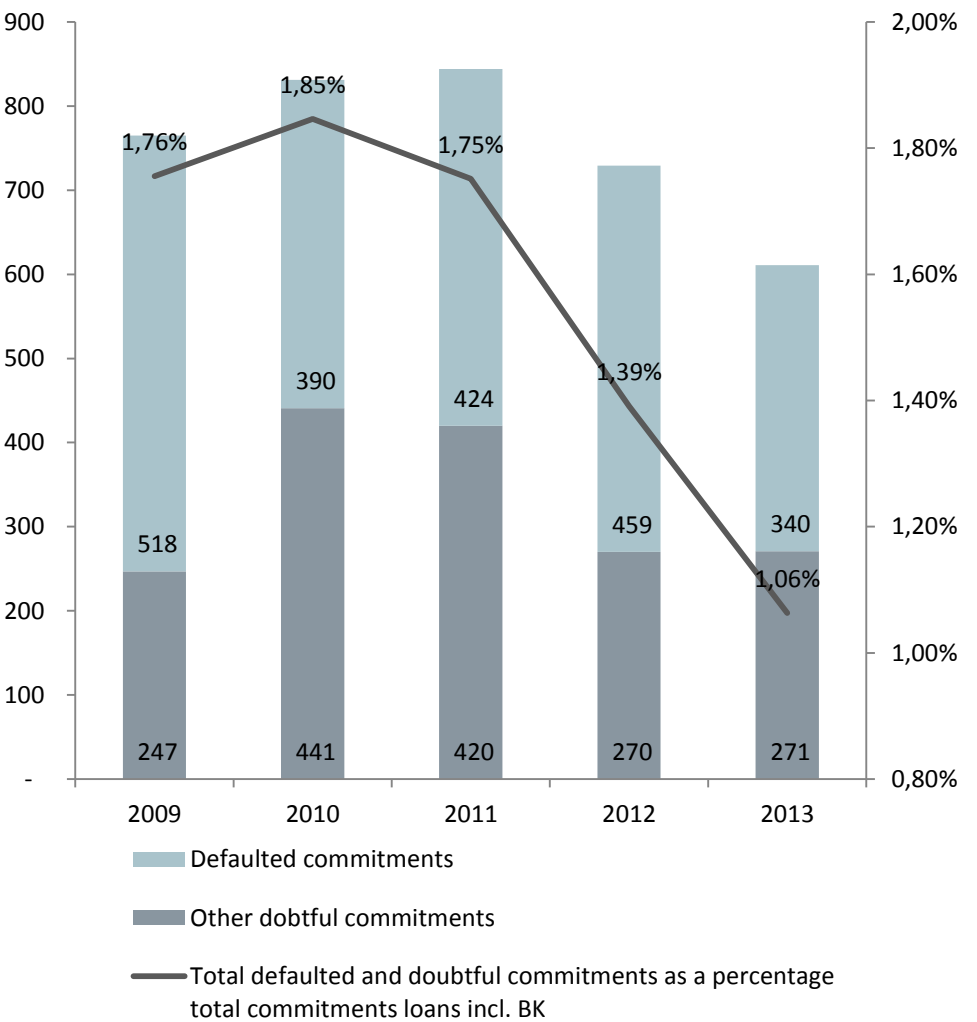


Losses on loans and guarantees (Group)

