

Sparebanken Hedmark

1st Half Year 2013

Presentation of financial results

CEO Richard Heiberg

14 August 2013

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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 6.3 billion in equity
 - NOK 46 billion in total assets
 - NOK 60 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 (Consis AS)
- Owns 40.5% of Bank 1 Oslo Akershus AS and 12% of the SpareBank 1 Alliance
- Rated A2 by Moody's and no. 1 among Norwegian savings banks by Nordea Markets and SB 1 Markets



Highlights - 1st Half Year 2013

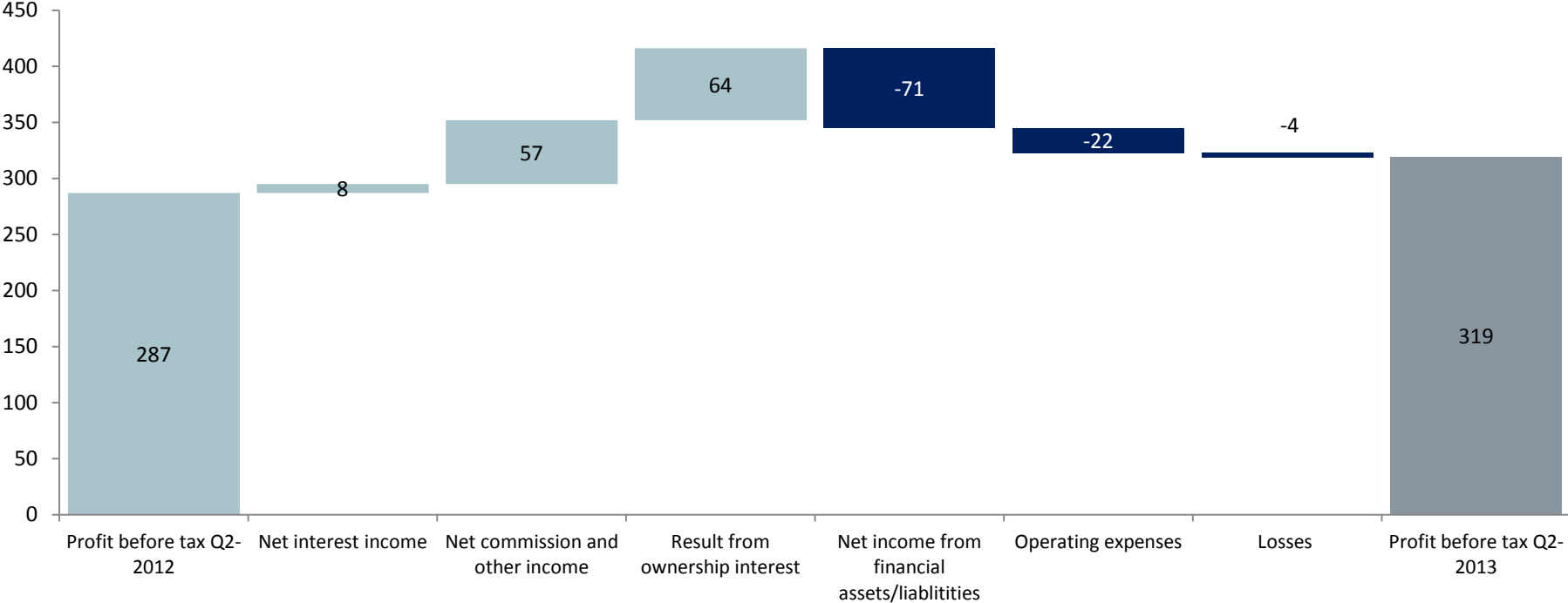
- Increased stake in Bank 1 Oslo Akershus AS from 12% to 40.5%
 - Decision on direct ownership in SpareBank 1 Markets AS
 - Moody's confirmed A2 and stable outlook
 - Submitted IRB-A application to the Financial Supervisory Authority of Norway
-
- High level of activity - lending growth 10%, deposits growth 11% (12 months)
 - Result progress - expanded lending margins and growth in 'other operating income'
 - Low losses
 - Strengthened core capital adequacy - core capital adequacy ratio of 14.7% (14.3%)

Income statement first half-year 2013 (Group)

	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Net interest income	252	227	242	242	230
Net commission income	89	77	74	63	63
Other income	48	46	44	51	45
Total operating expenses	227	231	223	205	213
Result bankoperation before losses	162	119	137	151	125
Losses on loans and guarantees	22	3	23	-2	23
Result bankoperation after losses	140	116	114	153	102
Dividends	18				7
Net profit from ownership interest	53	54	-5	46	10
Net income from financial assets/liabilities	26	-88	-21	-47	38
Profit/loss before tax	237	82	88	152	157
Tax charge	51	9	29	30	40
Profit/loss after tax	186	73	59	122	117

Specification of the consolidated profit (Group)

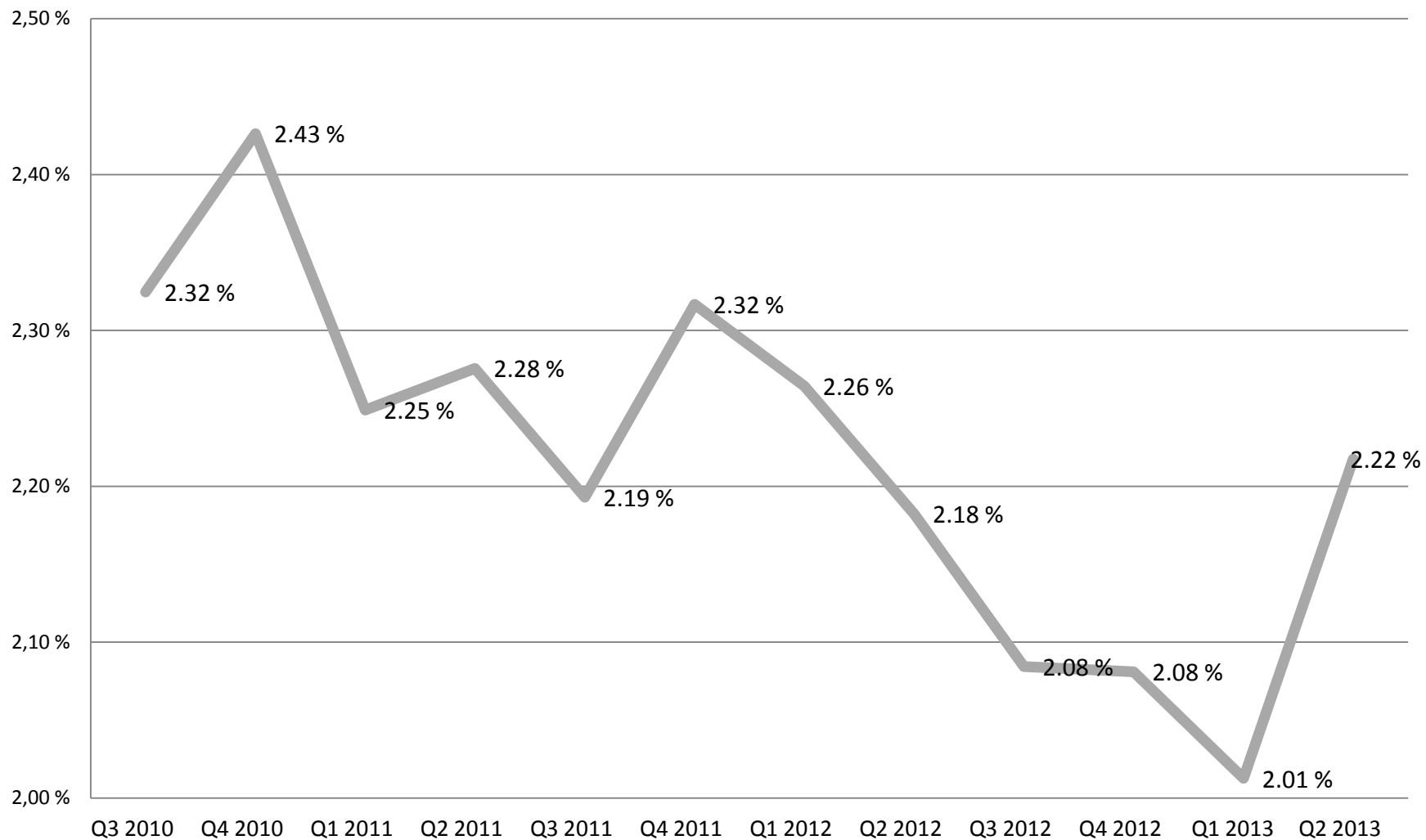
Change in profit before tax Q2-2012 vs Q2-2013



