

# Sparebanken Hedmark

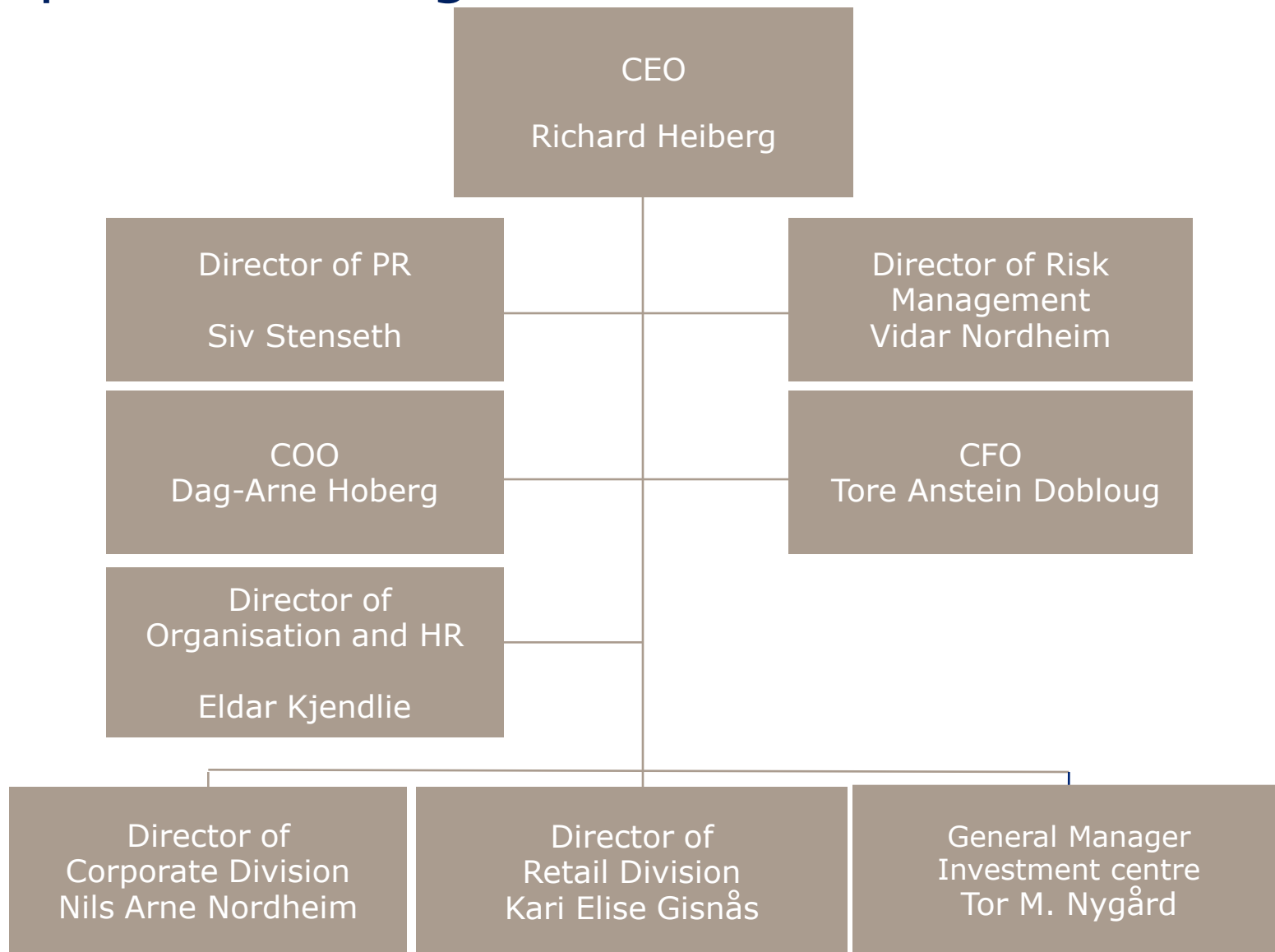
Q1-2013

# Sparebanken Hedmark

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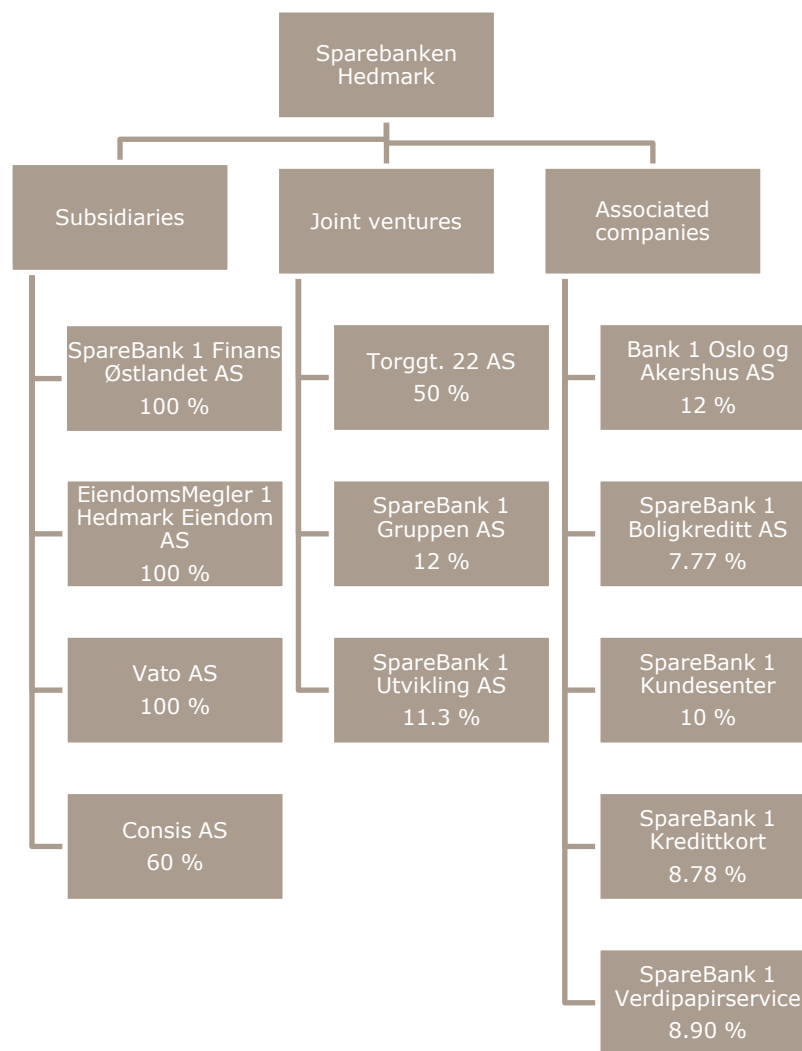
- Sparebanken Hedmark is the leading provider of financial services to individuals, businesses and public sector in Hedmark.
  - Sparebanken Hedmark:
    - 25 branches in Hedmark
    - 2 branches in Oppland
    - 1 branch in Akershus
    - NOK 44 billion in total assets
    - NOK 57.6 billion in business volume (incl. Loans transferred to SpareBank 1 Boligkreditt AS)
    - Equity of NOK 6.1 billion
    - 700 employees in the Group
    - 170 000 customers
    - Leading retail and corporate bank in Hedmark
    - Market share of over 40 per cent
  - Wholly-owned subsidiaries of real estate (EiendomsMegler 1 Hedmark Eiendom AS), movable property leasing and financing (SpareBank 1 Finans Østlandet AS) and in accounting (Consis AS).

# Corporate management



# Sparebanken Hedmark

## Subsidiaries, joint ventures and associated companies



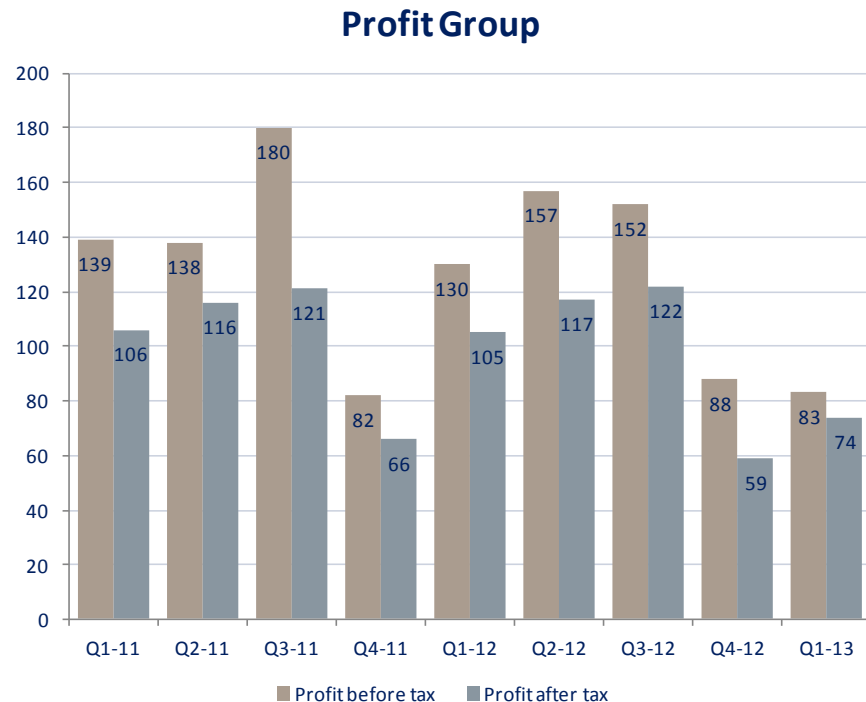
# Financial information

Sparebanken Hedmark - Group

# Main features Q1-2013 (Q1-2012)

- Group

- Pre-tax profit: MNOK 83 (130)
- Profit after tax: MNOK 74 (105)
- Return on equity after tax: 4.9 (7.5) per cent
- Net interest income: 2.07 (2.25) per cent of average assets
- Lending growth during last twelve months 8.9 (6.3) per cent
- Equity capital NOK 6.14 (5.6) billion.
- Core capital ratio: 15.8 (15.0) per cent