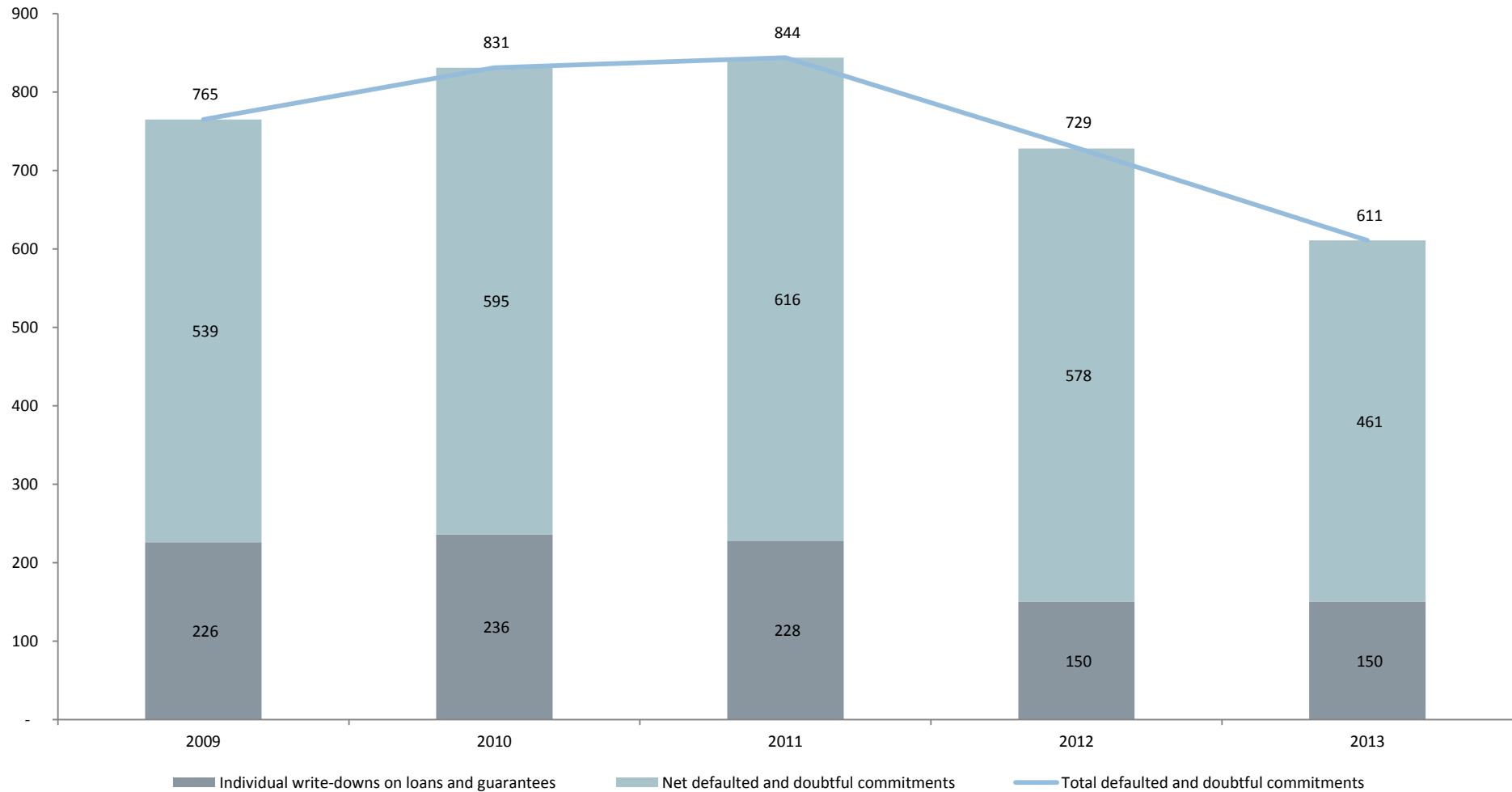
Defaulted and doubtful commitments



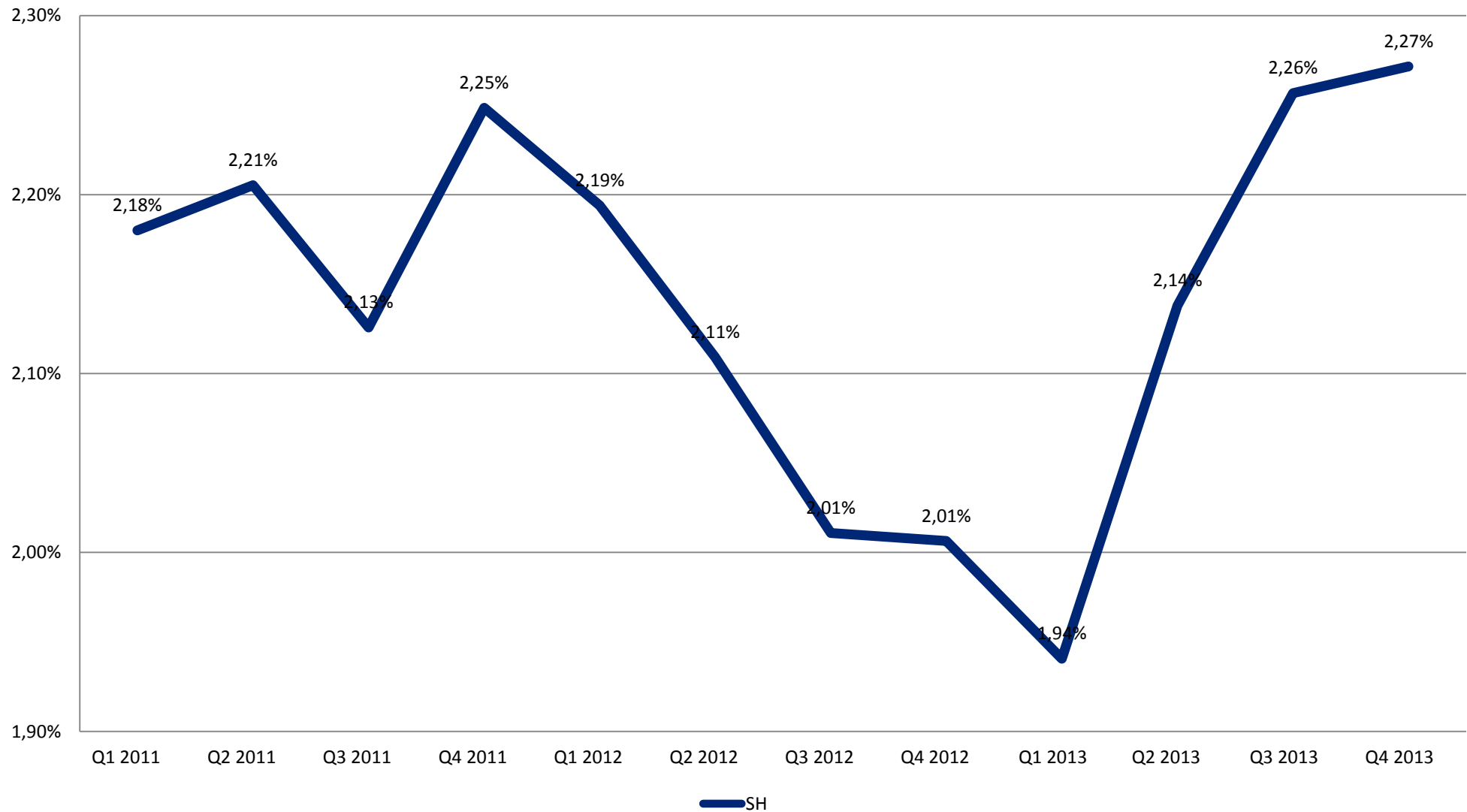
Defaulted and doubtful commitments



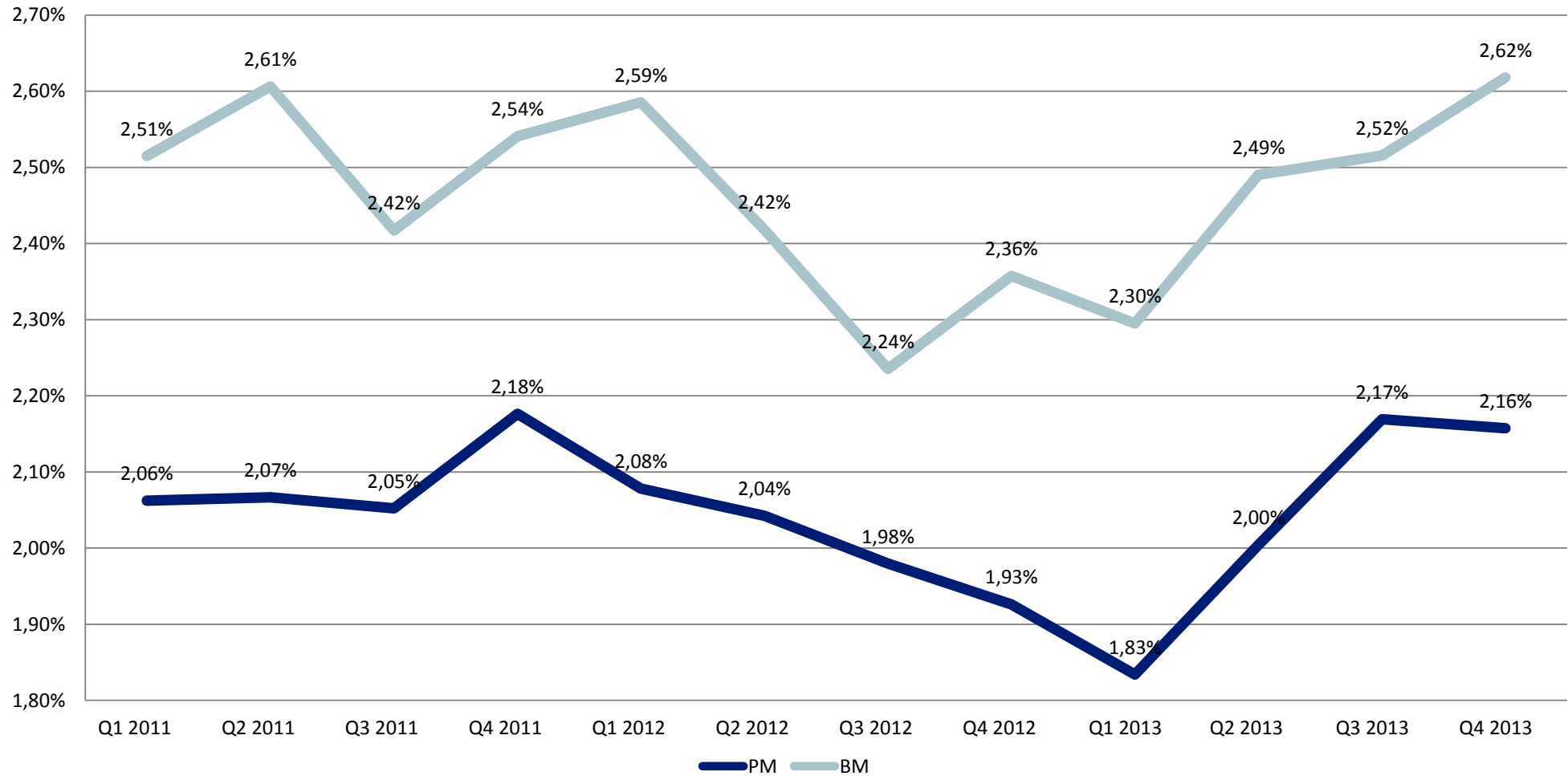
Defaulted and doubtful commitments (Group)



Interest margin Parent bank (incl. Boligkreditt and excl. Mastercard)



Interest margin Parent bank (incl. Boligkreditt and excl. Mastercard)



PM: Retail market BM: Corporate market

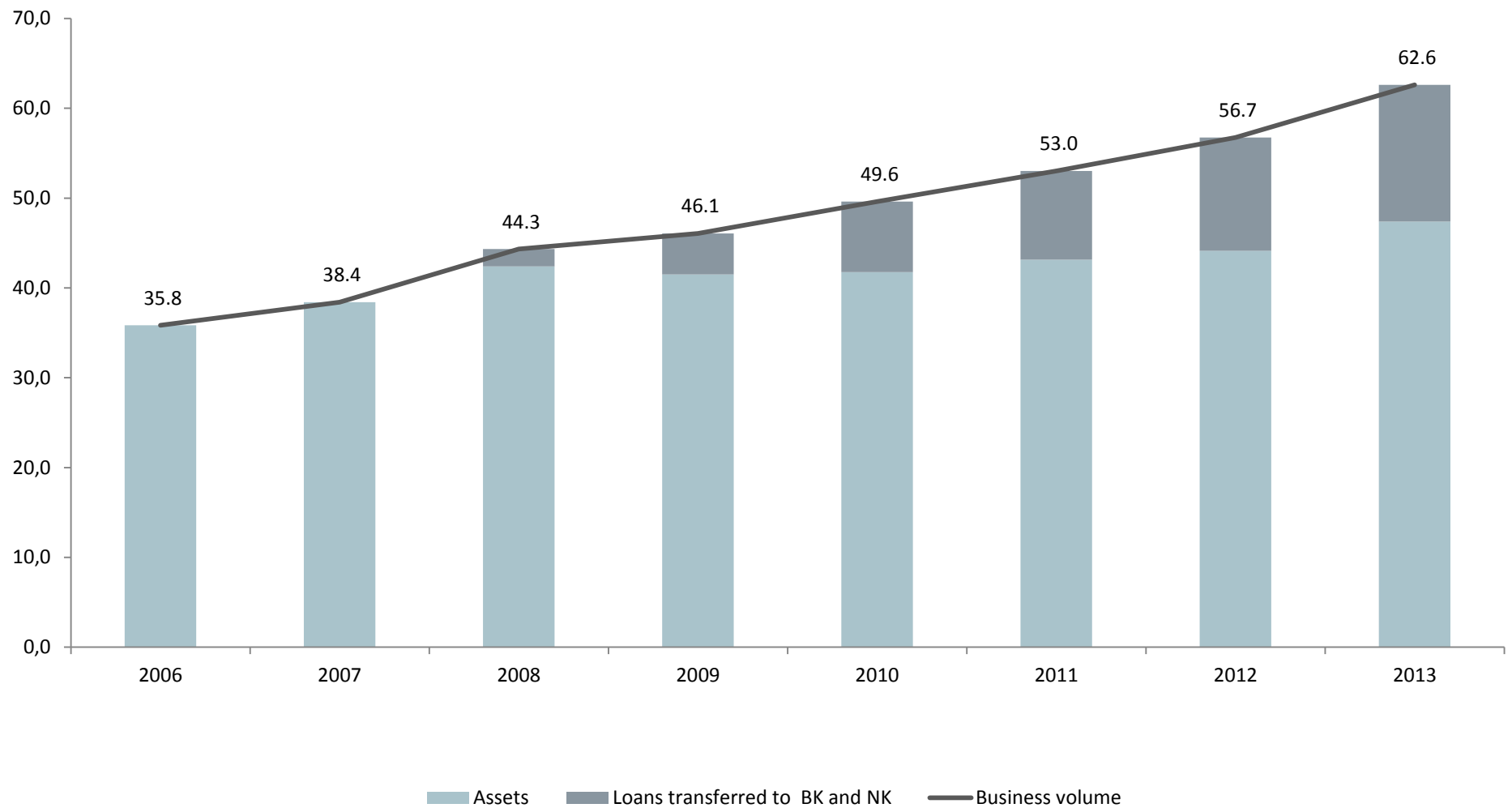
Main figures Sparebanken Hedmark (Group)