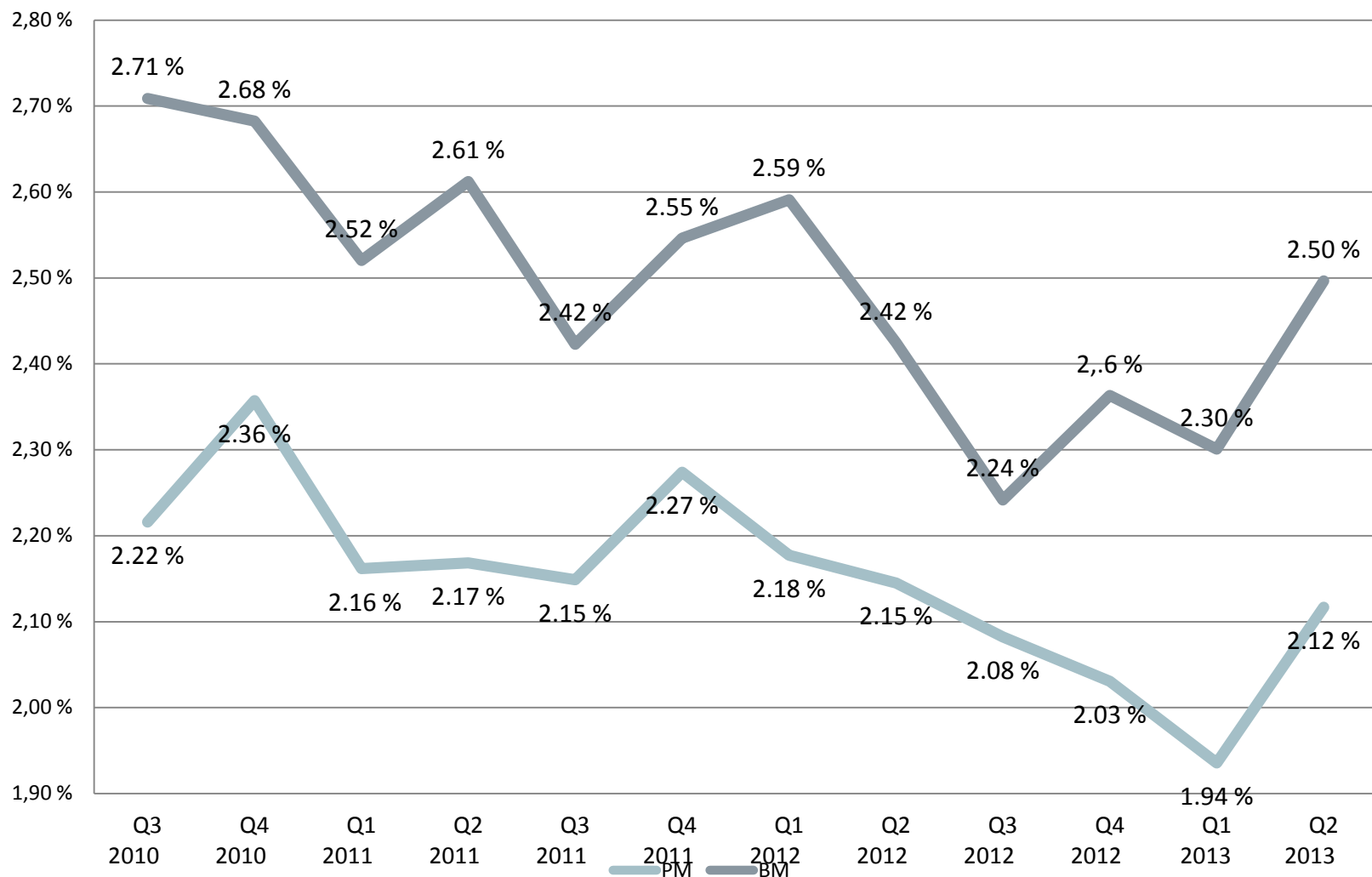
Specification of results (Group)

<i>(Nok million)</i>	1. Half year 2013	1. Half year 2012
Parent Bank's profit before tax	306	307
Dividends received from subsidiaries and joint ventures	-121	-101
Profit /loss attributable to:		
SpareBank 1 Gruppen AS	47	38
Bank 1 Oslo Akershus AS	53	12
SpareBank 1 Boligkreditt AS	5	11
EiendomsMegler 1 Hedmark Eiendom AS	3	2
SpareBank 1 Finans Østlandet AS	39	16
Consis AS	3	0
Other companies and eliminations	-16	2
Consolidated profit before tax	319	287
Tax charge	60	65
Consolidated profit after tax	259	222

Interest margin Parent bank (incl. Boligkreditt)



Interest margin Parent bank (incl. Boligkreditt)



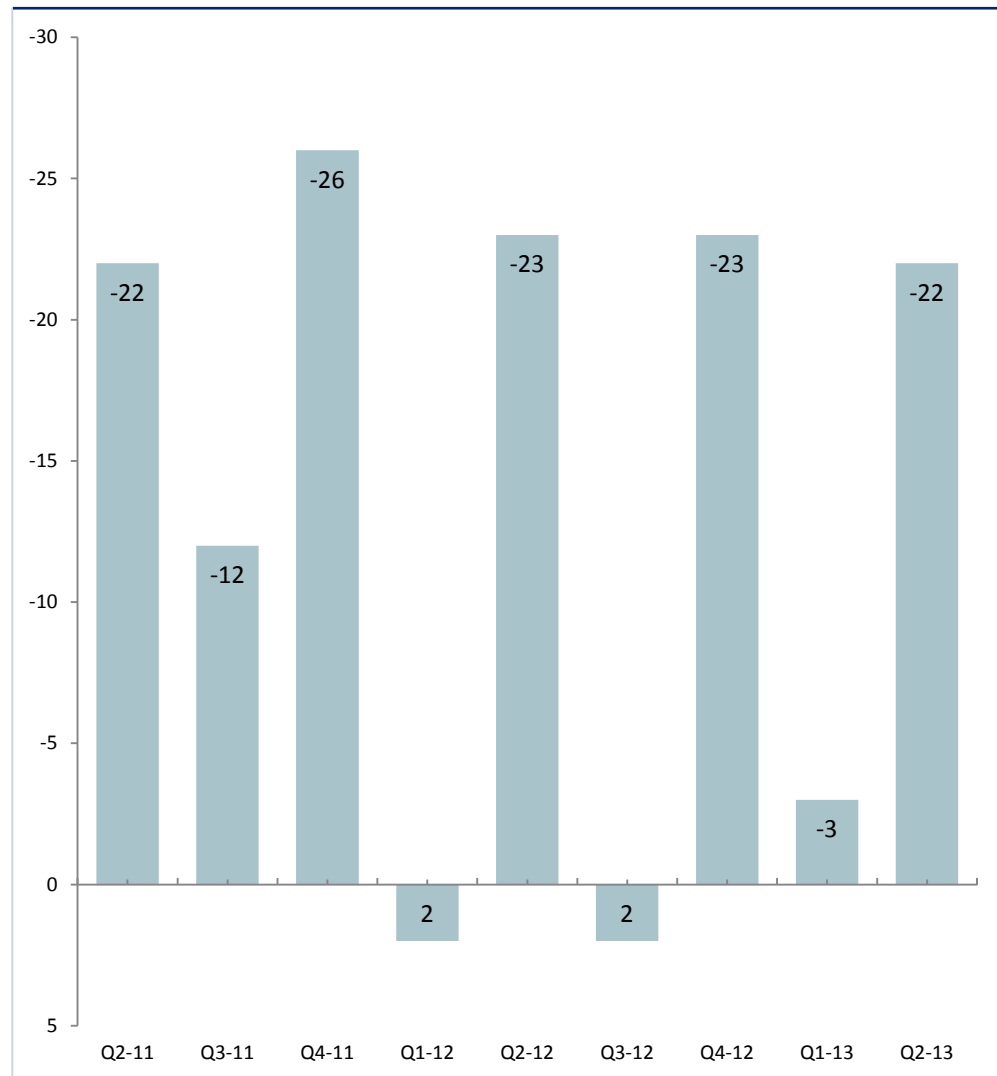
PM: Retail banking
BM: Corporate banking

Operating expenses (Group)

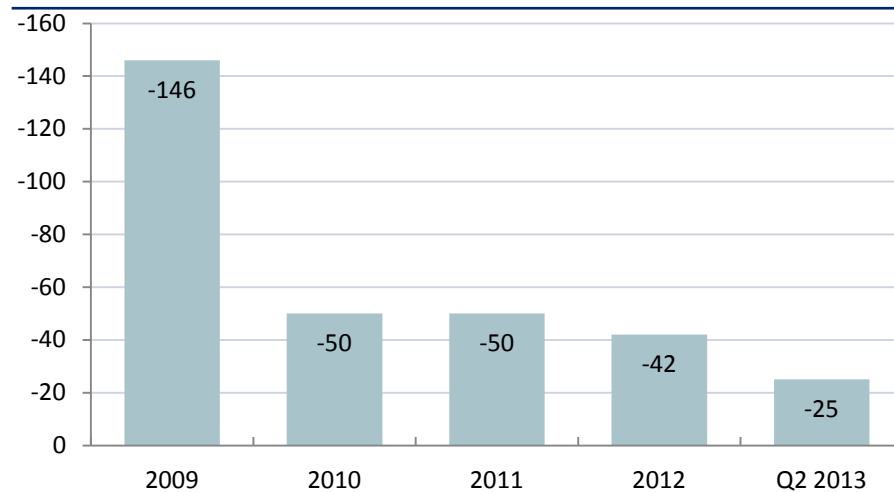
	1. Half year 2013	1. Half year 2012
Payroll	178	174
Pension costs	24	24
Social security expenses	38	34
Total personnel expenses	240	232
Total operating expenses and other expenses	142	133
Total personnel- and operating expenses	382	365
Depreciation	19	18
Other operating expenses	57	53
Total personnel- and operating expenses	458	436