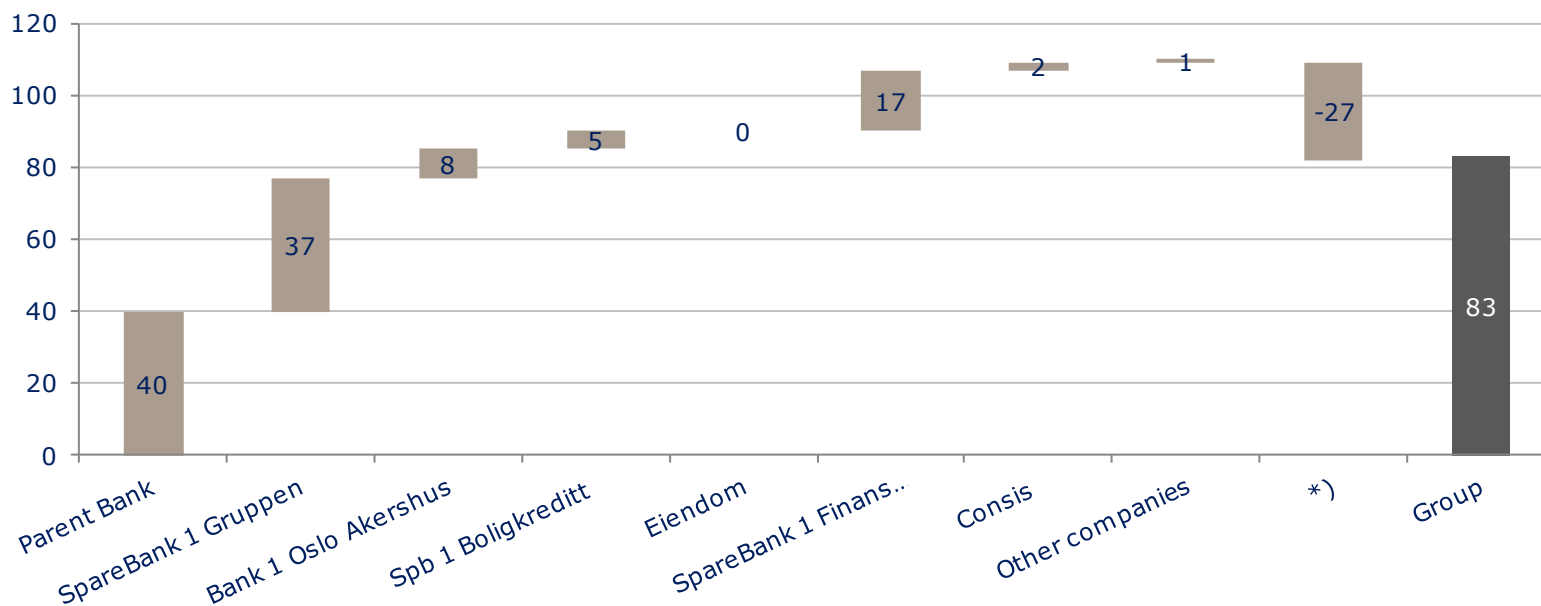
# Income statement

- Group

	<b>Q1 2013</b>	<b>Q1 2012</b>	<b>2012</b>
Net interest income	227	241	955
Net commission and other income	123	95	435
Dividends			7
Net profit from ownership interests	54	44	
Net income from financial assets/liabilities	-88	-29	36
<b>Total net income</b>	<b>317</b>	<b>351</b>	<b>1433</b>
Total operating expenses before losses on loans and guarantees	<b>231</b>	223	<b>864</b>
<b>Profit before losses on loans and guarantees</b>	<b>86</b>	<b>128</b>	<b>569</b>
Losses on loans and guarantees	3	-2	42
<b>Profit/loss before tax</b>	<b>83</b>	<b>130</b>	<b>527</b>
Tax charge	9	25	124
<b>Result for the accounting period</b>	<b>74</b>	<b>105</b>	<b>403</b>
Majority interests	<b>73</b>	<b>105</b>	<b>524</b>
Minority interests	1		3



# Specification of the consolidated profit - Group



\*) Dividends received from subsidiaries and joint ventures

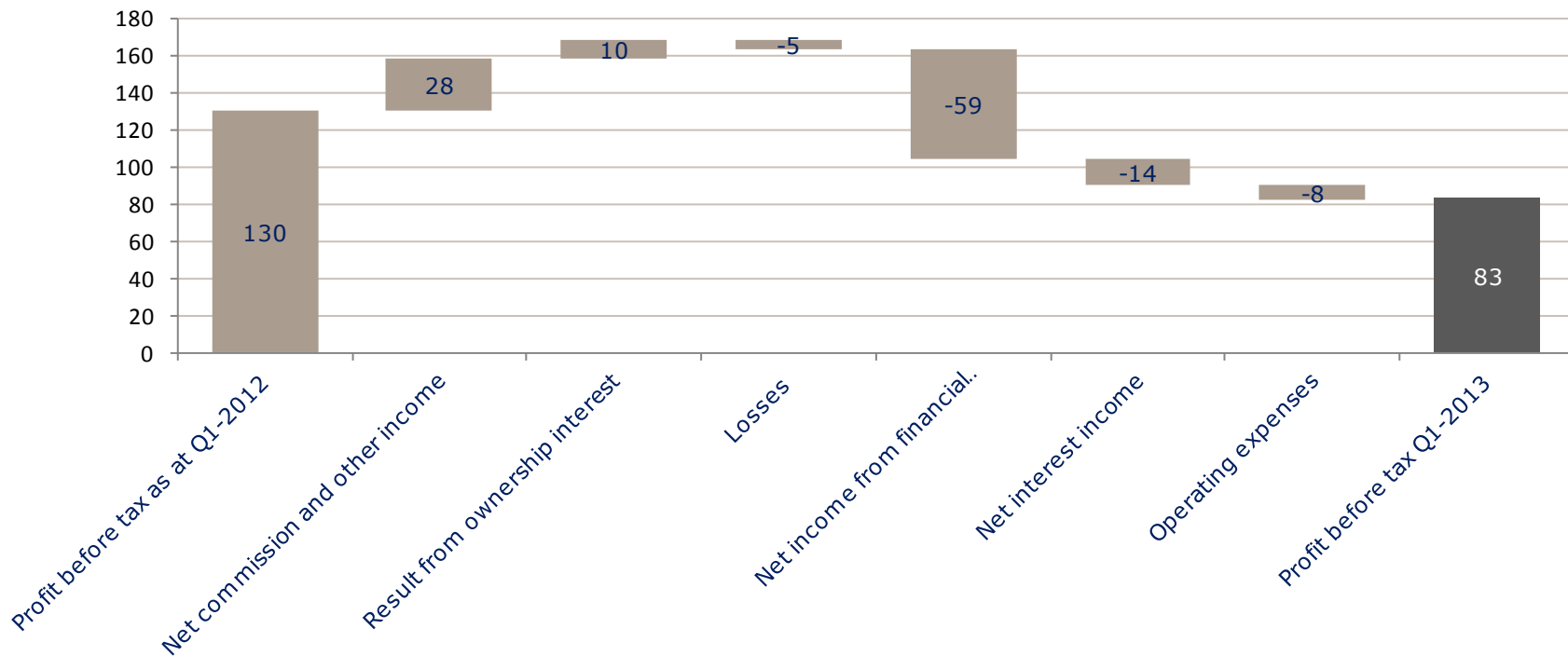
# Financial results quarterly (isolated figures)

## - Group

<i>(NOK million)</i>	<b>Q1 2013</b>	<b>Q4 2012</b>	<b>Q3 2012</b>	<b>Q2 2012</b>	<b>Q1 2012</b>	<b>Q4 2011</b>	<b>Q3 2011</b>	<b>Q2 2011</b>	<b>Q1 2011</b>
Net interest income	227	242	242	230	241	246	244	244	237
Net commission and other income	123	118	114	108	95	110	61	59	55
Net income from financial assets and liabilities	-34	-26	-1	55	15	28	73	41	6
<b>Total net income</b>	<b>317</b>	<b>334</b>	<b>355</b>	<b>393</b>	<b>351</b>	<b>384</b>	<b>378</b>	<b>344</b>	<b>298</b>
Total operating expenses before losses on loans and guarantees	231	223	205	213	223	276	186	184	169
<b>Profit before losses on loans and guarantees</b>	<b>86</b>	<b>111</b>	<b>150</b>	<b>180</b>	<b>128</b>	<b>108</b>	<b>192</b>	<b>160</b>	<b>129</b>
Losses on loans and guarantees	3	23	-2	23	-2	26	12	22	-10
<b>Profit/loss before tax</b>	<b>83</b>	<b>88</b>	<b>152</b>	<b>157</b>	<b>130</b>	<b>82</b>	<b>180</b>	<b>138</b>	<b>139</b>
Tax charge	9	29	30	40	25	16	59	22	33
<b>Result for the accounting period</b>	<b>74</b>	<b>59</b>	<b>122</b>	<b>117</b>	<b>105</b>	<b>66</b>	<b>121</b>	<b>116</b>	<b>106</b>