	2013	2012
Profitability		
Return on equity capital after tax	11,0 %	7,0 %
Total operating costs in relation to total income	50,1 %	60,3 %
From the balance sheet		
Deposits from customers in relation to gross loans to customers	81,0 %	79,4 %
Lending growth last 12 months incl. Loans transferred to cover bond companies	8,9 %	7,7 %
Deposits growth during the last 12 months	7,0 %	8,6 %
Losses and commitments in default		
Losses on loans as a percentage of gross loans	0,2 %	0,1 %
Commitments in default as a percentage of total commitments incl. Loans transferred to cover bond companies	0,6 %	0,90 %
Other doubtful commitments as a percentage of total commitments incl. Loans transferred to cover bond companies	0,5 %	0,50 %
Financial strength		
Capital adequacy ratio	16,4 %	16,9 %
	16,2 %	16,9 %
Core capital ratio	16,4 %	16,9 %

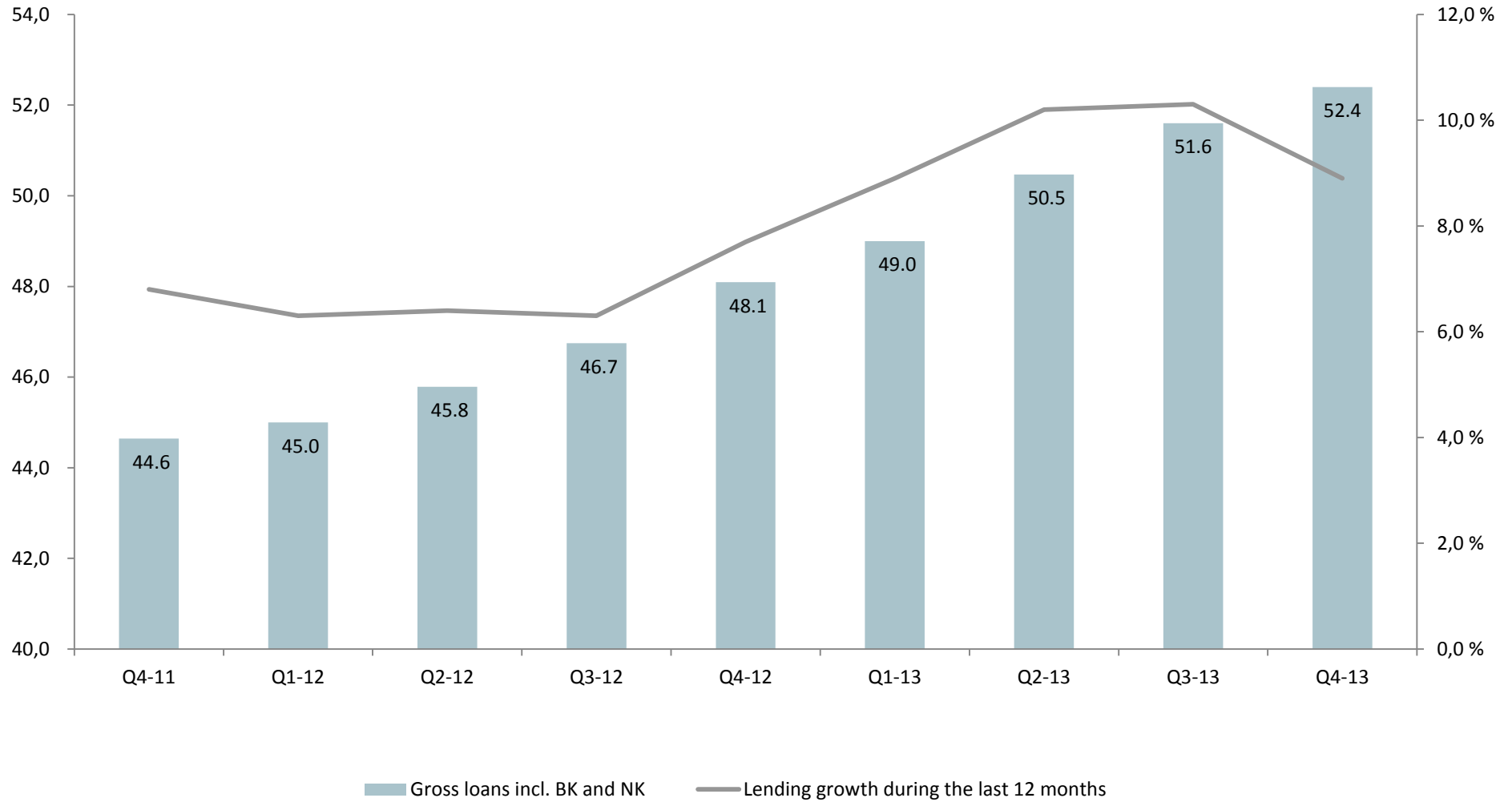
Balance sheet (Group)

	31.12.2013	31.12.2012
ASSETS		
Cash and deposits with central banks	572	236
Loans to and receivables from credit institutions	699	294
Loans to and receivables from customers	36.936	35.200
Financial papers	5.647	5.958
Investments in subsidiaries, associates and joint ventures	2.571	1.558
Other assets	979	867
Total assets	47.403	44.113
LIABILITIES		
Deposits from and liabilities to credit institutions	632	833
Deposits from and liabilities to customers	30.097	28.137
Liabilities arising from issuance of securities and financial derivatives	8.581	8.231
Other debt and liabilities recognised in the balance sheet	867	868
	502	-
Total liabilities	40.679	38.069
EQUITY CAPITAL		
Earned equity capital	6.723	6.044
Total equity capital	6.723	6.044
Total liabilities and equity capital	47.403	44.113