Losses on loans and guarantees (Group)

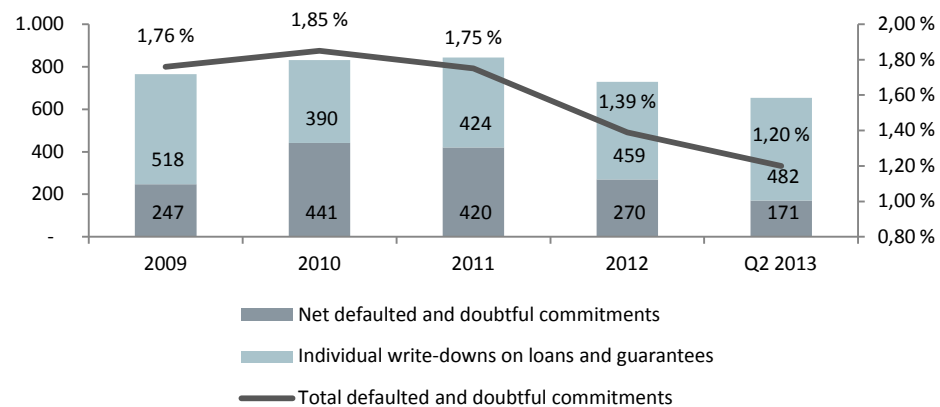
Quarterly losses isolated



Yearly losses



Defaulted and doubtful commitments



Main figures Sparebanken Hedmark (Group)

	1. half year 2013	1. half year 2012	2012
Profitability			
Return on equity capital after tax	8,5 %	7,9 %	7,0 %
Total operating costs in relation to total income	57,1 %	58,6 %	60,3 %
From the balance sheet			
Deposits rom customers in relation to gross loans to customers	83,4 %	80,4 %	79,4 %
Lending growth last 12 months incl. BK and NK	10,9 %	6,4 %	7,7 %
Deposits growth during the last 12 months	10,5 %	8,5 %	8,6 %
Losses and commitments in default			
Losses on loans as a percentage of gross loans	0,1 %	0,1 %	0,1 %
Commitments in default as a percentage of total commitments incl. BK and NK	0,9 %	0,9 %	0,90 %
Financial strength			
Capital adequacy ratio	14,7 %	14,3 %	16,9 %
Core capital ratio	14,7 %	14,3 %	16,9 %

Quarterly financial statements

Statement second quarter 2013 (Group)

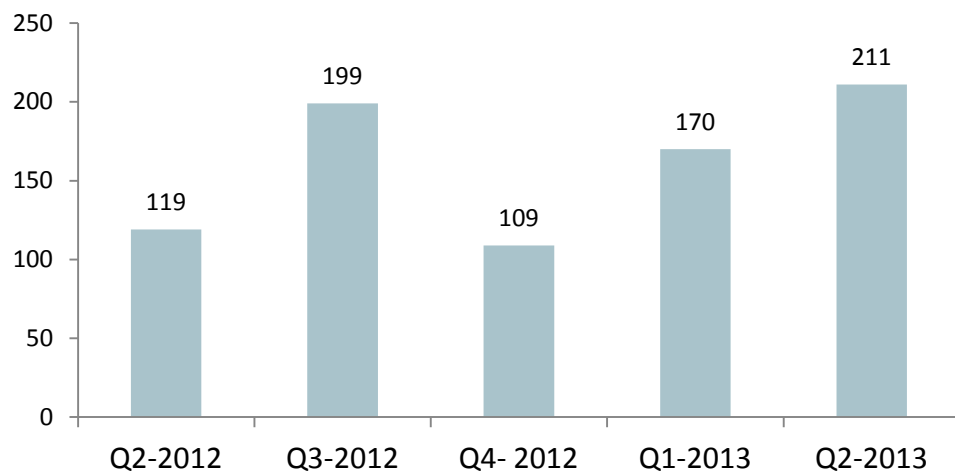
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Specification of the consolidated profit (Group)

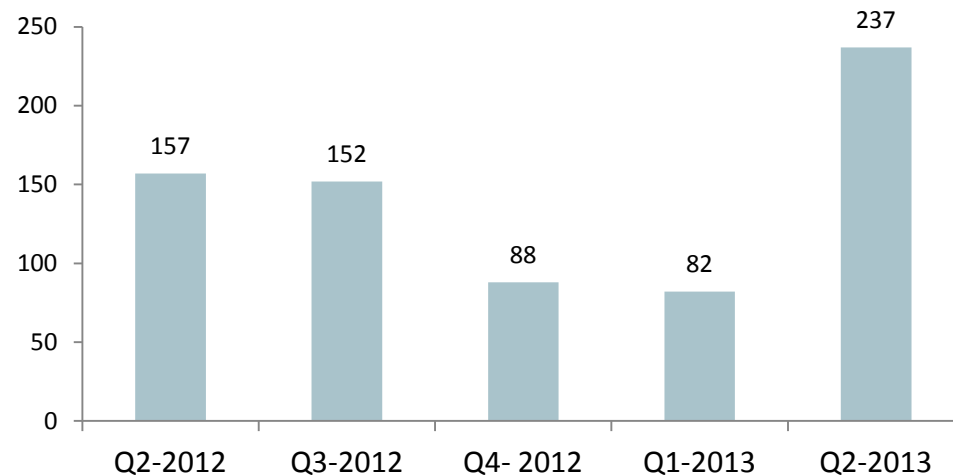
<i>(Nok million)</i>	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Parent Bank's profit before tax	266	40	82	90	191
Dividends received from subsidiaries and joint ventures	-94	-27	0	0	-67
Profit /loss attributable to:					
SpareBank 1 Gruppen AS	10	37	-5	27	9
Bank 1 Oslo Akershus AS	45	8	-4	7	5
SpareBank 1 Boligkreditt AS	0	5	4	5	4
EiendomsMegler 1 Hedmark Eiendom AS	3	0	1	2	3
SpareBank 1 Finans Østlandet AS	22	17	6	15	9
Consis AS	1	2	3	0	0
Other companies and eliminations	-16	0	2	7	4
Consolidated profit before tax	237	82	88	152	157
Tax charge	51	9	29	30	40
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Financial results by quarter (Group)

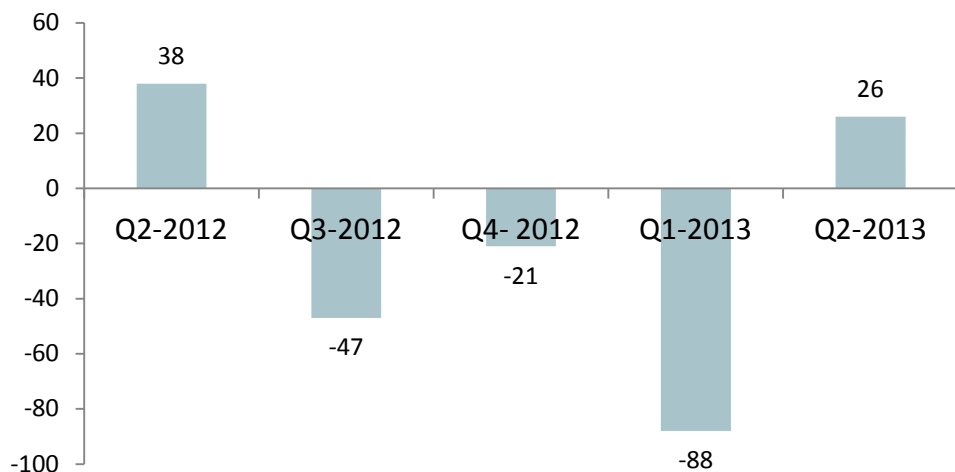
Profit/loss before tax excl. profit from other financial assets and liabilities