# Changes in profit compared to 2012

## - Group



# Key figures

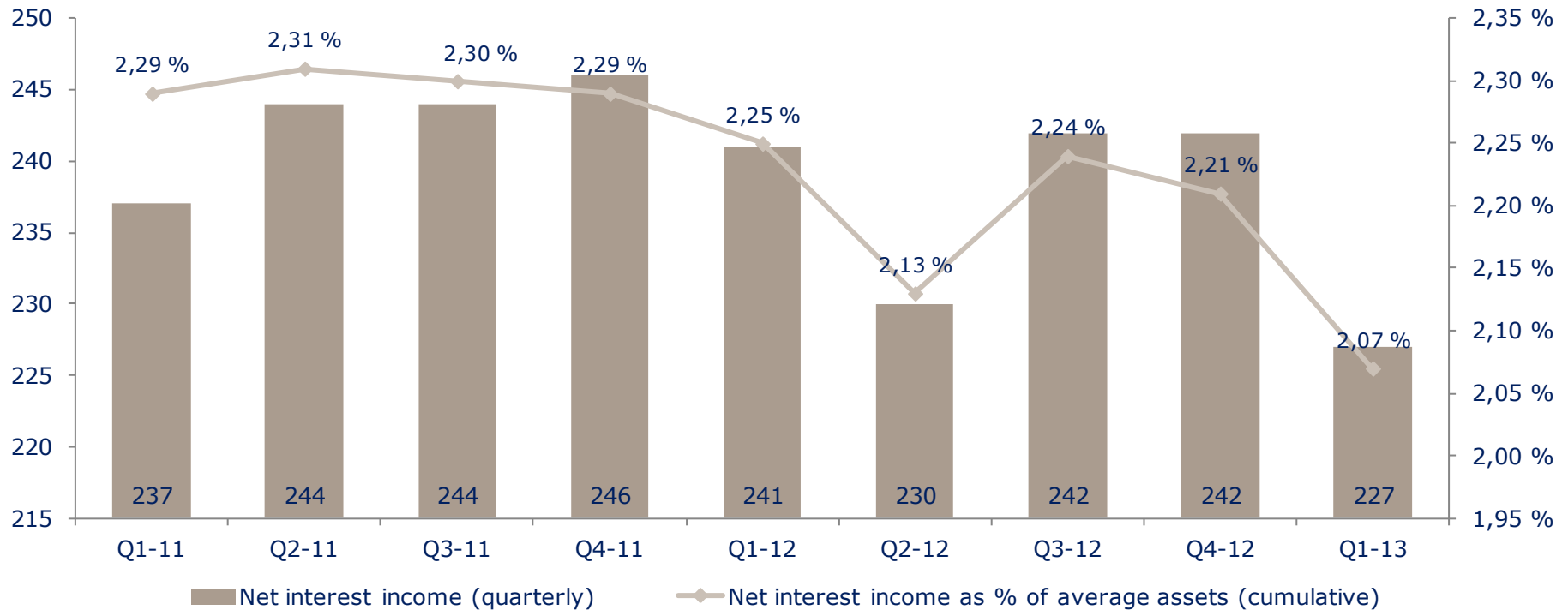
## - Group

	<b>Q1 2013</b>	<b>Q1 2012</b>	<b>2012</b>
Profit/loss before tax in % of average assets	0,76 %	1,21 %	1,22 %
Profit/loss after tax in % of average assets	0,67 %	0,98 %	0,93 %
Return on equity capital after tax	4,9 %	7,50 %	7,00 %
Interest margin including loans to SpareBank 1 Boligkreditt AS	2,19 %		
Net interest income in % of average assets	2,07 %	2,25 %	2,21 %
Total operating costs in relation to total income	72,8 %	63,5 %	60,3 %
Total operating costs in relation to total income excl income from financial investments	65,8 %	66,4 %	62,2 %
Losses on loans as a percentage of gross loans	0,0 %	0,0 %	0,1 %
Lending growth in last 12 months including SpareBank 1 Boligkreditt	8,9 %	6,3 %	7,7 %
Deposits growth during the last 12 months	12,3 %	7,8 %	8,6 %
Capital adequacy ratio **)	15,8 %	15,0 %	16,9 %
Core capital ratio **)	15,8 %	15,0 %	16,9 %

\*) Interest margin=average lending rate to customers-average deposits rate to customers

\*\*\*) Calculated after the IRB approach

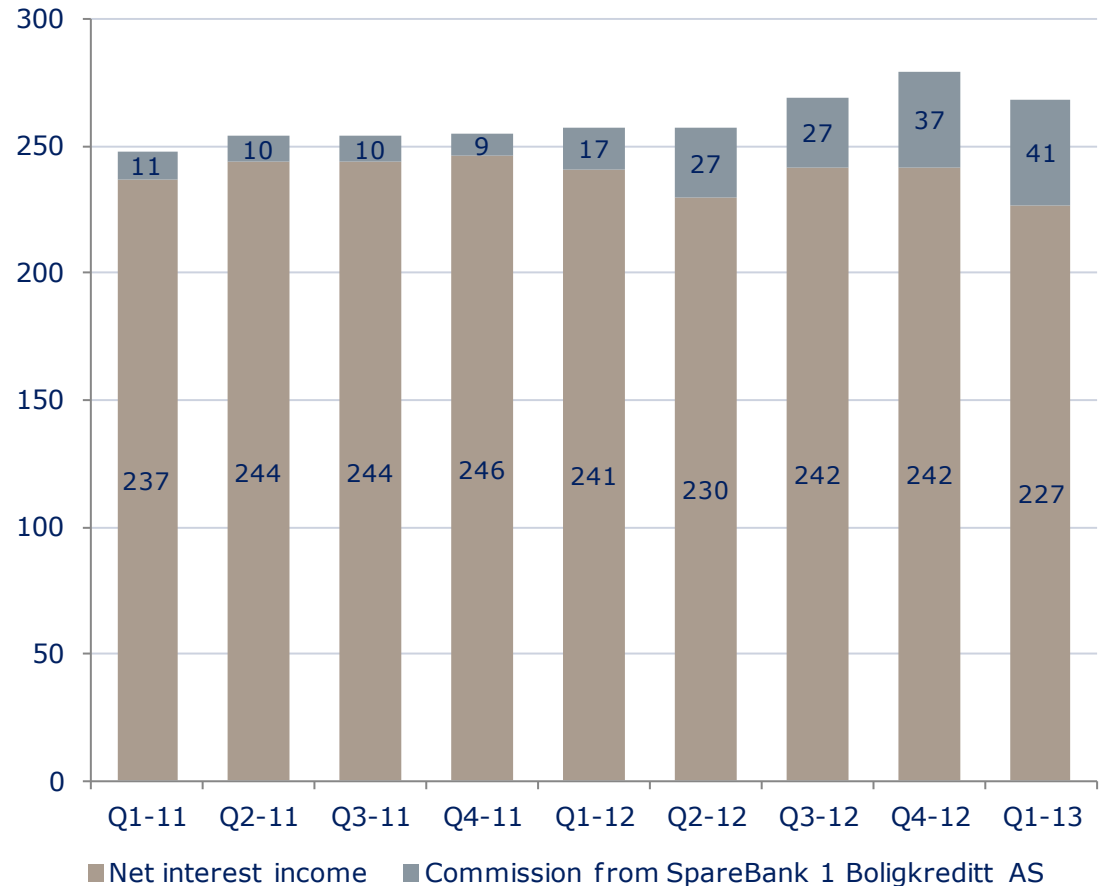
# Interest income and net interest income as % of average assets - Group



# Net interest income inclusive commissions from SpareBank 1 Boligkreditt AS

- Group

- As at 31.03.2013 total commission from SpareBank 1 Boligkreditt AS amounted to MNOK 41.
- NOK 13.4 billion was transferred to SpareBank 1 Boligkreditt
- Transferred loans is equivalent to 27.4 per cent of gross loans including loans transferred to SpareBank 1 Boligkreditt AS



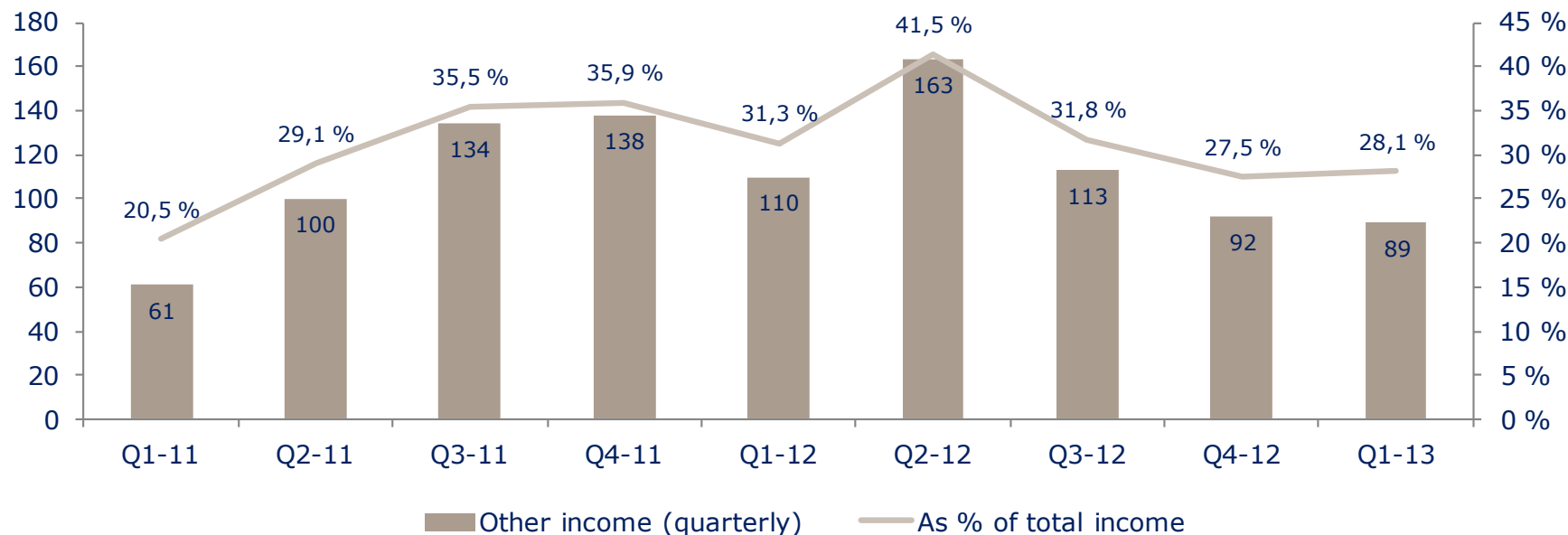
# Net commission income and other operating income