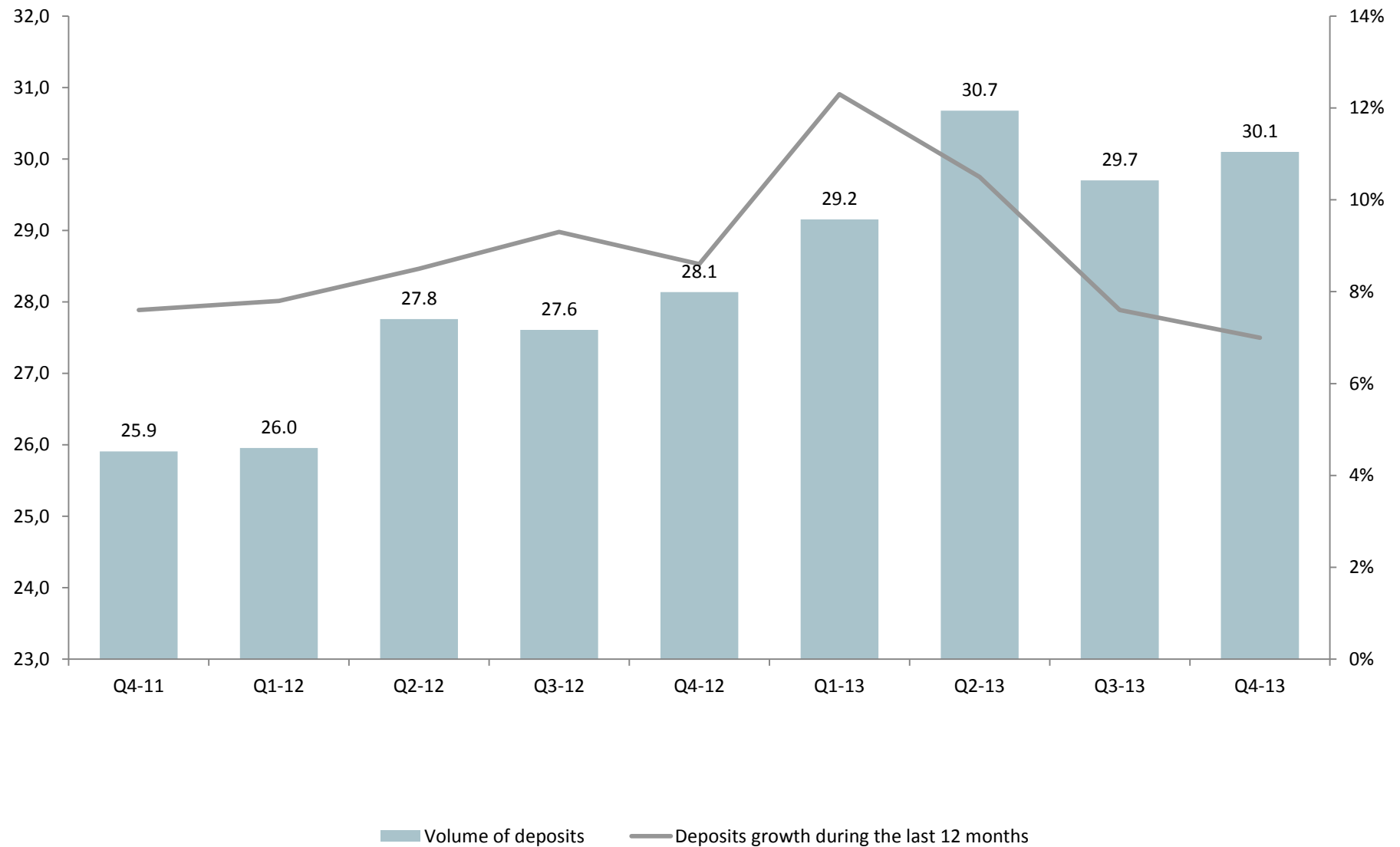
Development in assets and business volume



Development in gross loans incl. Loans transferred to cover bond companies

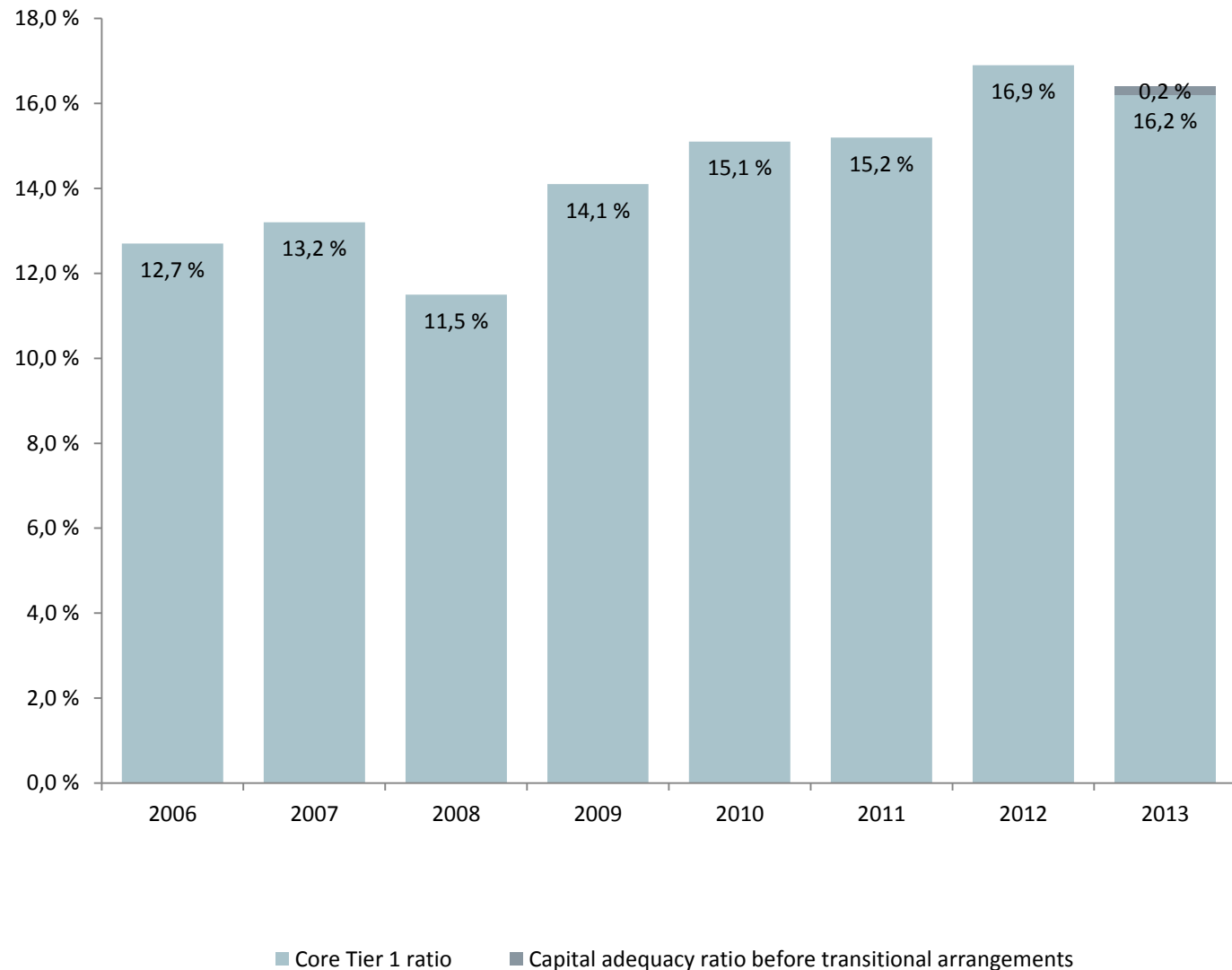


Developmen in deposits

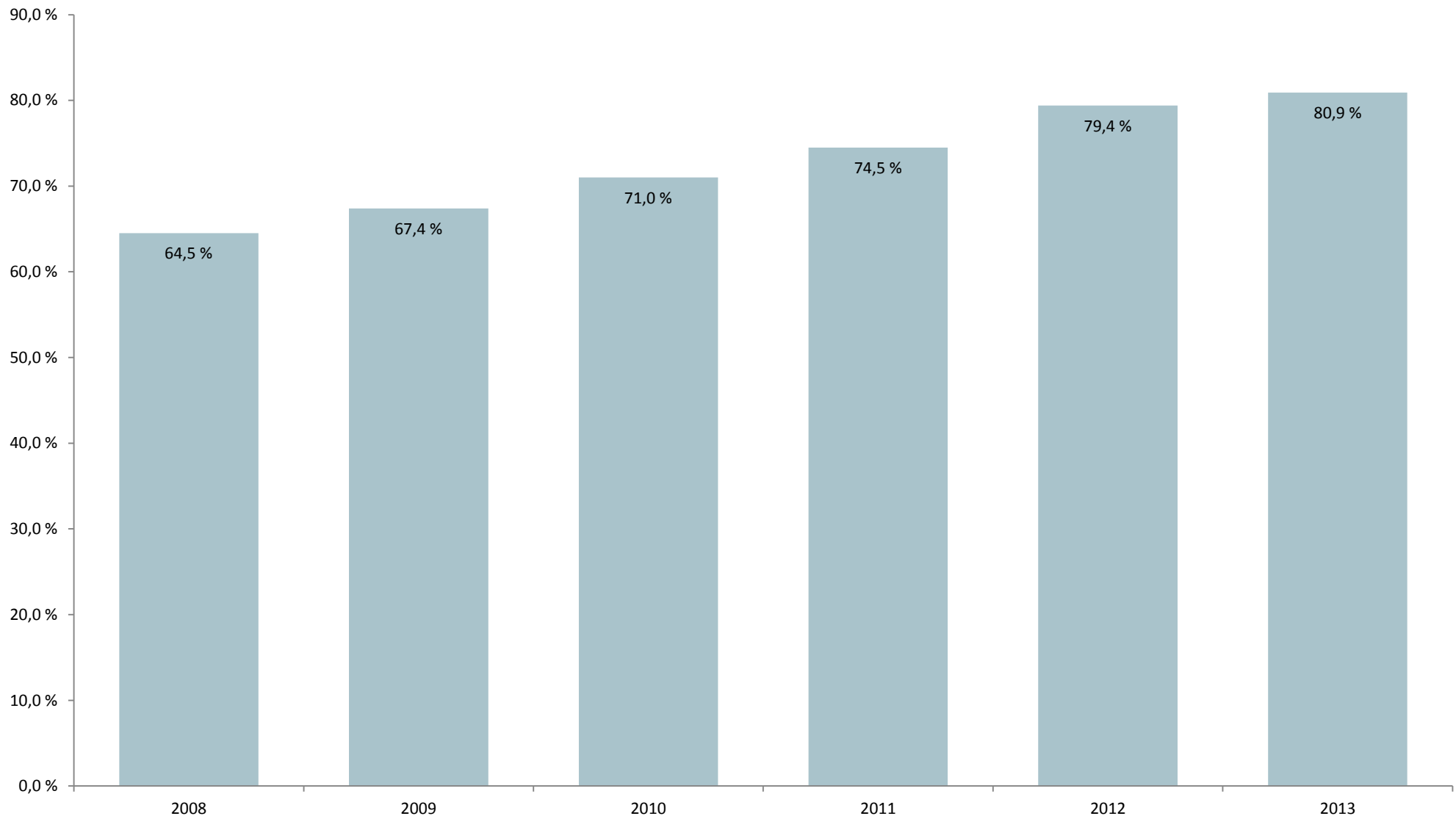


Development in Tier 1 ratio (Group)