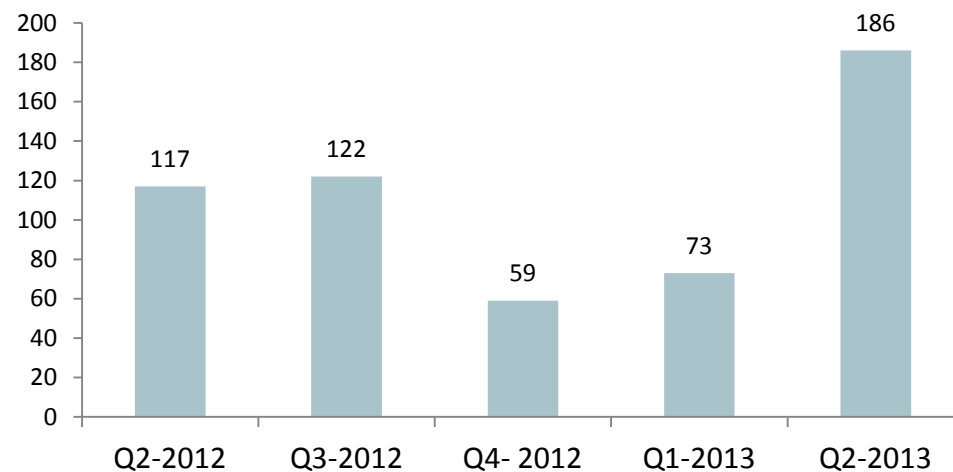
Profit/loss before tax



Net result from other financial assets and liabilities

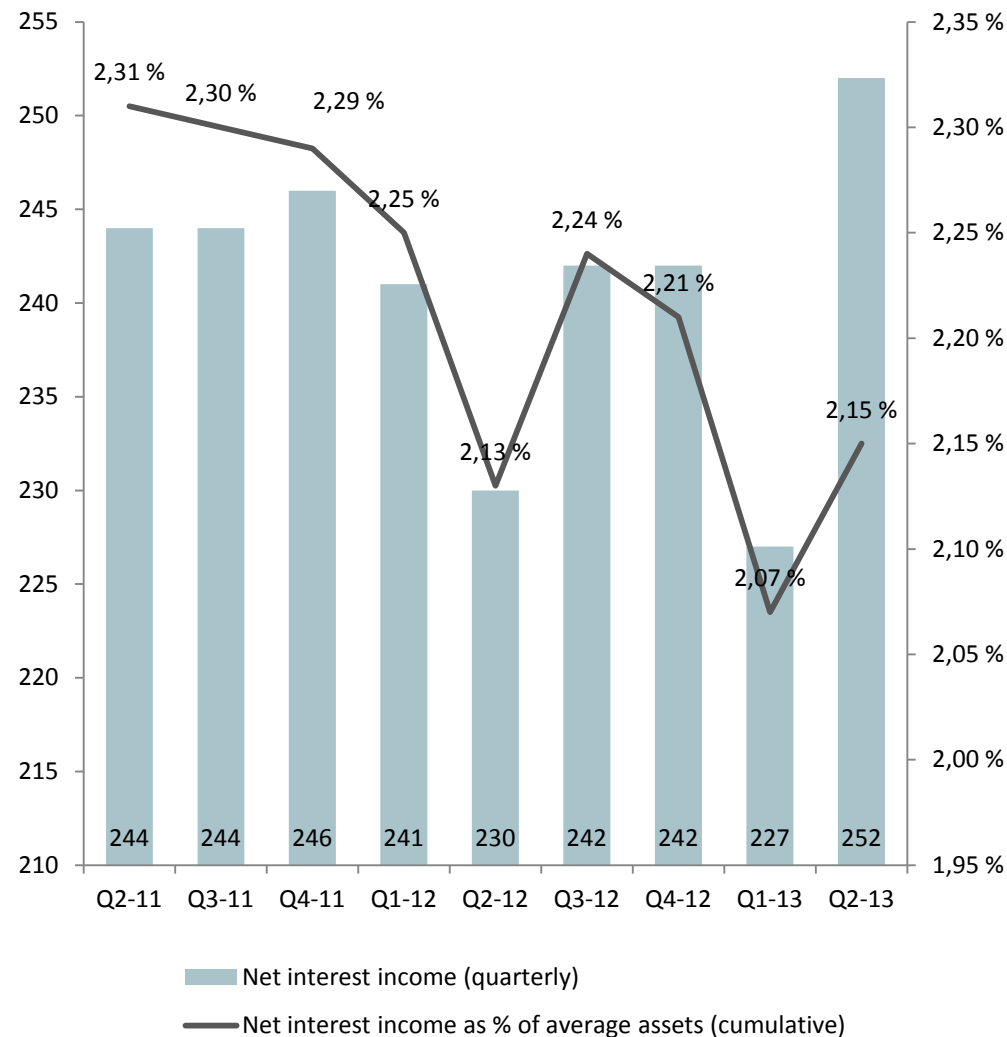


Result after tax

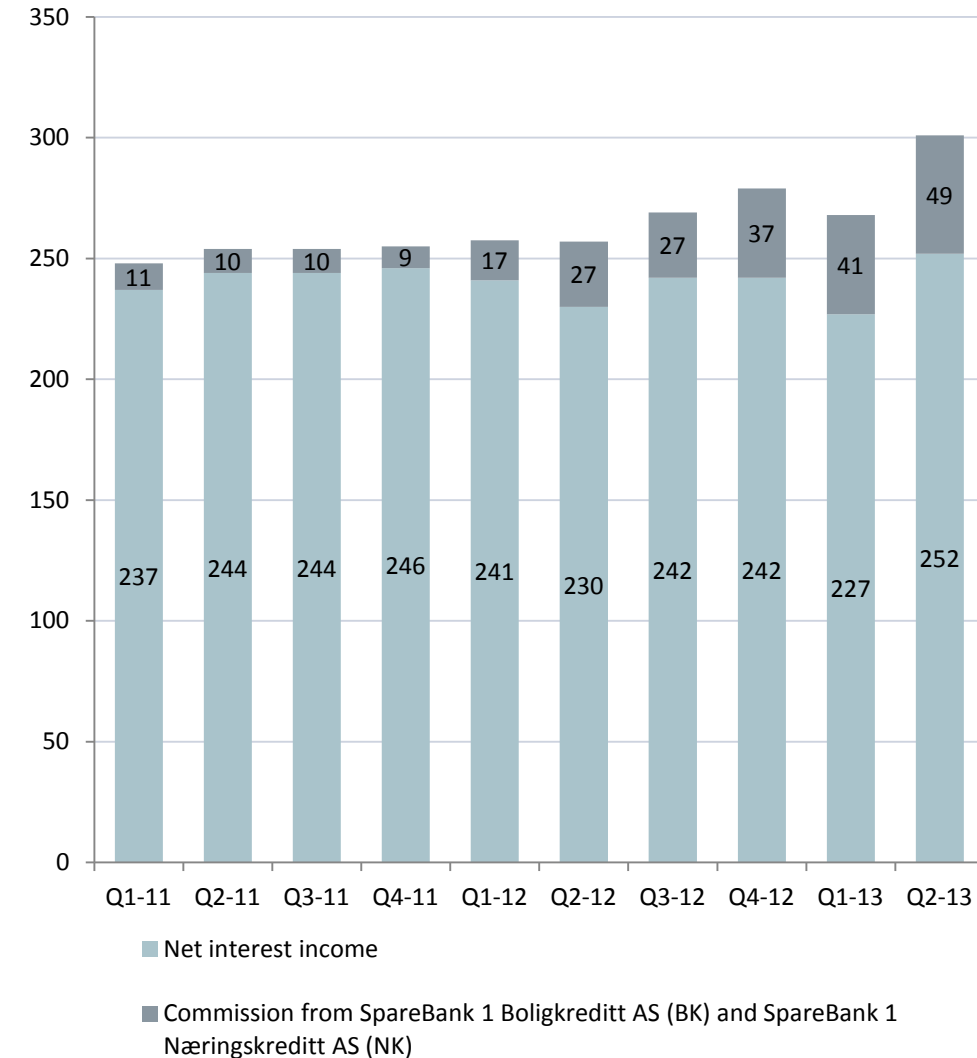


Net interest income (Group)

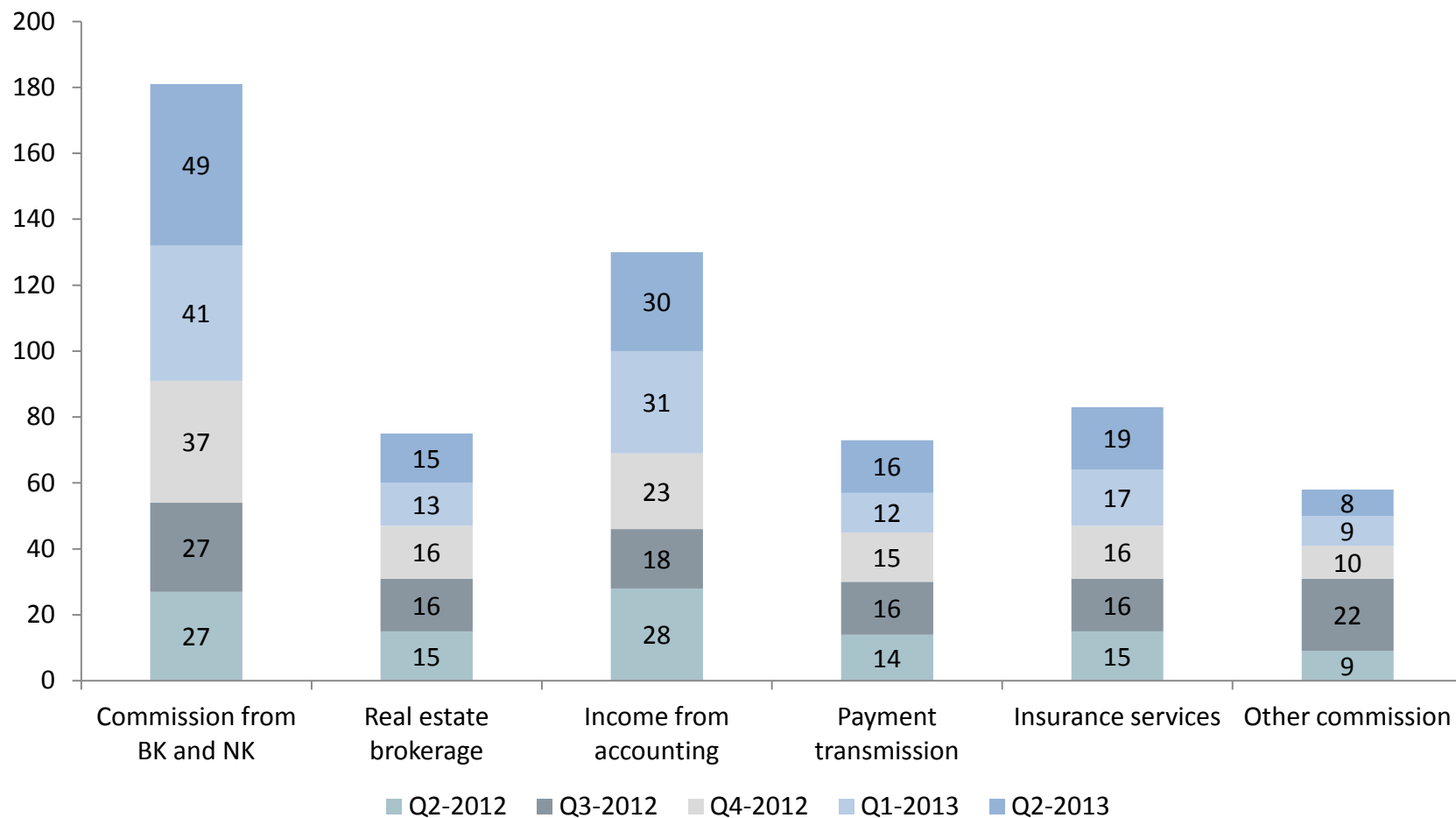
Interest income excl. Commission from BK and NK