- Group

	2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Guarantee commission	3	3	3	3	4	3
Insurance services	17	17	16	16	15	16
Commission from loans transferred to SpareBank 1 Boligkreditt AS	41	41	37	27	27	17
Commission from payment transmission	17	17	17	18	16	15
Operating income from real estate	1	1	1	1	1	1
Real estate brokerage	13	13	17	16	15	11
Other operating income	32	32	27	33	29	33
<b>Total net commission income and other operating income</b>	<b>123</b>	<b>123</b>	<b>118</b>	<b>114</b>	<b>107</b>	<b>96</b>

# Other income as % of total income

## -Group



Def: 
$$\frac{\text{Net provision and other revenue} + \text{net return on financial investments}}{\text{Net interest income} + \text{et provision and other revenue} + \text{net return on financial investments}}$$



# Net income on financial investments

## -Group

	2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Dividends					7	0
Net profit from ownership interest	54	54	-5	46	10	44
Net profit from other financial assets and liabilities	-88	-88	-21	-47	38	-29
<b>Net income from financial assets and liabilities</b>	<b>-34</b>	<b>-34</b>	<b>-26</b>	<b>-1</b>	<b>55</b>	<b>15</b>

# Operating expenses

- Group

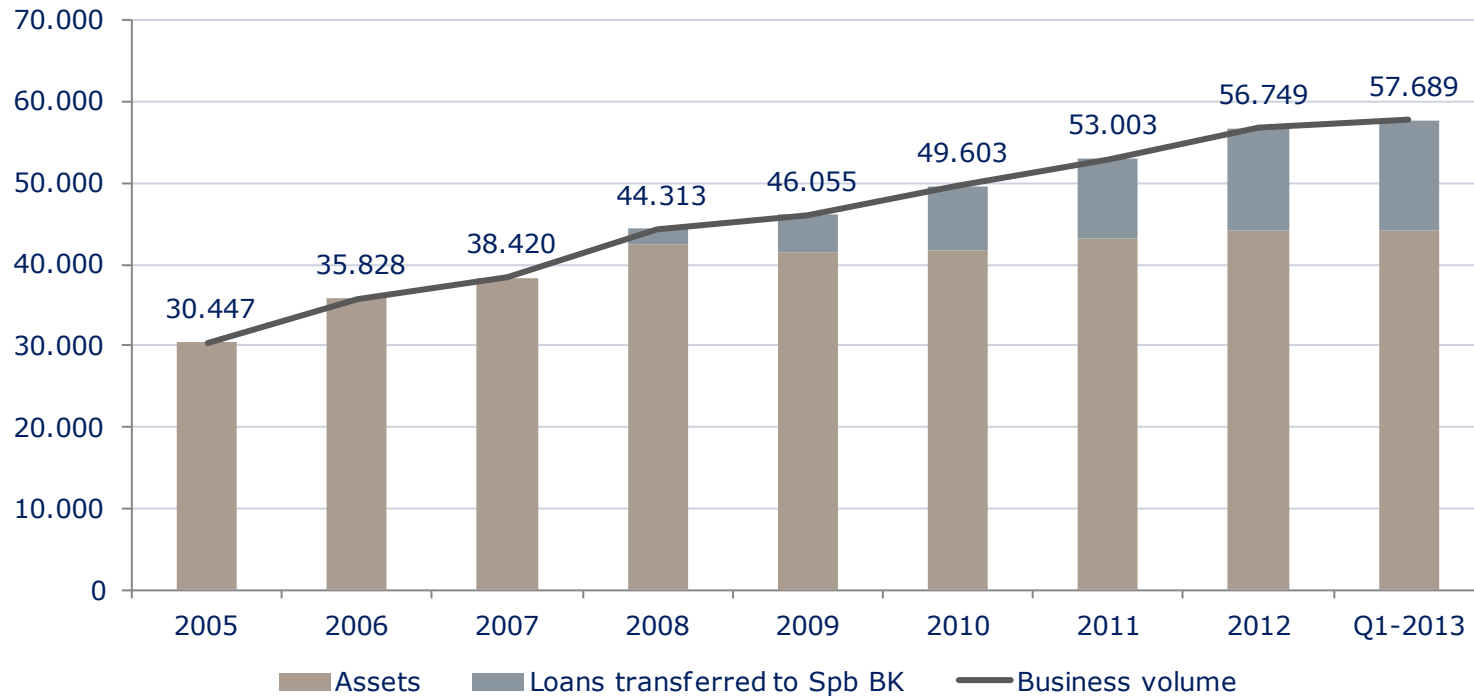
	<b>2013</b>	<b>Percentage of total operating expenses</b>	<b>Q1 2013</b>	<b>Q4 2012</b>	<b>Q3 2012</b>	<b>Q2 2012</b>	<b>Q1 2012</b>
Personnel expenses	125	54,1 %	125	110	114	112	121
Administration expenses an other operating expenses	97	42,0 %	97	104	82	92	93
Depreciation	9	3,9 %	9	9	9	9	9
<b>Total operating expenses before losses on loans and guarantees</b>	<b>231</b>	<b>100 %</b>	<b>231</b>	<b>223</b>	<b>205</b>	<b>213</b>	<b>223</b>

# Balance sheet

## - Group

	31.03.2013	31.03.2012	31.12.2012
<b>ASSETS</b>			
Cash and deposits with central banks	540	346	236
Loans to and receivables from credit insti	309	72	294
Loans to and receivables from customers	35.328	34.162	35.200
Financial papers	5.576	5.216	5.958
Investments in subsidiaries, associates and joint ventures	1.606	1.439	1.558
Other assets	902	903	867
<b>Total assets</b>	<b>44.260</b>	<b>42.138</b>	<b>44.113</b>
<b>LIABILITIES</b>			
Deposits from and liabilities to credit insti	694	1.877	833
Deposits from and liabilities to customers	29.155	25.957	28.137
Liabilities arising from issuance of securities and financial derivatives	7.537	7.821	8.231
Other debt an liabilities recognised in the	738	855	868
Total liabilities	38.124	36.510	38.069
<b>EQUITY CAPITAL</b>			
Earned equity capital	6.136	5.628	6.044
Total equity capital	6.136	5.628	6.044
<b>Total liabilities and equity capital</b>	<b>44.260</b>	<b>42.138</b>	<b>44.113</b>

# Development of total assets and business volumes - Group



Business volume= Assets including loans transferred to SpareBank 1 Boligkreditt AS.

# SpareBank 1 Boligkreditt

- Transferred loans NOK 13.4 billion
- Ownership 7.8 %
- AAA rating. One of the highest quality cover pools globally.

*Highest quality cover pools globally (ranked by theoretical cover pool losses):*

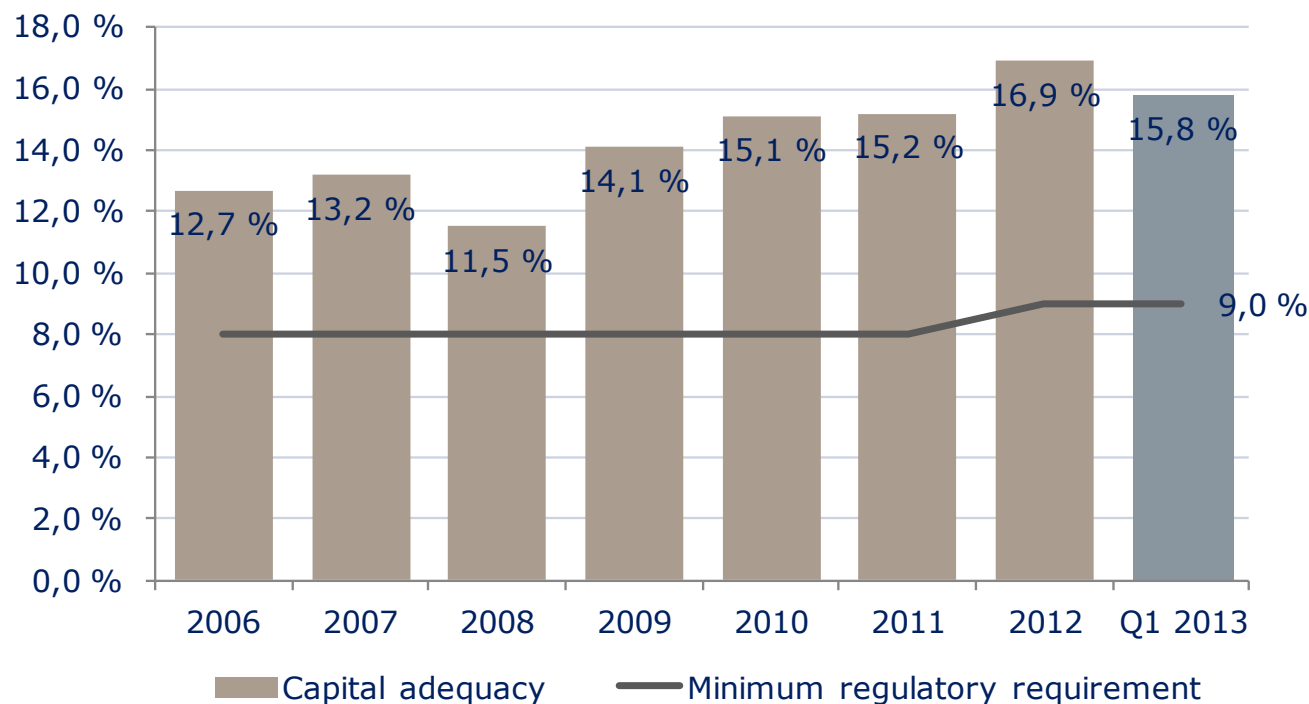


## **Moody's Investors Service**

<b>Issuer</b>	<b>Type of Programme</b>	<b>Country</b>
SEB AG	Public Sector	Germany
West LB	Public Sector	Germany
Bayerische LB	Public Sector	Germany
DekaBank Deutsche Girozentrale	Public Sector	Germany
Deutsche Pfandbriefbank	Public Sector	Germany
SpareBank 1 Boligkreditt	Mortgage	Norway
Storebrand Boligkreditt	Mortgage	Norway
Muenchener Hypo	Public Sector	Germany
Berlin-Hannoversche Hypo	Public Sector	Germany
Terra Boligkreditt	Mortgage	Norway