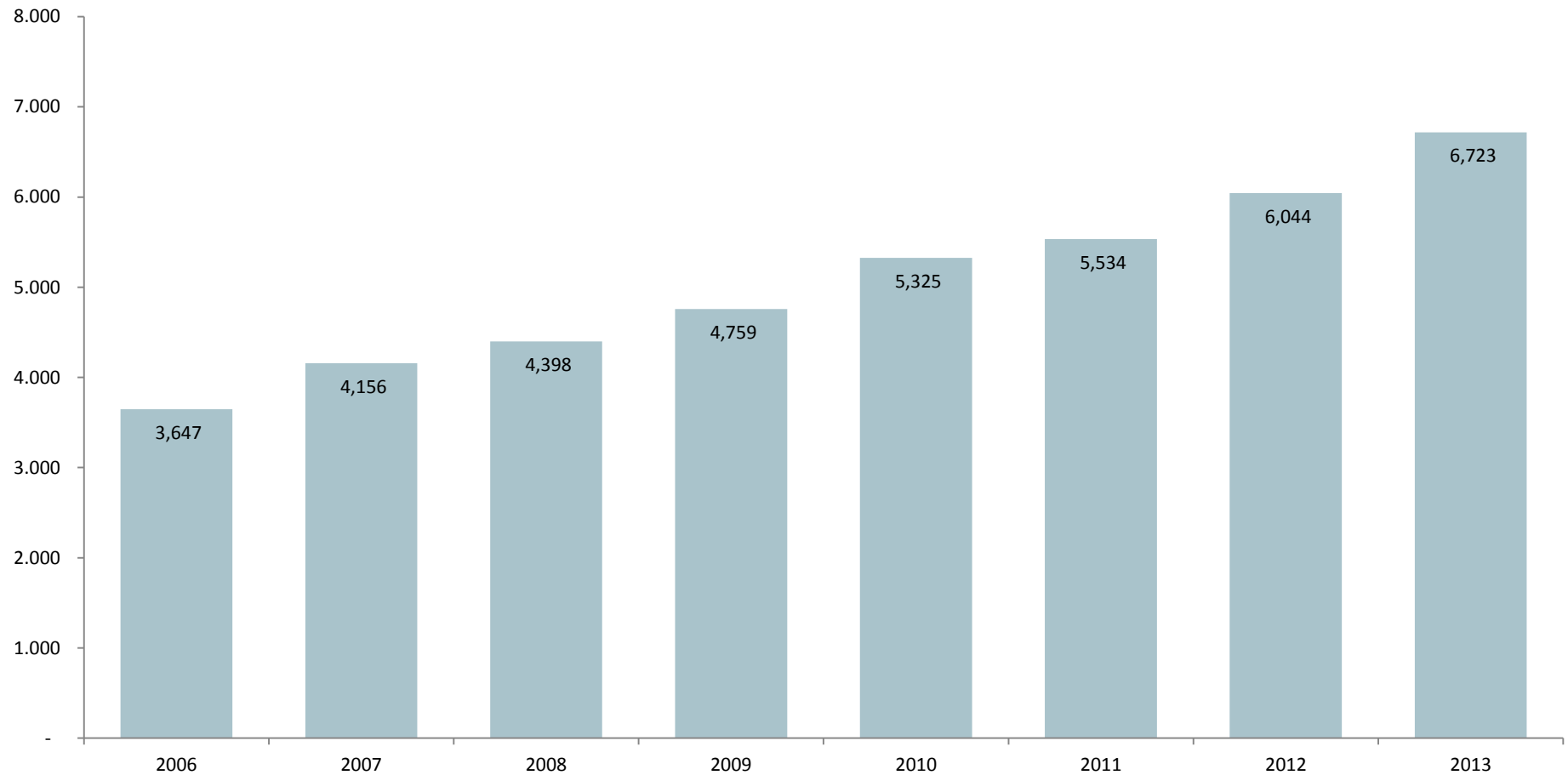
As at 1. July 2013 the Government has implemented new capital adequacy requirements:
Core Tier 1: Minimum 9 %
Tier 1: Minimum 10,5 %
Capital adequacy ratio: Minimum 12,5 %



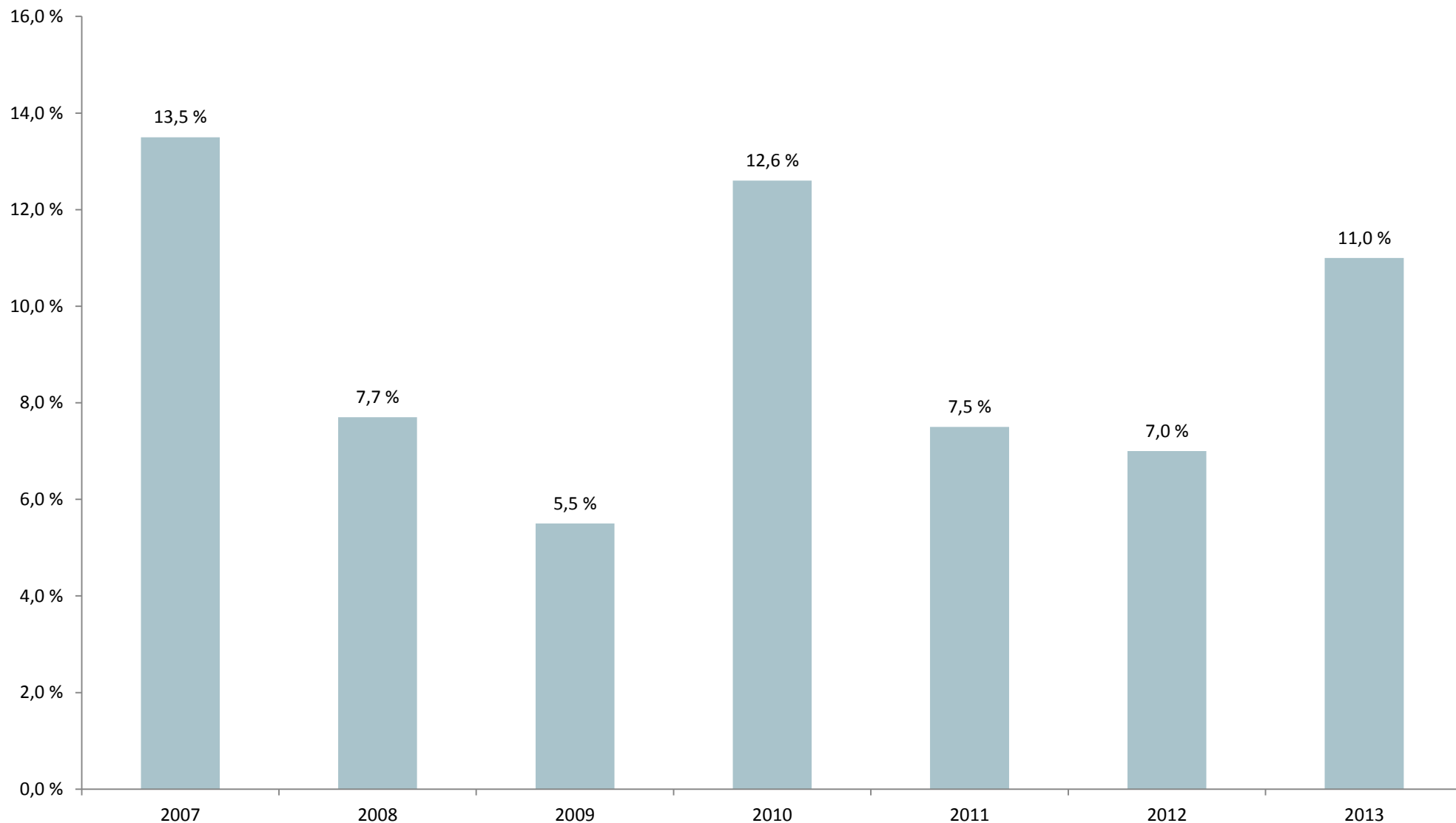
Deposit ratio (Group)