Interest income incl. commission from BK and NK



Net commission and other income (Group)



Net income from financial assets and liabilities (Group)

	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Dividends	18				7
Net profit from ownership interest	53	54	-5	46	10
Profit/loss and change in value of bond and certificates	19	-37	-21	-114	7
Profit/loss and change in value of shares	-7			1	
Profit/loss and change in value of financial derivatives	14	-51		66	31
Net income from financial assets and liabilities	97	-34	-26	-1	55

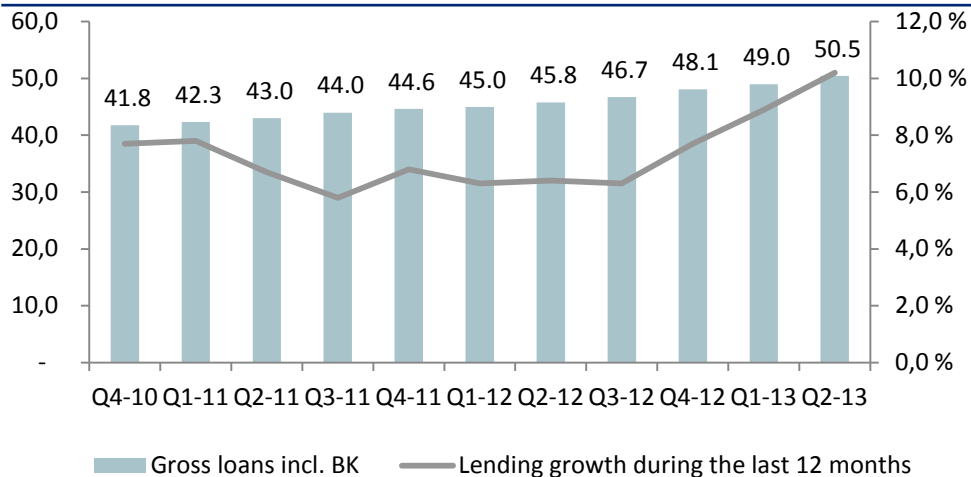
Operating expenses (Group)

	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Payroll	86	92	87	86	83
Pension costs	12	12	3	11	12
Social security expenses	18	20	20	18	16
Total personnel expenses	116	125	110	115	111
Total operating expenses and other expenses	75	67	77	61	70
Total personnel- and operating expenses	191	191	187	176	181
Depreciation	10	9	9	9	9
Other operating expenses	27	30	27	20	23
Total personnel- and operating expenses	227	231	223	205	213

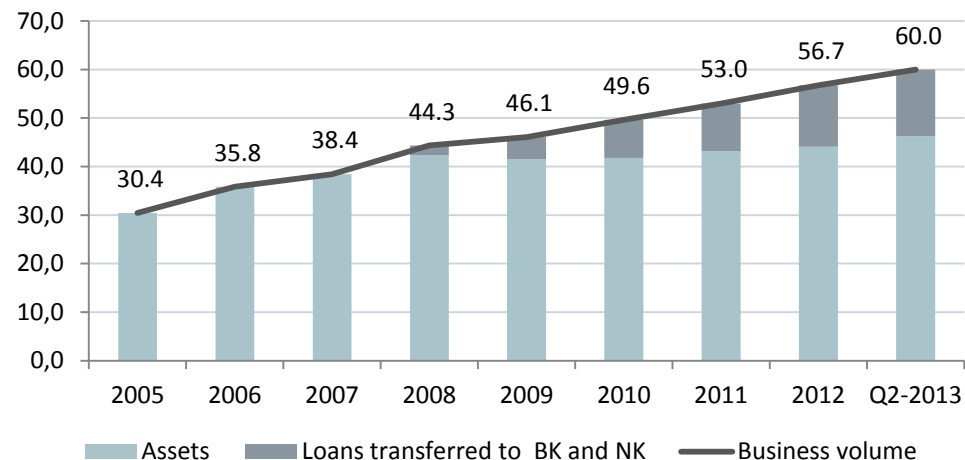
Balance sheet and capital

Development in balance sheet

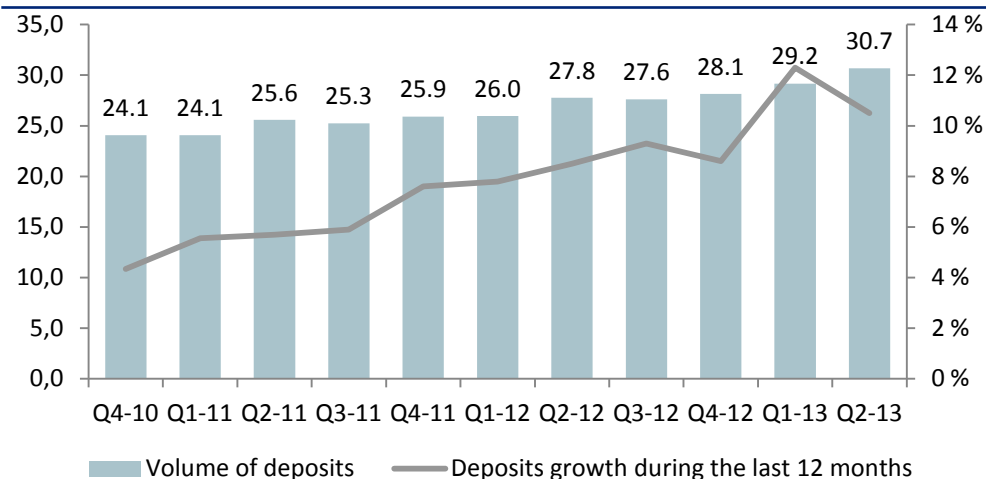
Gross loans incl. Loans transferred to mortgage companies (NOK billion)



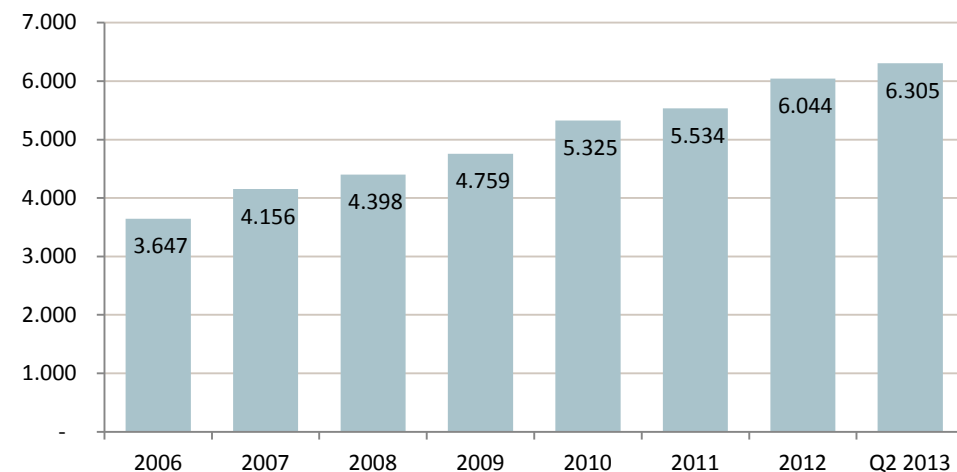
Development in assets and business volume (NOK billion)



Deposits (NOK billion)



Development equity (NOK billion)