# Development in capital adequacy

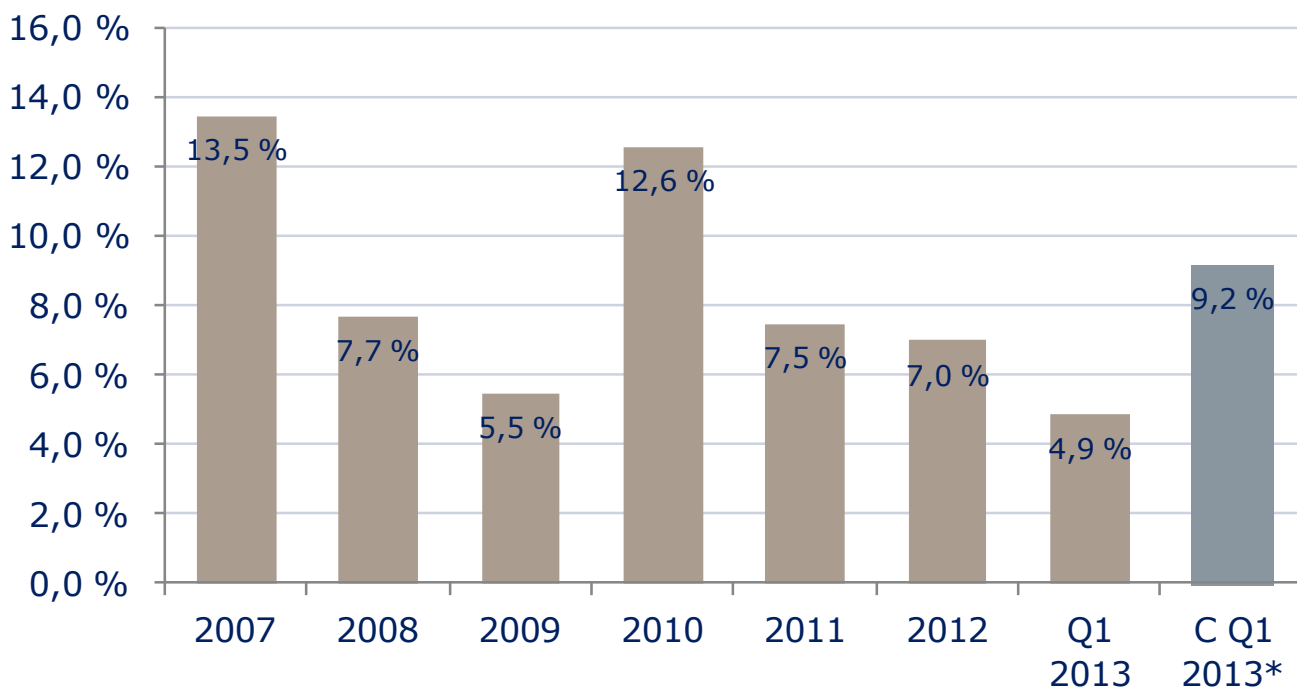
## - Group



Capital adequacy ratio from 2011 are calculated using the IRB approach, figures from 2010 and earlier are calculated using the standard method.

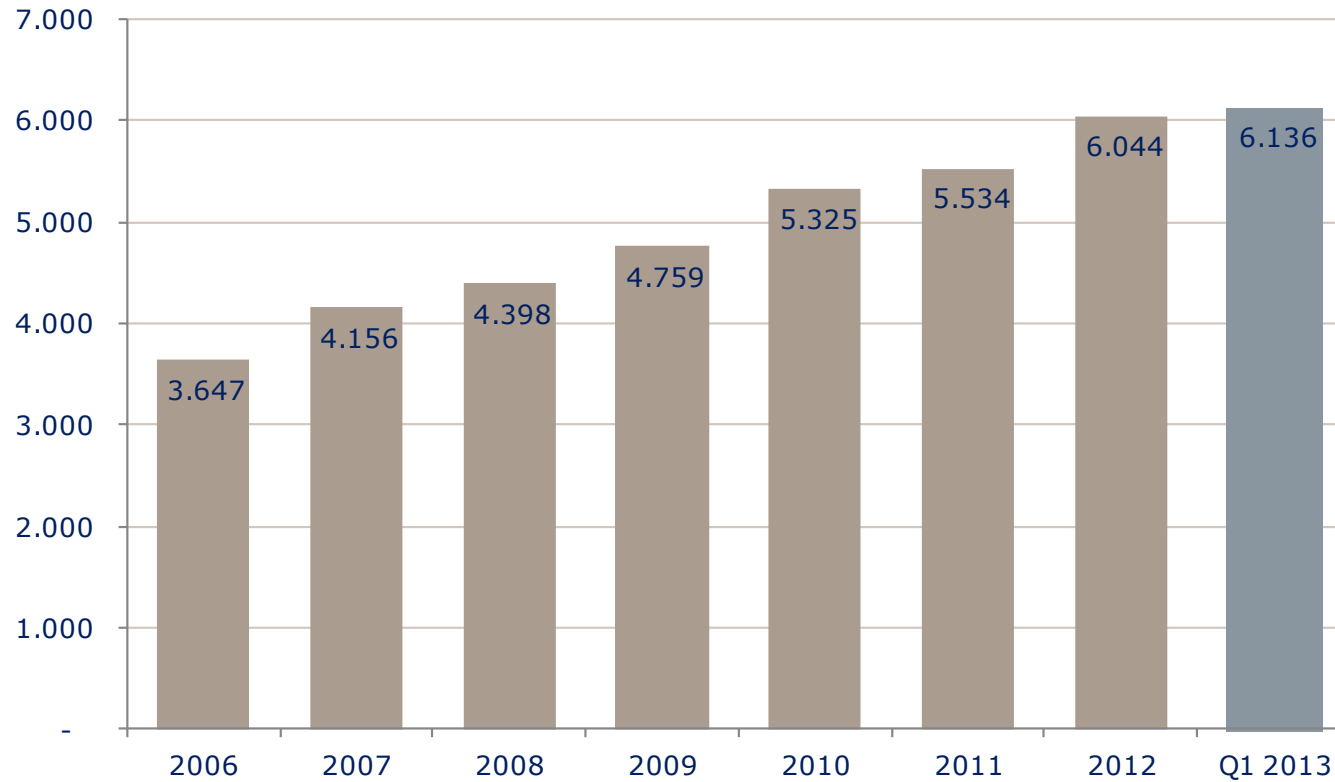
# Development in return on equity after tax

## - Group



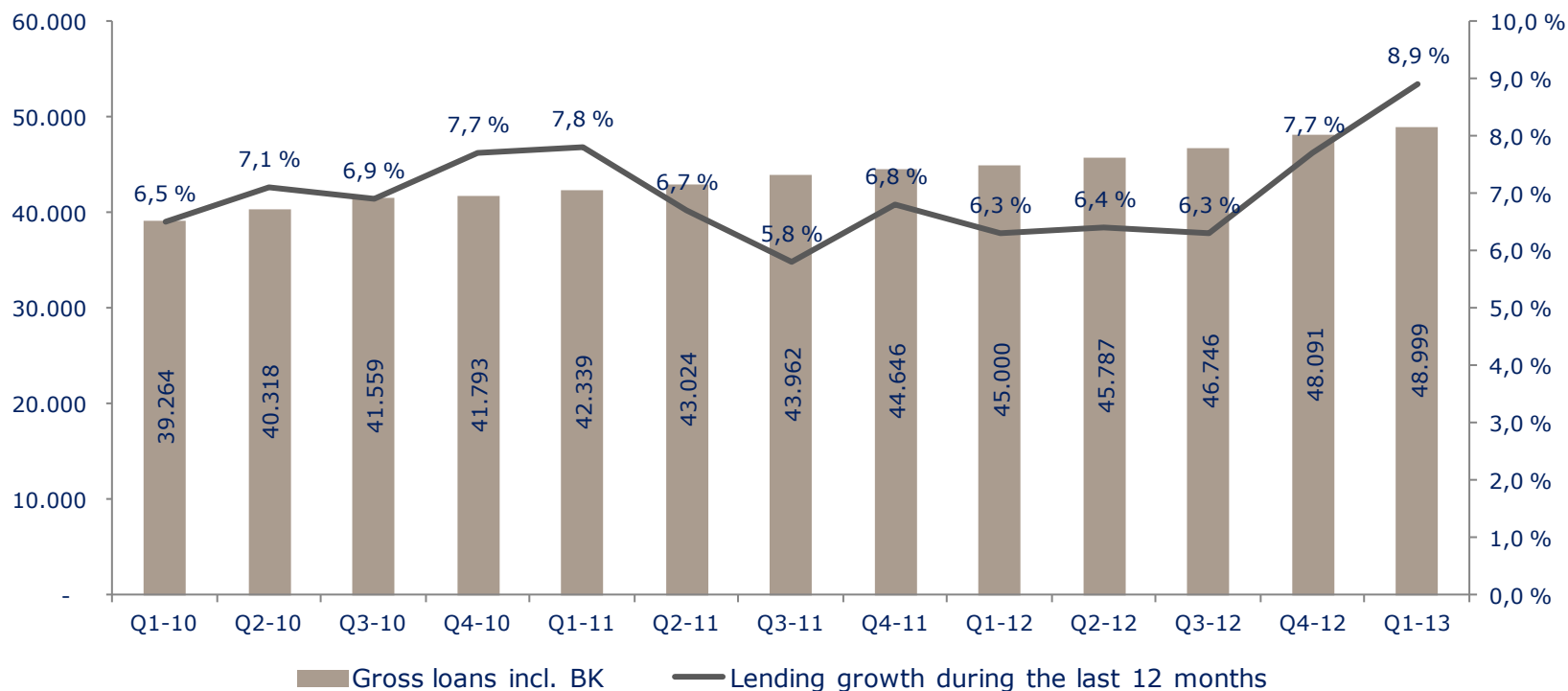
\* Corrected for changes in value adjustments.