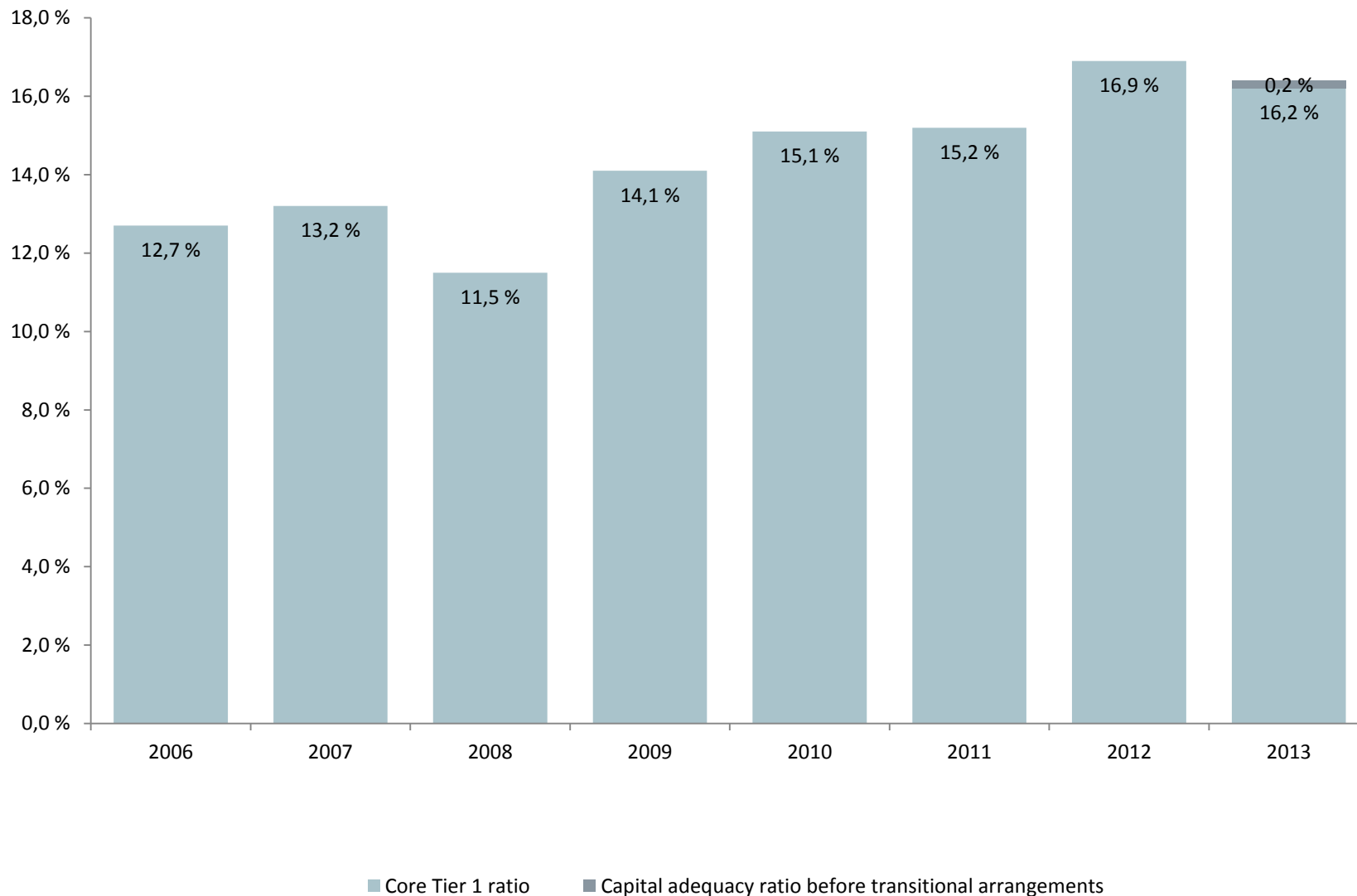
Development in equity (NOK million)



Return on equity capital after tax

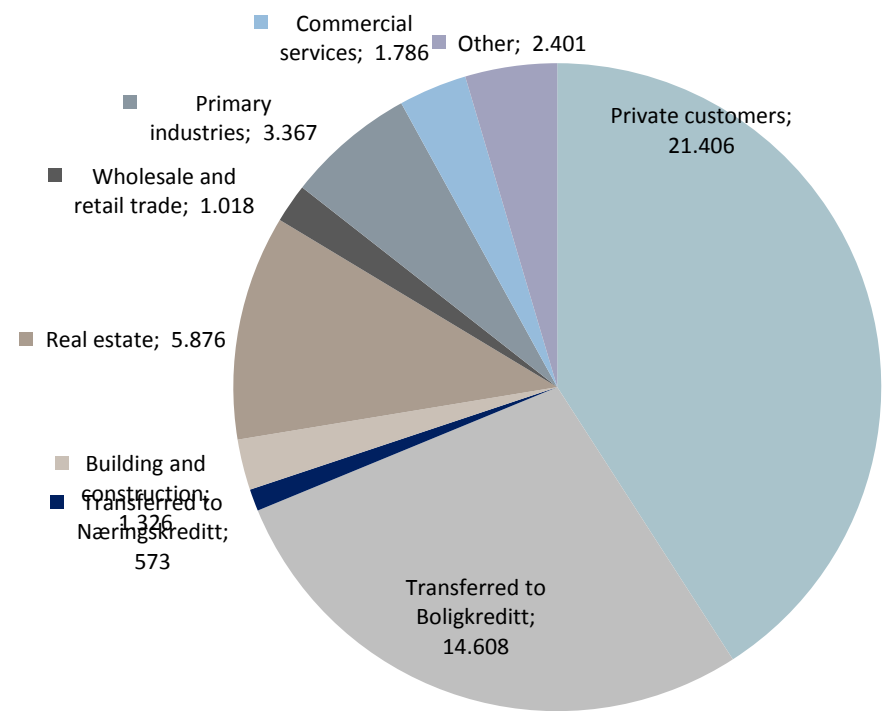


Development in capital adequacy ratio (Group)

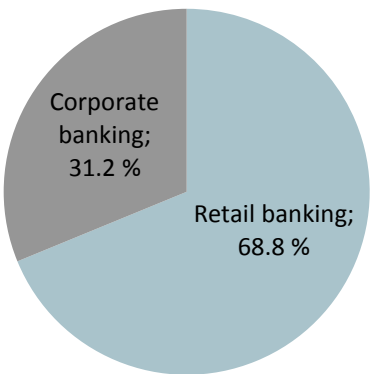


Composition of loans and receivables from customers (Group)

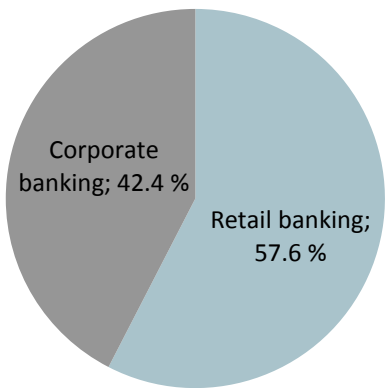
Composition of loans incl. Cover bond companies