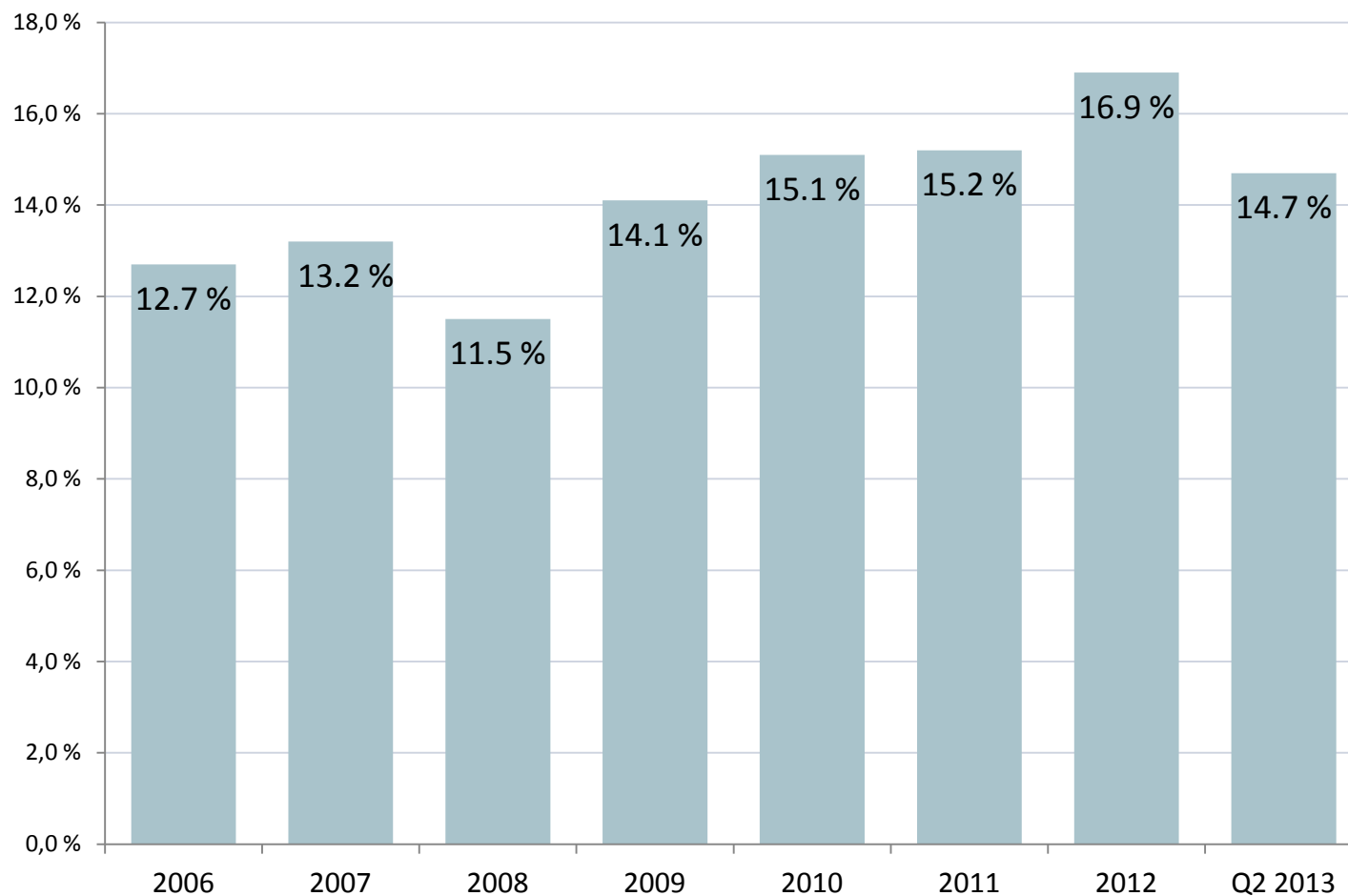


Balance sheet

	30.06.2013	30.06.2012	31.12.2012
ASSETS			
Cash and deposits with central banks	604	608	236
Loans to and receivables from credit institutions	480	349	294
Loans to and receivables from customers	36.517	34.226	35.200
Financial papers	5.400	5.991	5.958
Investments in subsidiaries, associates and joint ventures	2.370	1.415	1.558
Other assets	919	899	867
Total assets	46.290	43.488	44.113
LIABILITIES			
Deposits from and liabilities to credit institutions	631	1.010	833
Deposits from and liabilities to customers	30.677	27.760	28.137
Liabilities arising from issuance of securities and financial derivatives	7.464	7.980	8.231
Other debt and liabilities recognised in the balance sheet	715	1.053	868
	498		
Total liabilities	39.985	37.803	38.069
EQUITY CAPITAL			
Earned equity capital	6.305	5.685	6.044
Total equity capital	6.305	5.685	6.044
Total liabilities and equity capital	46.290	43.488	44.113

Development in Tier 1 ratio (Group)

Tier 1 ratio for
Parent bank
(30.06): 20.3 %

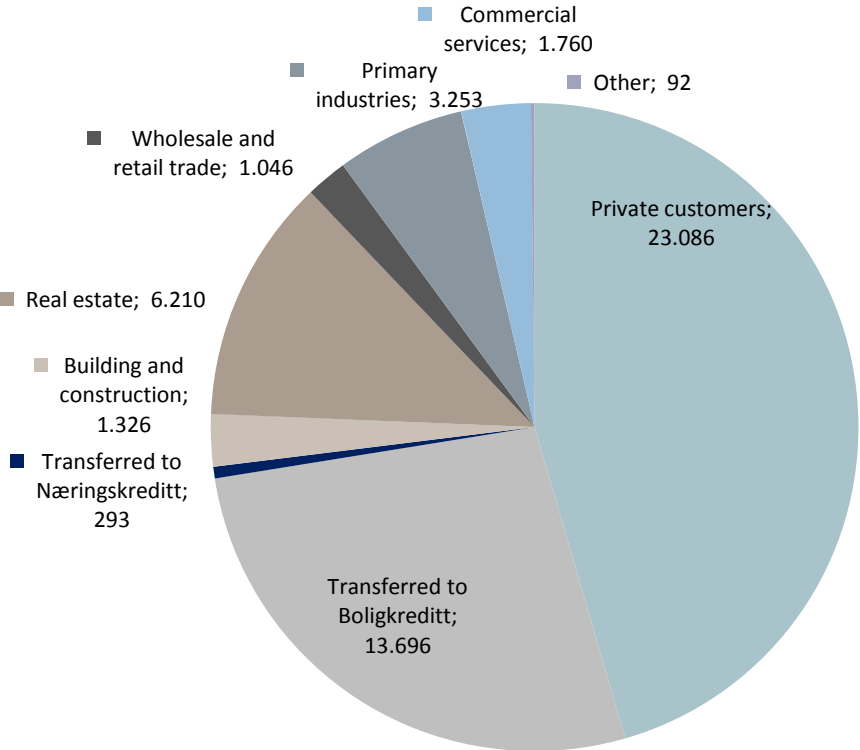


As at 1. July 2013 the
Government has
implemented new capital
adequacy requirements:
Core Tier 1: Minimum 9 %
Tier 1: Minimum 10,5 %
Capital adequacy ratio:
Minimum 12,5 %

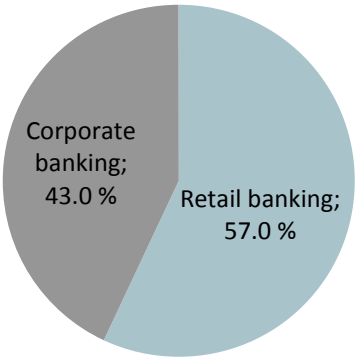
Credit

Composition of loans and receivables from customers (Group)

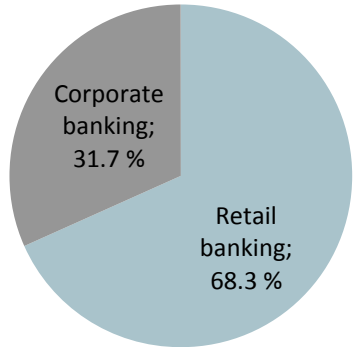
Gross loans by sector and industry incl. Mortgage companies