# Development in equity - Group





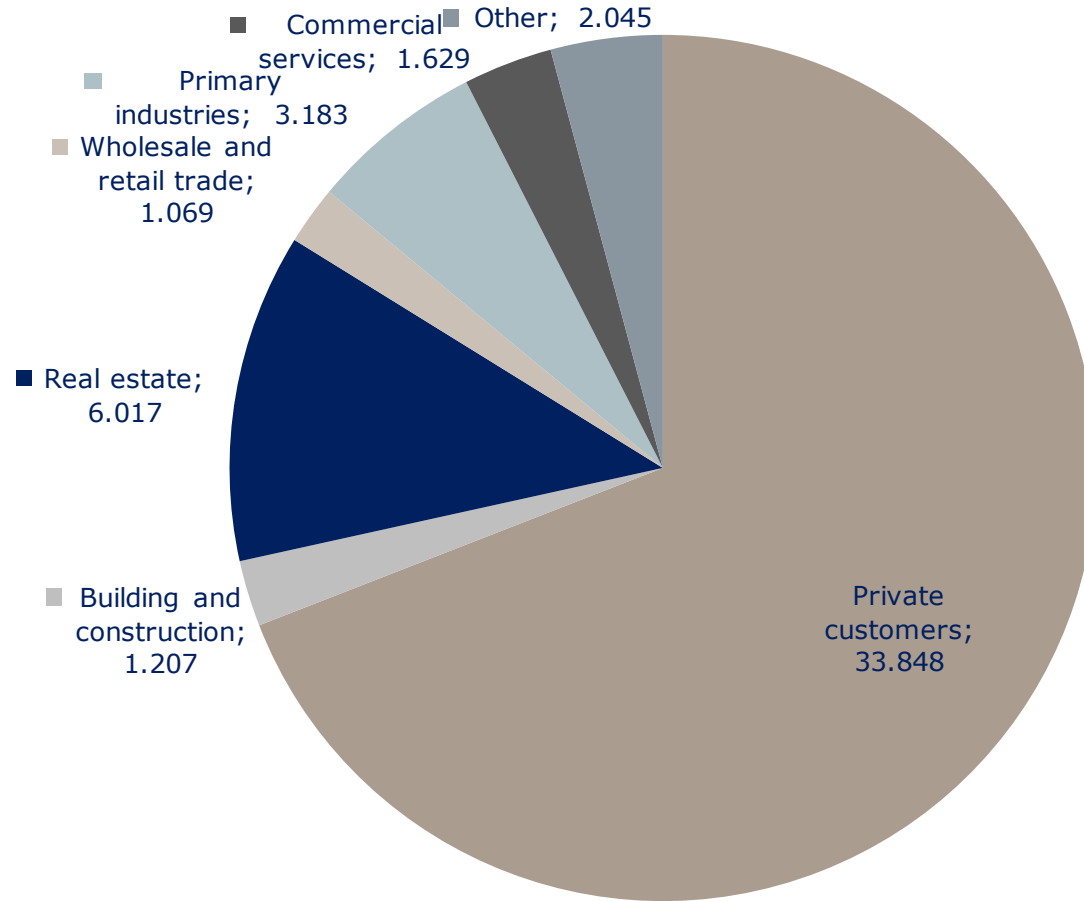
# Gross lending to customers – growth over last 12 months (including loans transferred to SpareBank 1 Boligkreditt AS) - Group



# Gross lending– by sector

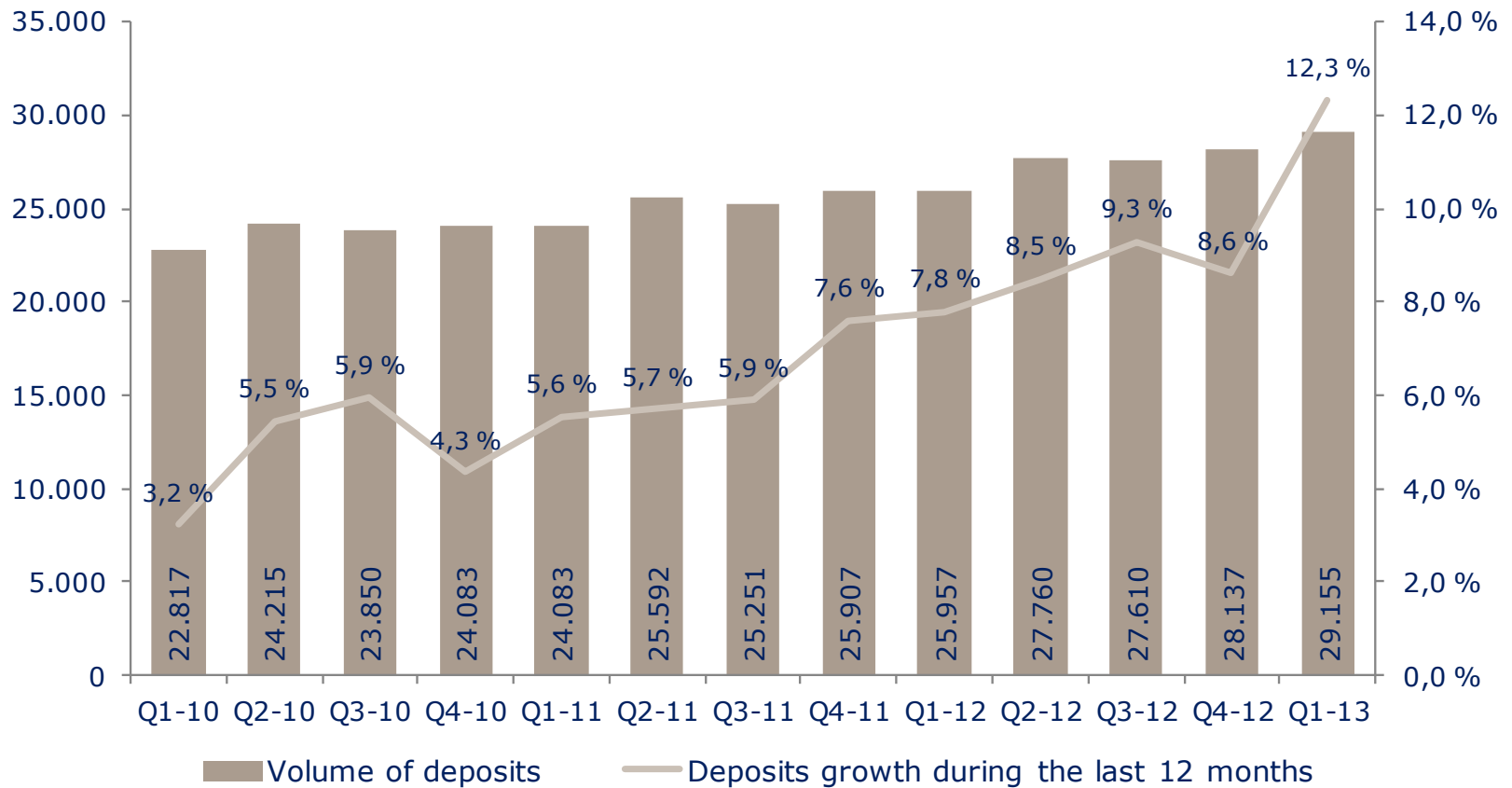
(Including loans transferred to SpareBank 1 Boligkreditt)

- Group



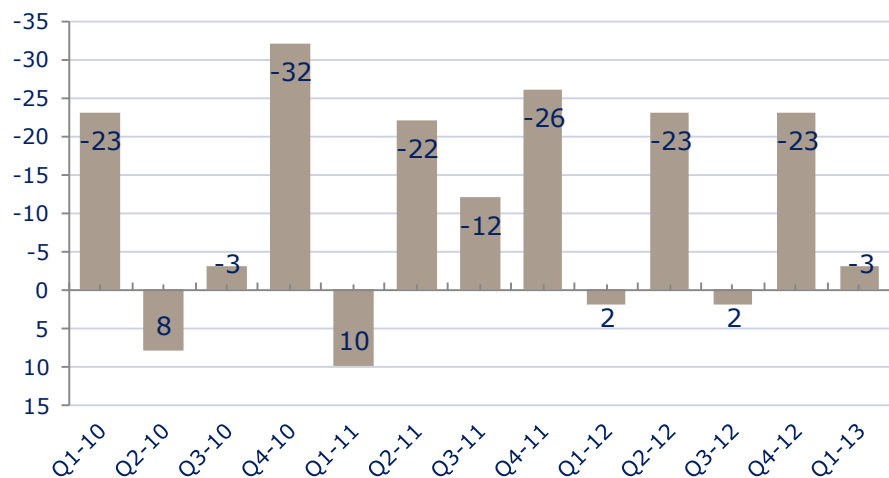
# Volume of deposits and growth in deposits over last 12 months