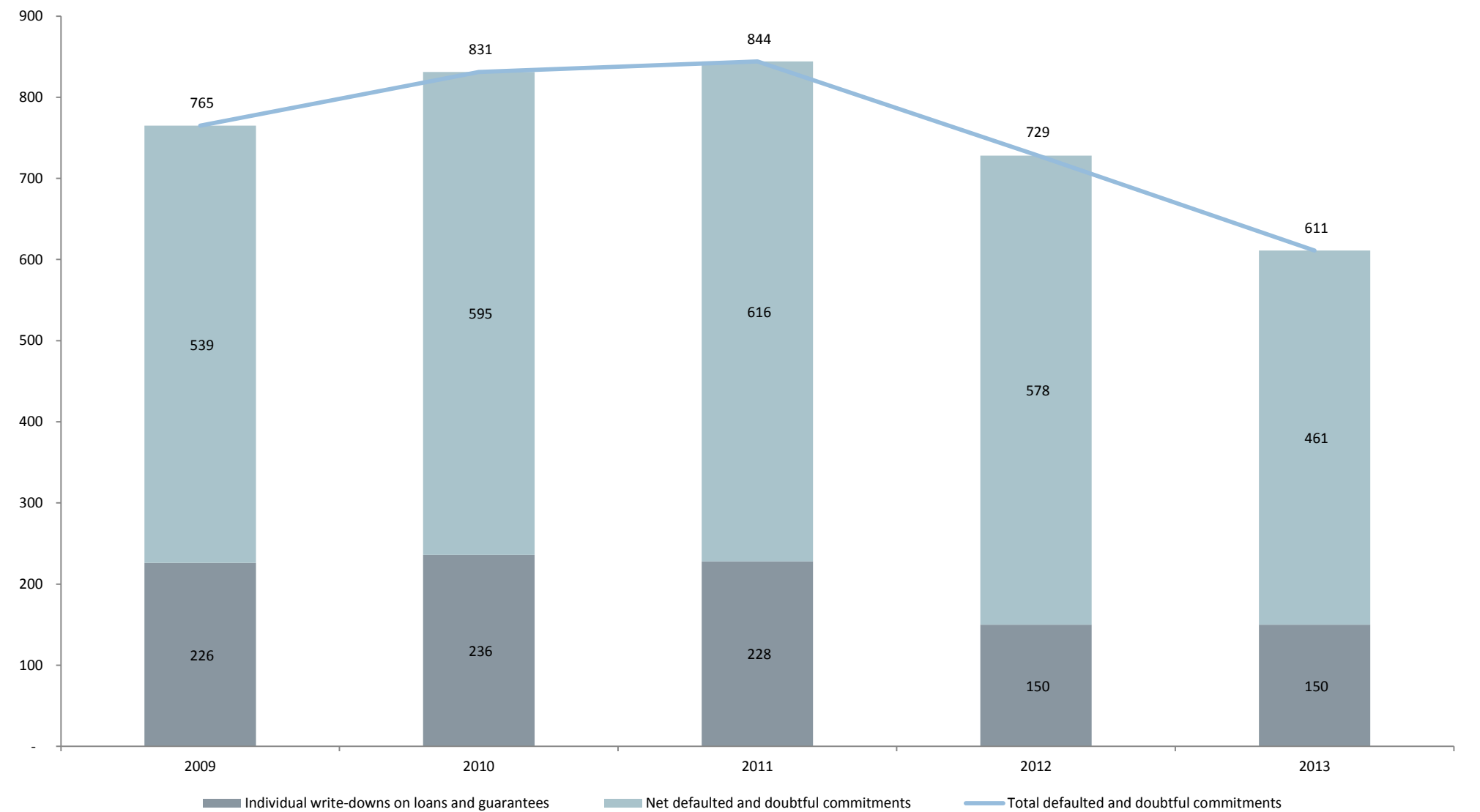
Composition of loans incl. cover bond companies



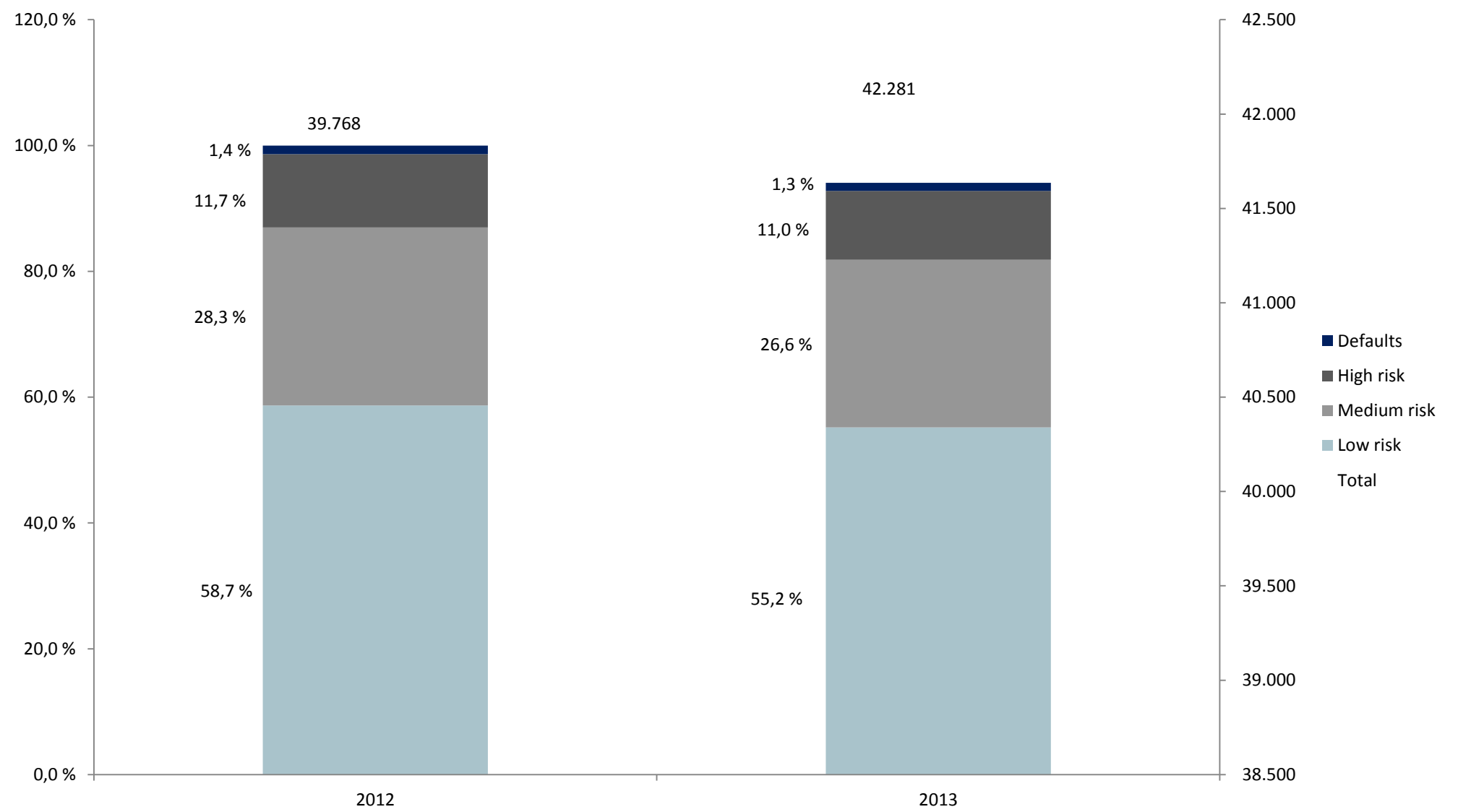
Composition of loans excl. cover bond companies



Total defaulted and doubtful commitments (Group)

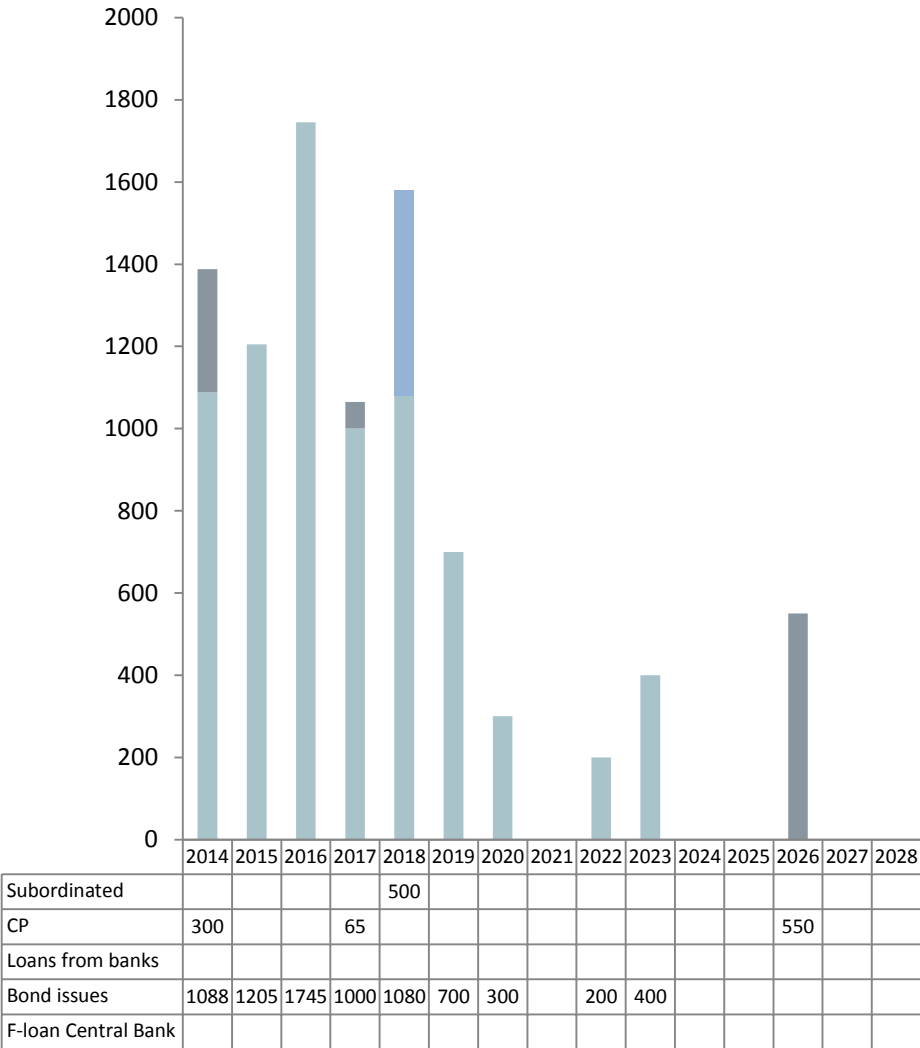


Risk profile total commitments (Group)