Composition of loans incl. Mortgage companies

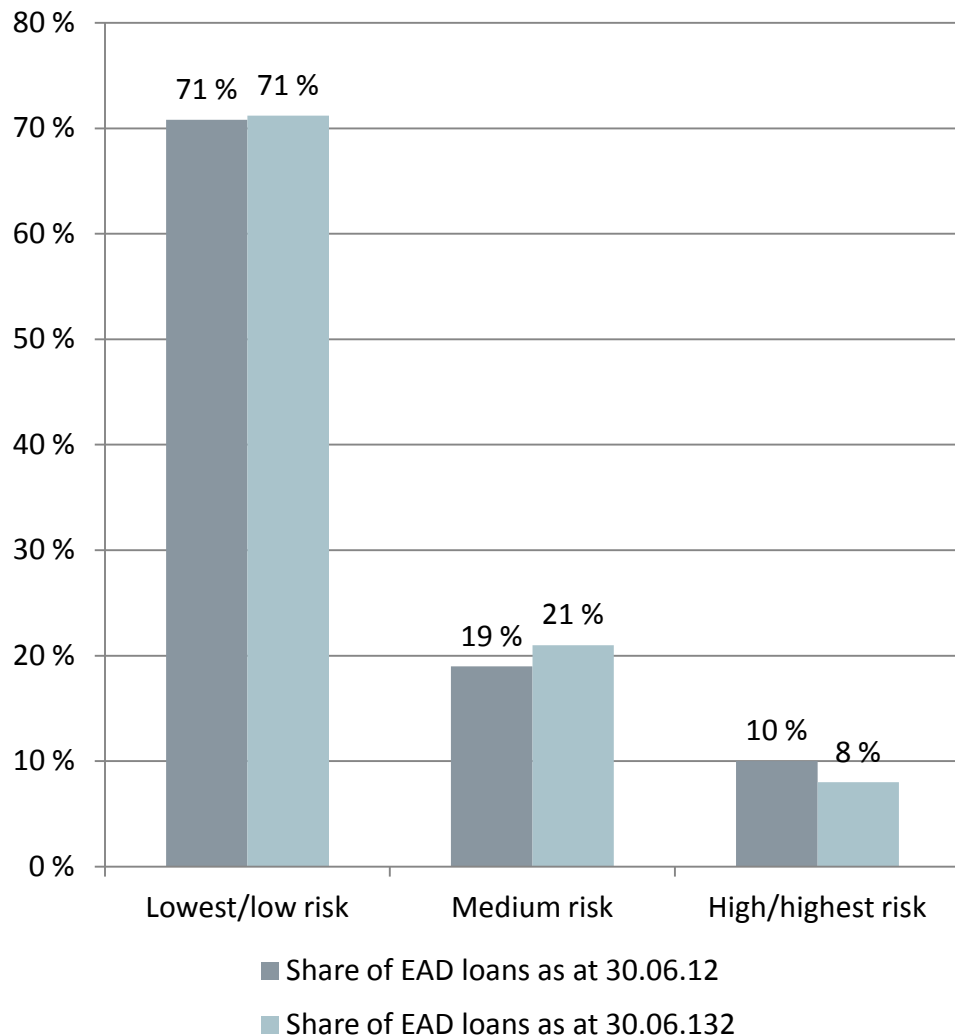


Composition of loans excl. Mortgage companies

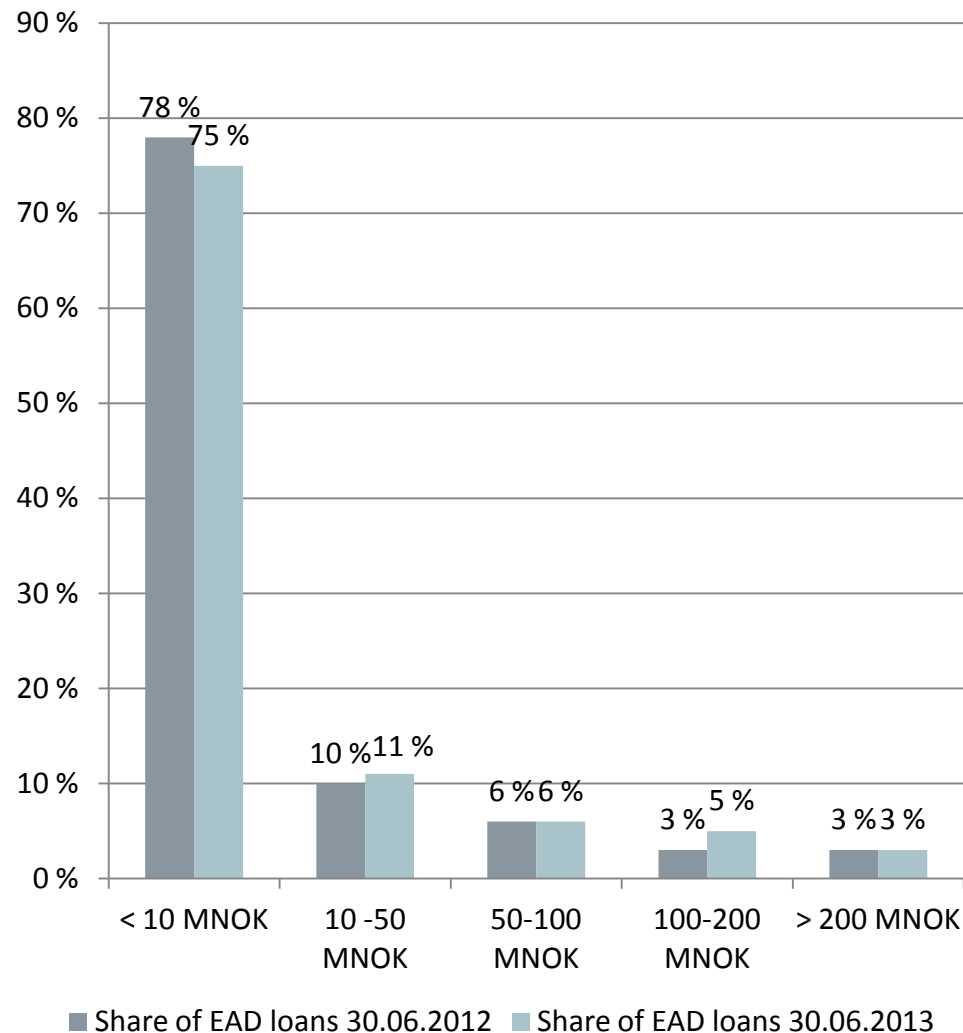


Risk in the loan portfolio (excl. BK)