## -Group

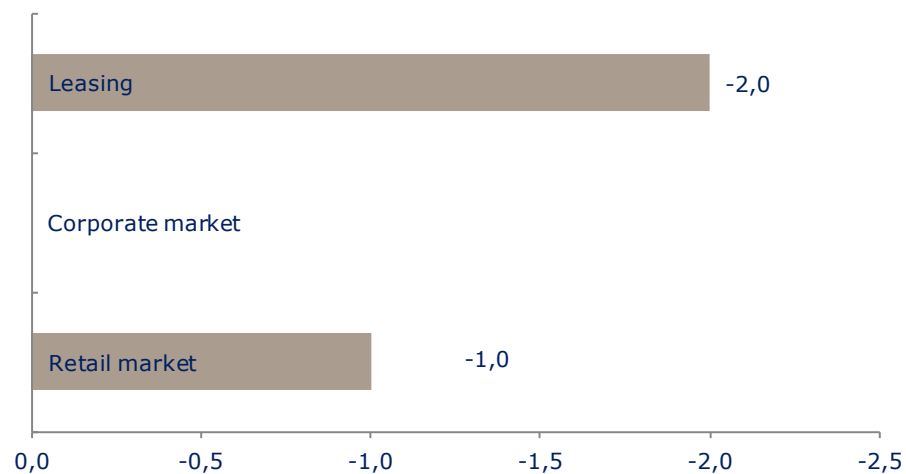


# Losses -Group

### Losses per quarter Q1-10 to Q1-13

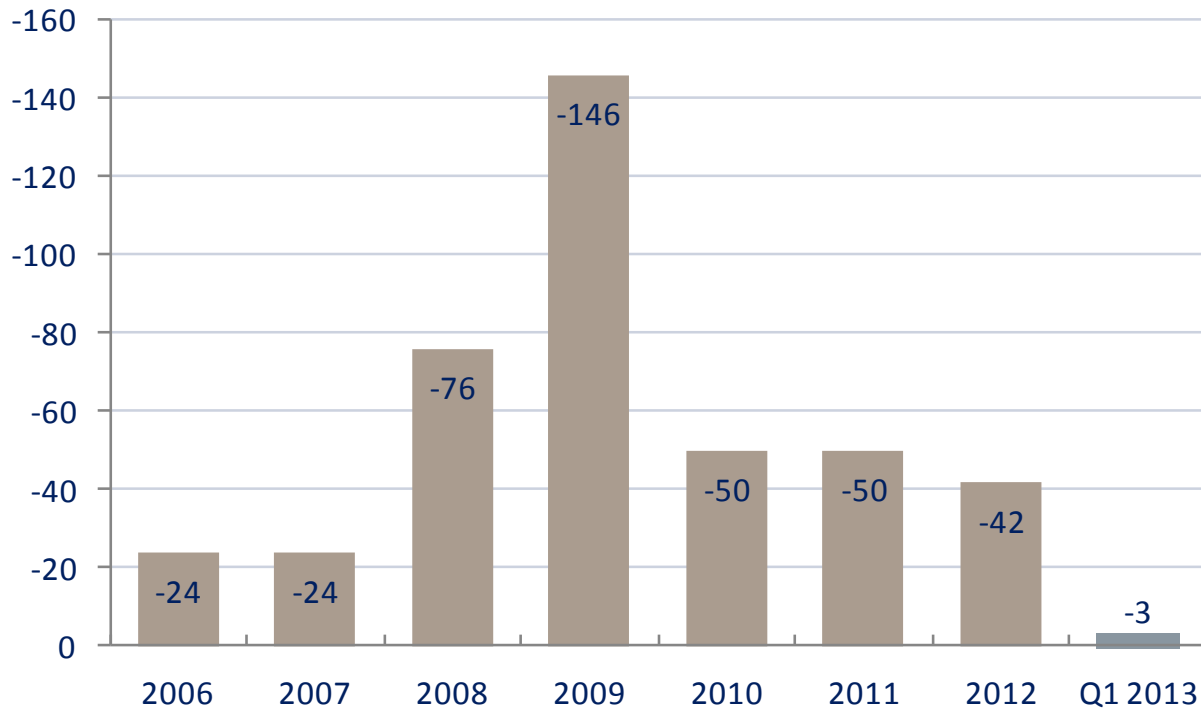


### Distribution of losses



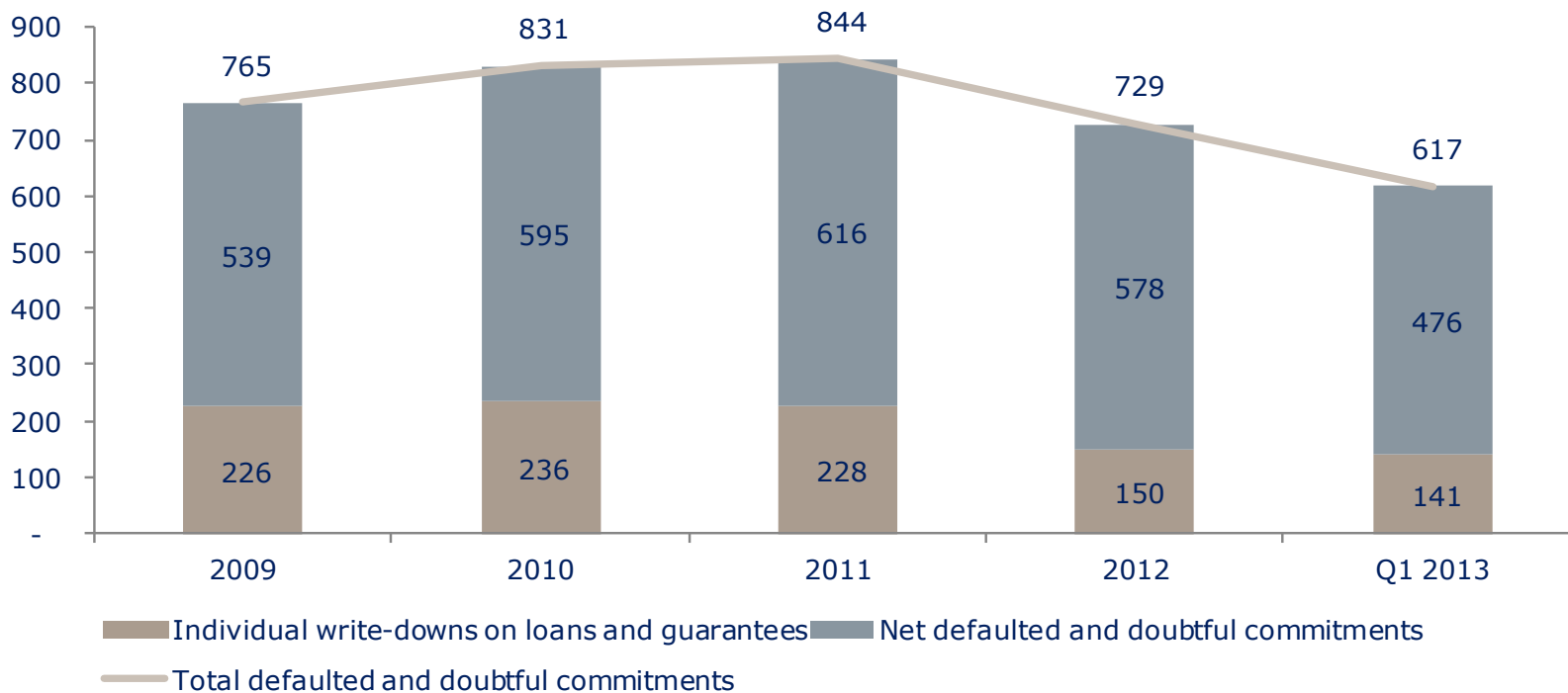
# Yearly losses on loans and guarantees

- Group

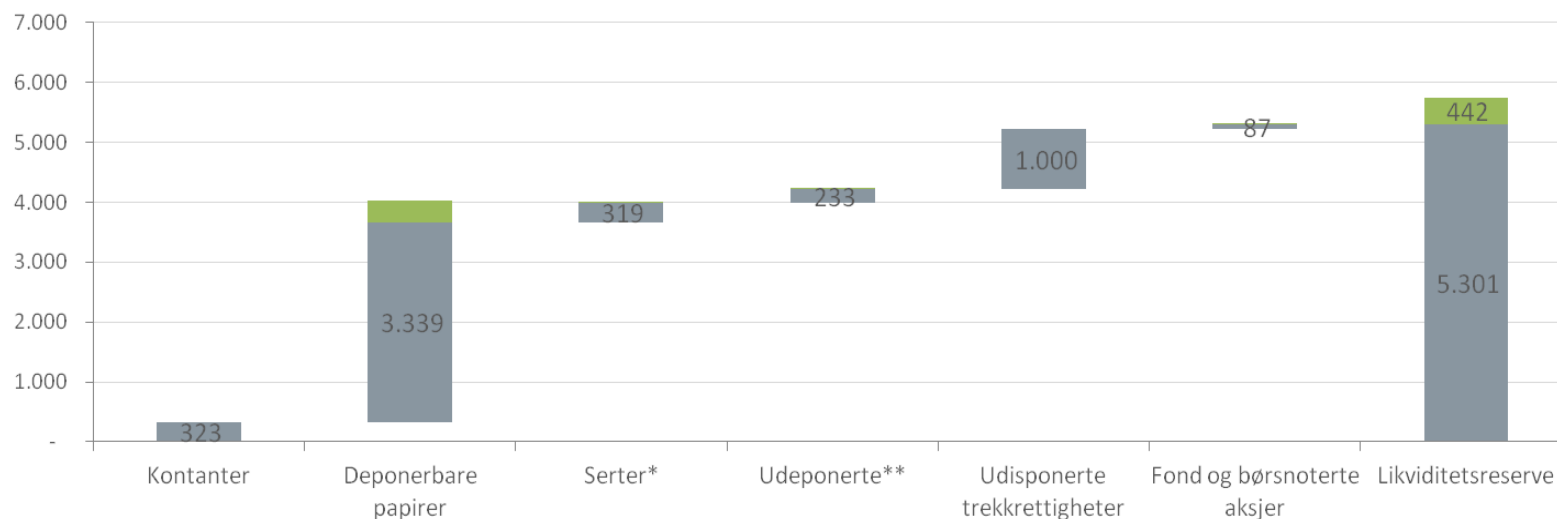


# Total defaulted and doubtful commitments

## - Group

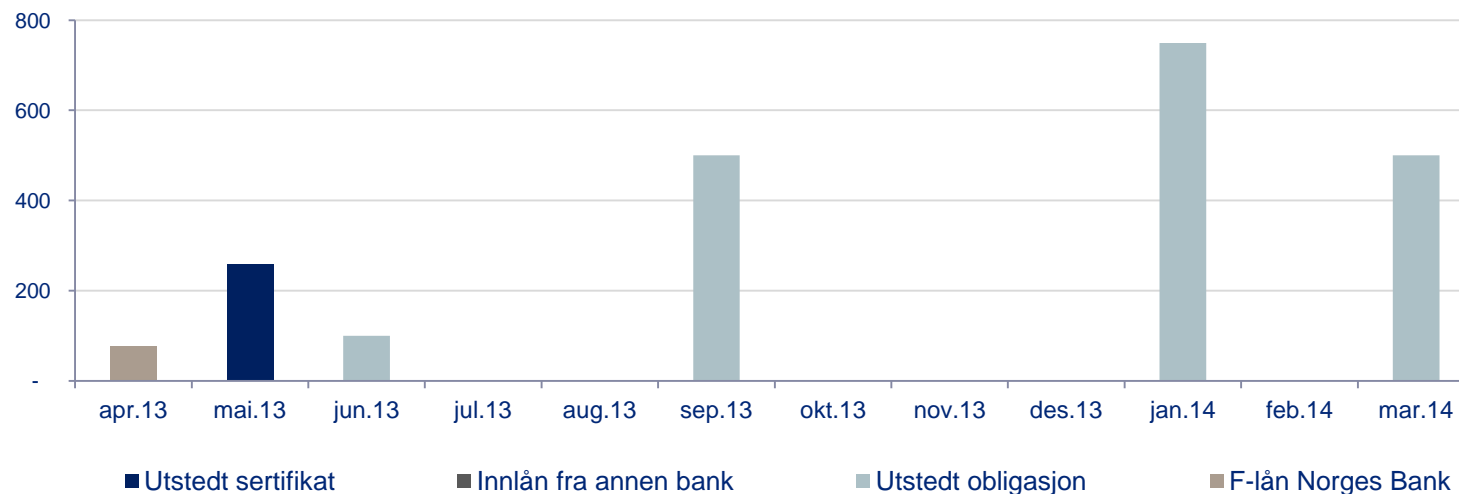


# Liquidity reserves



- The figure shows the distribution of the bank's liquidity reserve as at 31.3.13.
- The reserve is MNOK 5 301.
- Green bar indicates a haircut of 10 per cent.

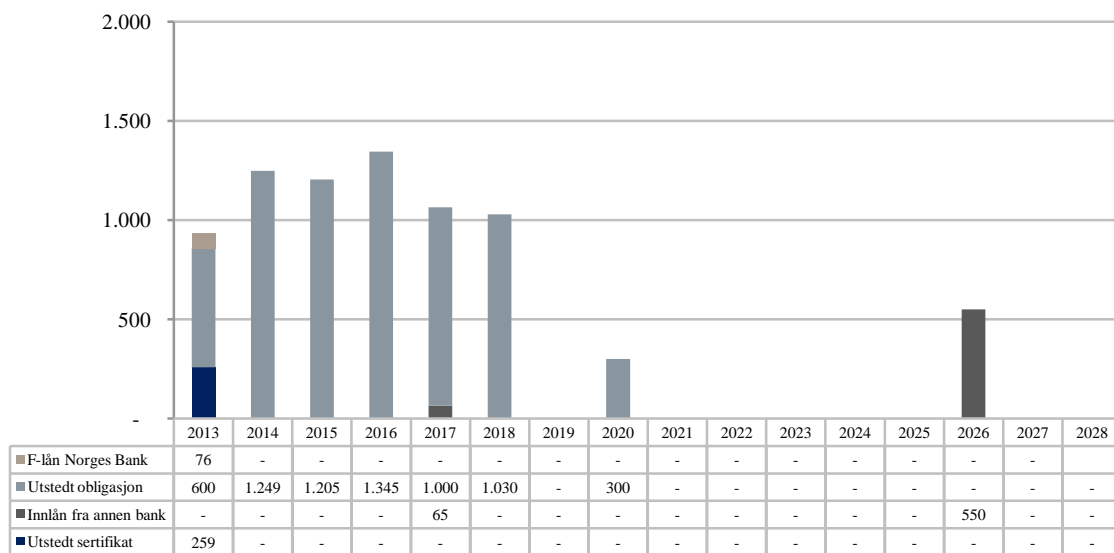
# Funding maturities the next 12 months. Total to maturity MNOK 2 184.





# Annual maturities

## Total to maturity MNOK 7 680.



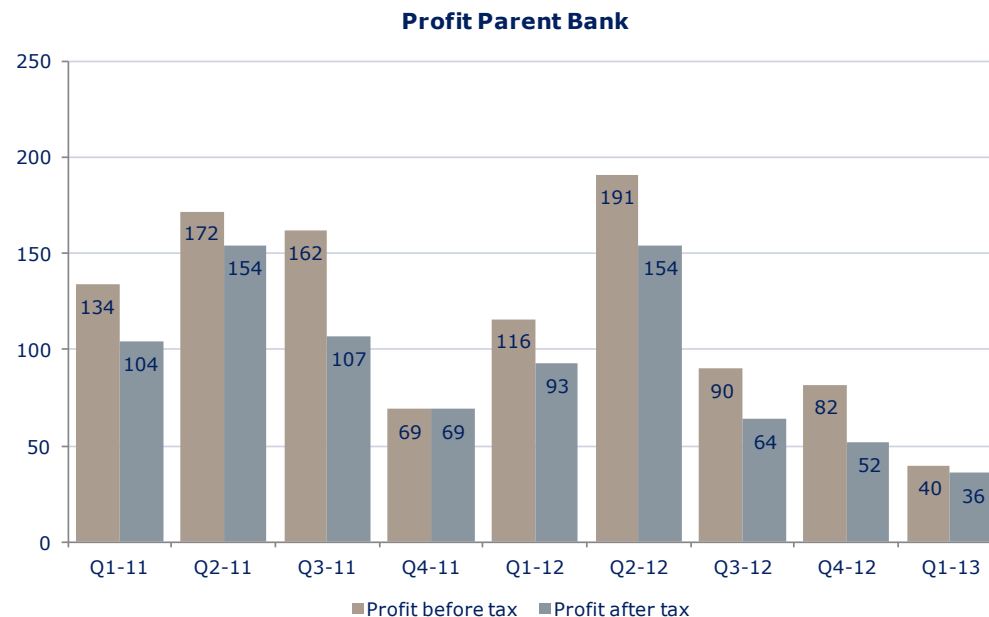
- Rated A2 by Moody's
- Strengths:
  - Strong brand and market position in the County of Hedmark
  - Solid and stable earnings from retail operations and SMB
  - High solvency (Core 1 capital)
  - Benefits from the SpareBank 1 Alliance
- Challenges:
  - Credit risk geographical
  - Credit risk large customers
  - Profitability – pressure on margins in the Norwegian market
- Prospects:
  - In march Moody's changed Sparebanken Hedmark's long- term senior debt and deposit rating from A1 to A2. Sparebanken Hedmark's individual rating are C- with a stable outlook. Long-term senior debt and deposit rating are under rewiuv for a downgrade, based on Sparebanken Hedmark's purchase of shares in Bank 1 Oslo Akershus AS.

# Financial information

Sparebanken Hedmark – Parent Bank

# Main features - Parent bank

- The pre-tax profit totalled MNOK 40 (116).
- Operating costs accounted for 80.9 (59.6) per cent of total income.
- Losses still remain low.



# Income statement

- Parent bank

	<b>Q1 2013</b>	<b>Q1 2012</b>	<b>2012</b>
Net interest income	188	216	834
Net commission and other income	84	56	287
Dividends			7
Net profit from ownership interests	31	34	93
Net income from financial assets/liabilities	-88	-29	-59
<b>Total net income</b>	<b>215</b>	<b>277</b>	<b>1.162</b>
Total operating expenses before losses on loans and guarantees	174	165	652
<b>Profit before losses on loans and guarantees</b>	<b>41</b>	<b>112</b>	<b>510</b>
Losses on loans and guarantees	1	-4	31
<b>Profit/loss before tax</b>	<b>40</b>	<b>116</b>	<b>479</b>
Tax charge	4	23	116
<b>Result for the accounting period</b>	<b>36</b>	<b>93</b>	<b>363</b>