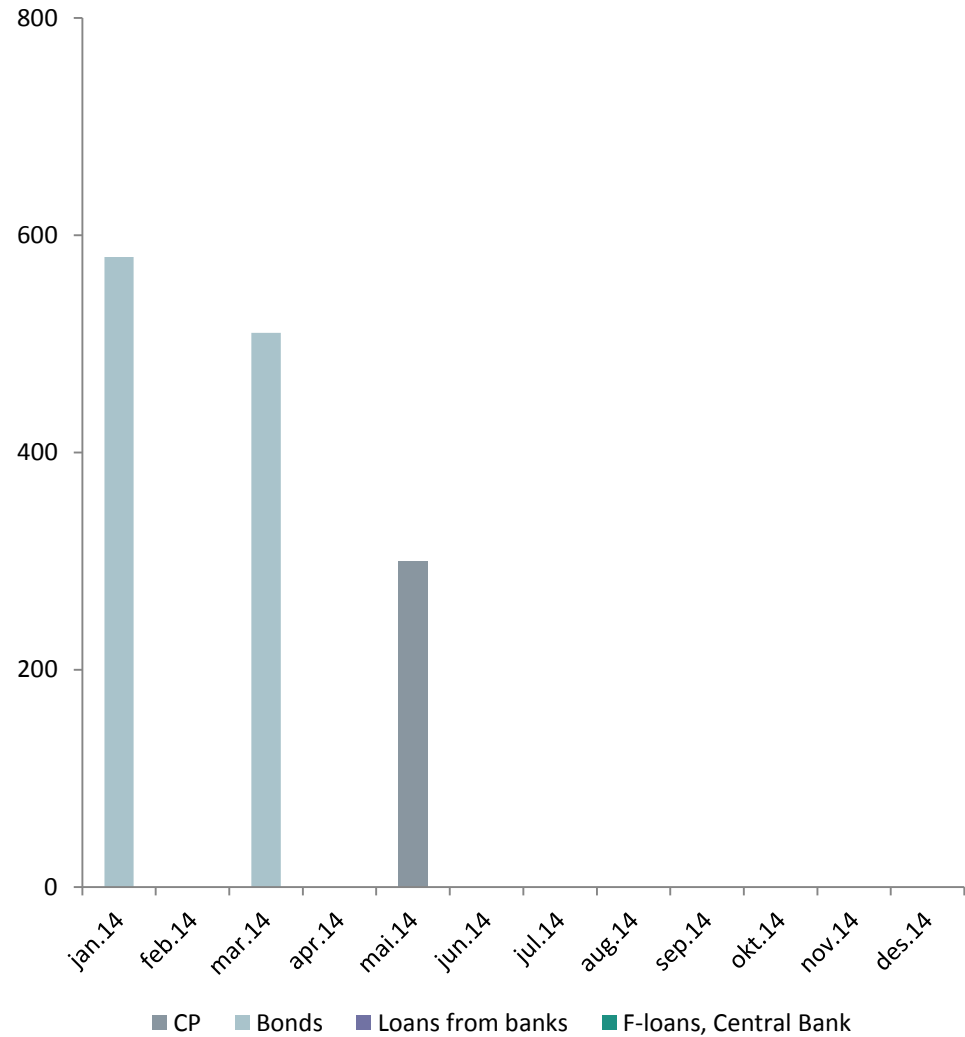


Maturities

Annual maturities; total to maturity MNOK 9 133

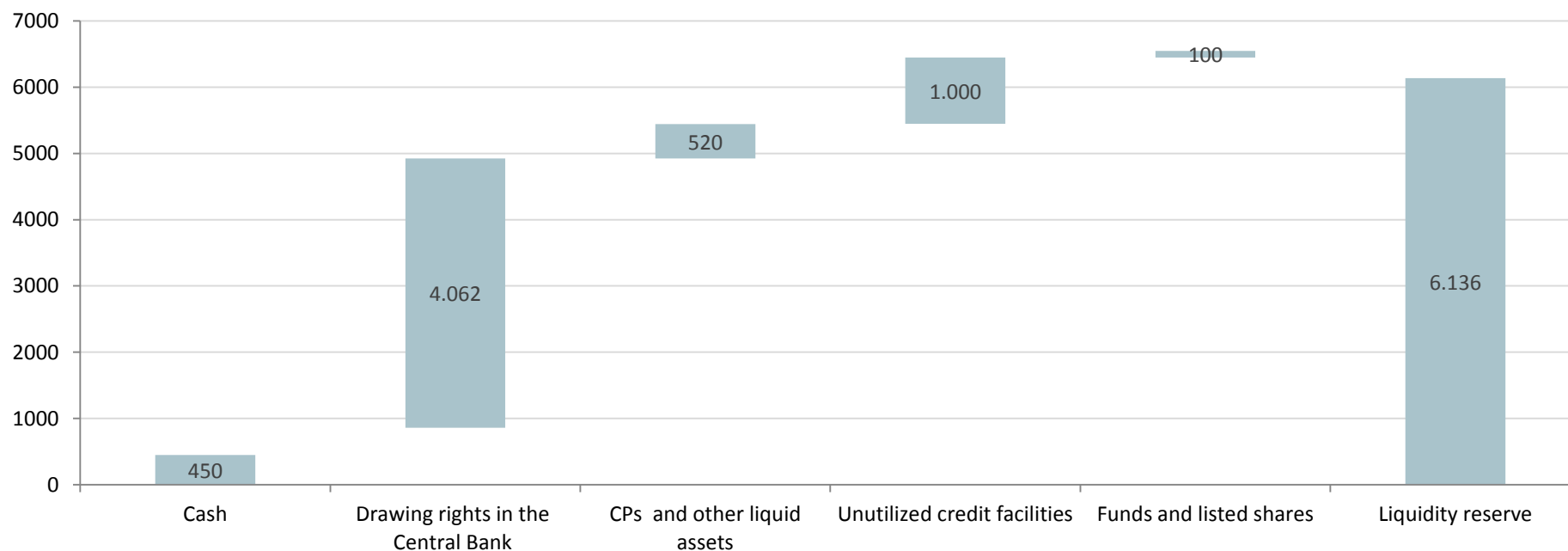


Funding maturities the next 12 months MNOK 1 388



Liquidity reserves

- The figure shows the distribution of the bank's liquidity reserve as at 31.12.2013. Total liquidity reserves was MNOK 6 132.



Rating

- On 10 January, Moody's Investor Service confirmed Sparebanken Hedmark's rating (“long-term senior debt and deposit rating”) to A2.
- The bank's individual C- rating (standalone financial strength rating) was also confirmed
- Both ratings still has stable outlook.

- Rating drivers:
 - Robust local retail operations
 - Funding supported by high proportion of deposit funding
 - Increased stake in Bank 1 Oslo Akershus increases the risk profile slightly
 - The bank's profitability is supported by stable, traditional banking
 - Membership of the SpareBank 1 Alliance (cross-sales, economies of scale, risk management models, etc.) which also entails a certain probability of financial support from other member banks
 - The quality of loans is, based on some key figures, somewhat weaker than in comparable banks, but the trend is positive

Outlook for 2014

- Continued low employment – 96.5% employment!
- Low inflation – real wage growth for many groups
- Continued low interest rates throughout 2014
- Stable household debt development – people are saving more
- Housing market is stabilising, and we do not expect the market to crash
- Weak Norwegian krone contributes to significantly improved profitability for export-oriented companies
- Retail trade sector is facing increasing competition from online retailers.
- We are expecting a corporate loan demand on par with 2013
- We are expecting good results for Sparebanken Hedmark in 2014

Parent Bank

Profit/loss 2013 (Parent bank)

<i>(Nok million)</i>	2013	2012
Net interest income	830	834
Net commission and other income	409	287
Dividends	21	7
Net profit from ownership interests	189	93
Net income from financial assets/liabilities	-84	-59
Total net income	1.364	1.162
Total operating expenses before losses on loans and guarantees	681	652
Profit before losses on loans and guarantees	684	510
Losses on loans and guarantees	61	31
Profit/loss before tax	622	479
Tax charge	124	116
Result for the accounting period	499	363