Loans by size of commitment as a percentage of EAD

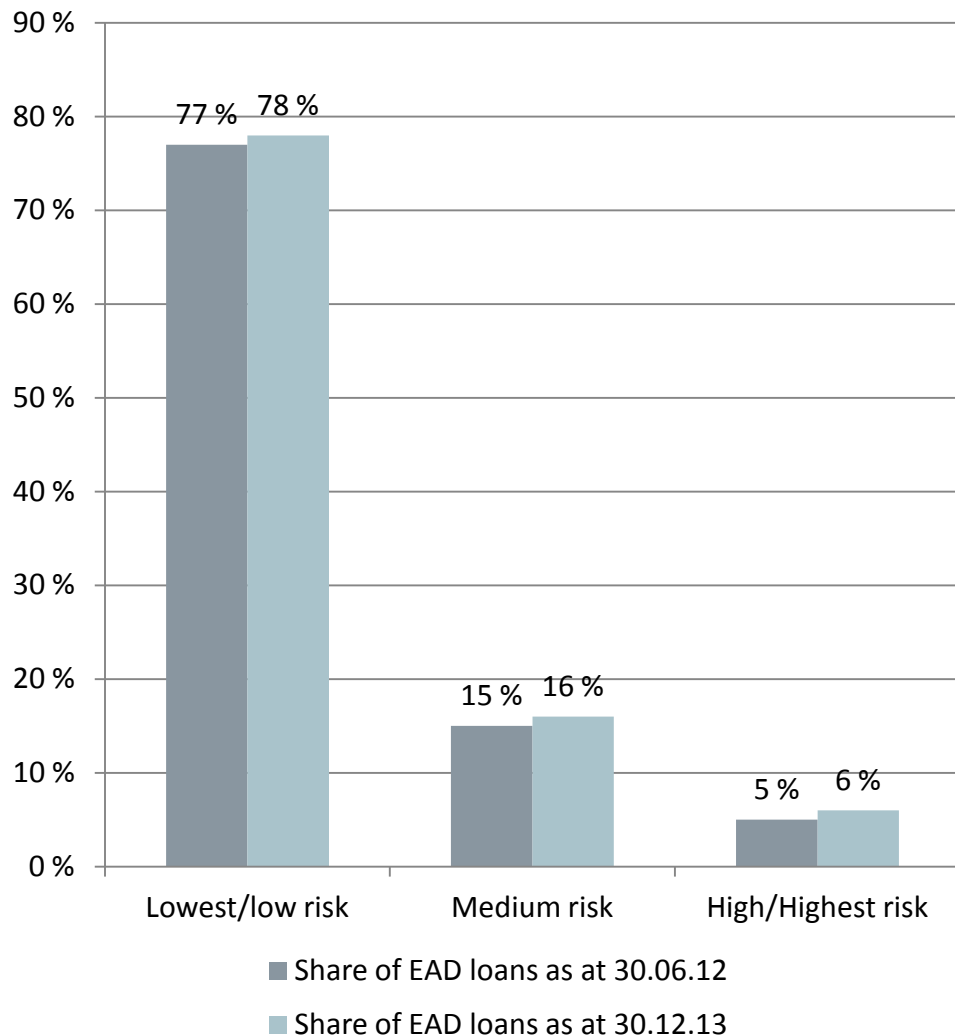


Loans by size of commitment as a percentage of EAD

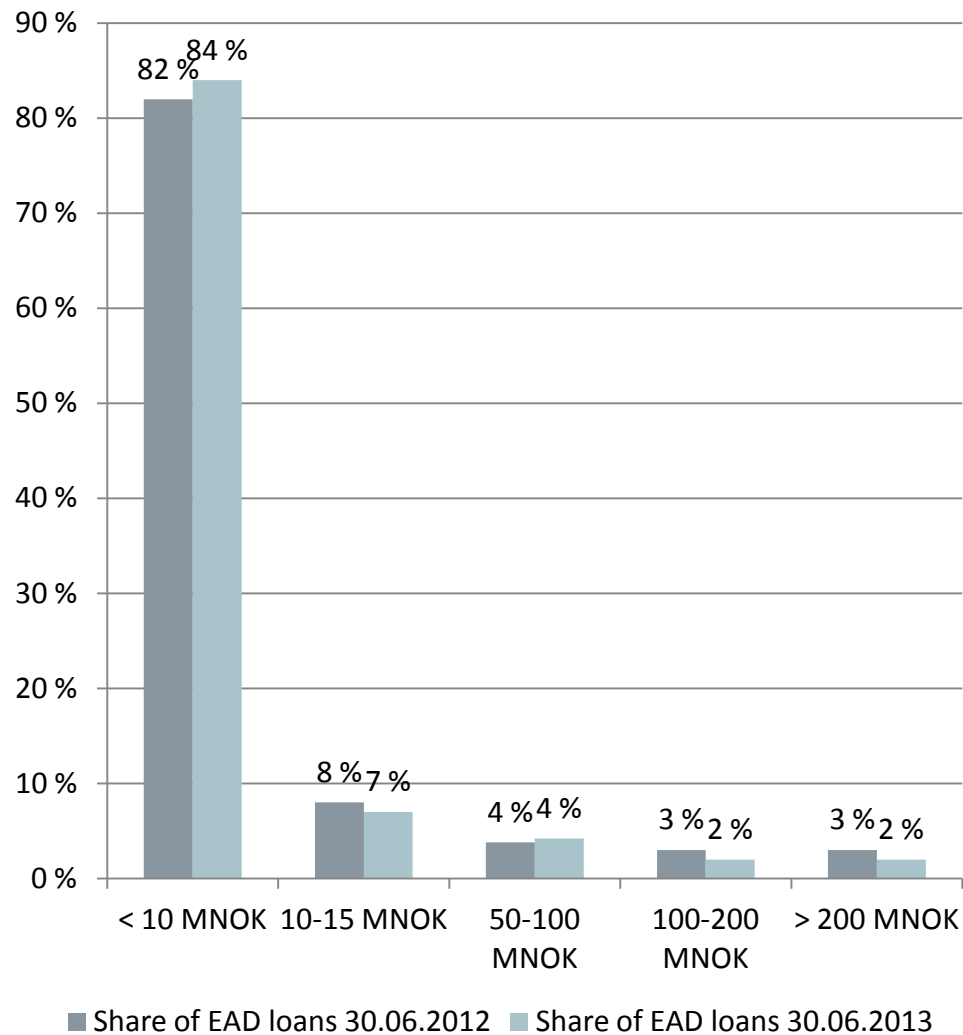


Risk in the loan portfolio(incl. BK)

Loans by size of commitment as a percentage of EAD



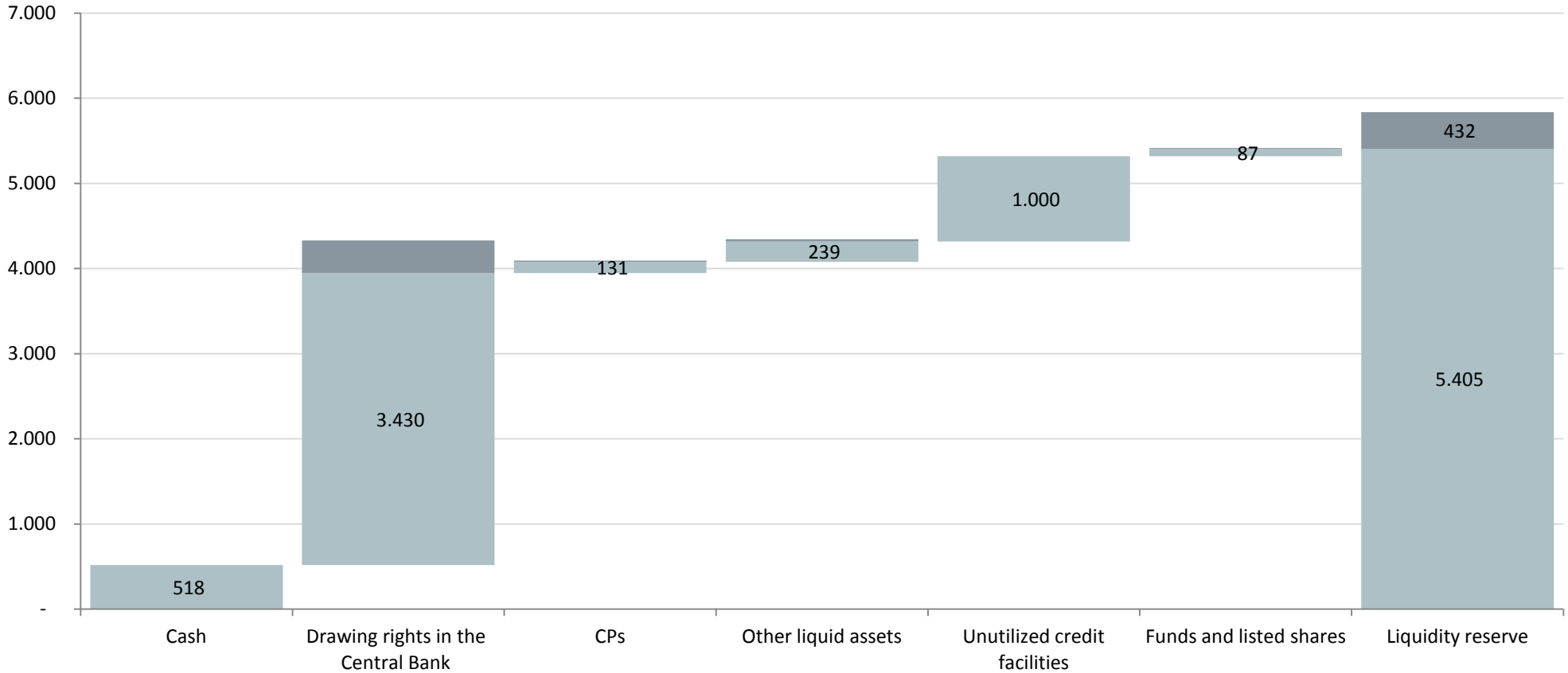
Loans by size of commitment as a percentage of EAD



Liquidity and financing

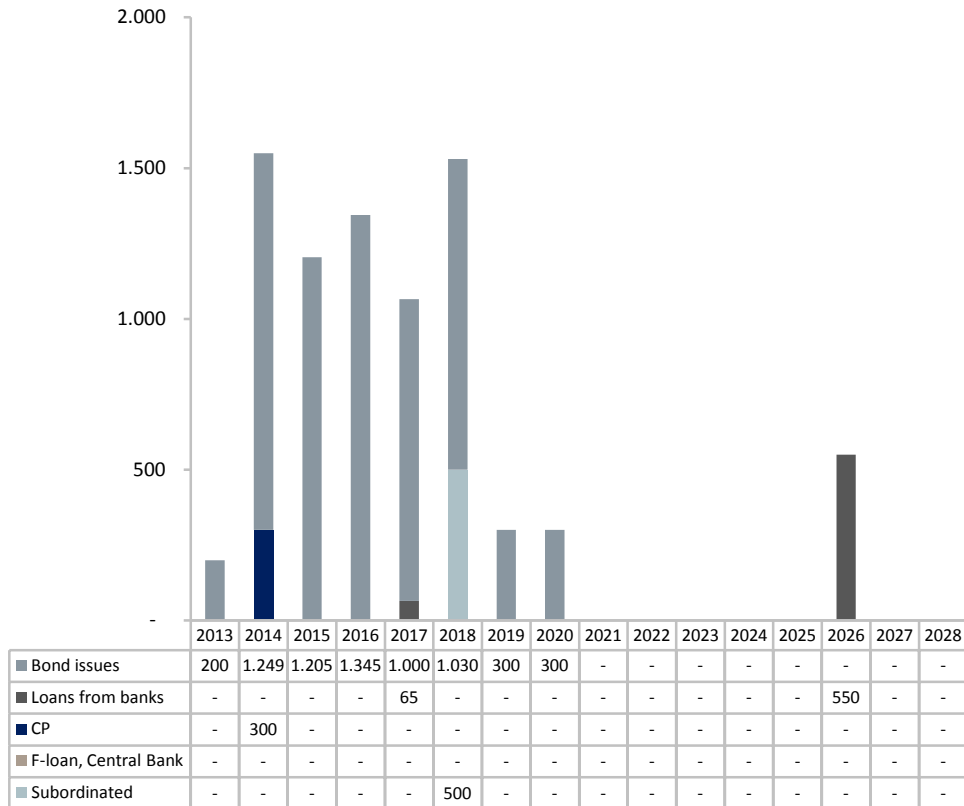
Liquidity reserves

- The figure shows the distribution of the bank's liquidity reserve as at 30.6.13
- The grey bar indicates a haircut of 10 %.

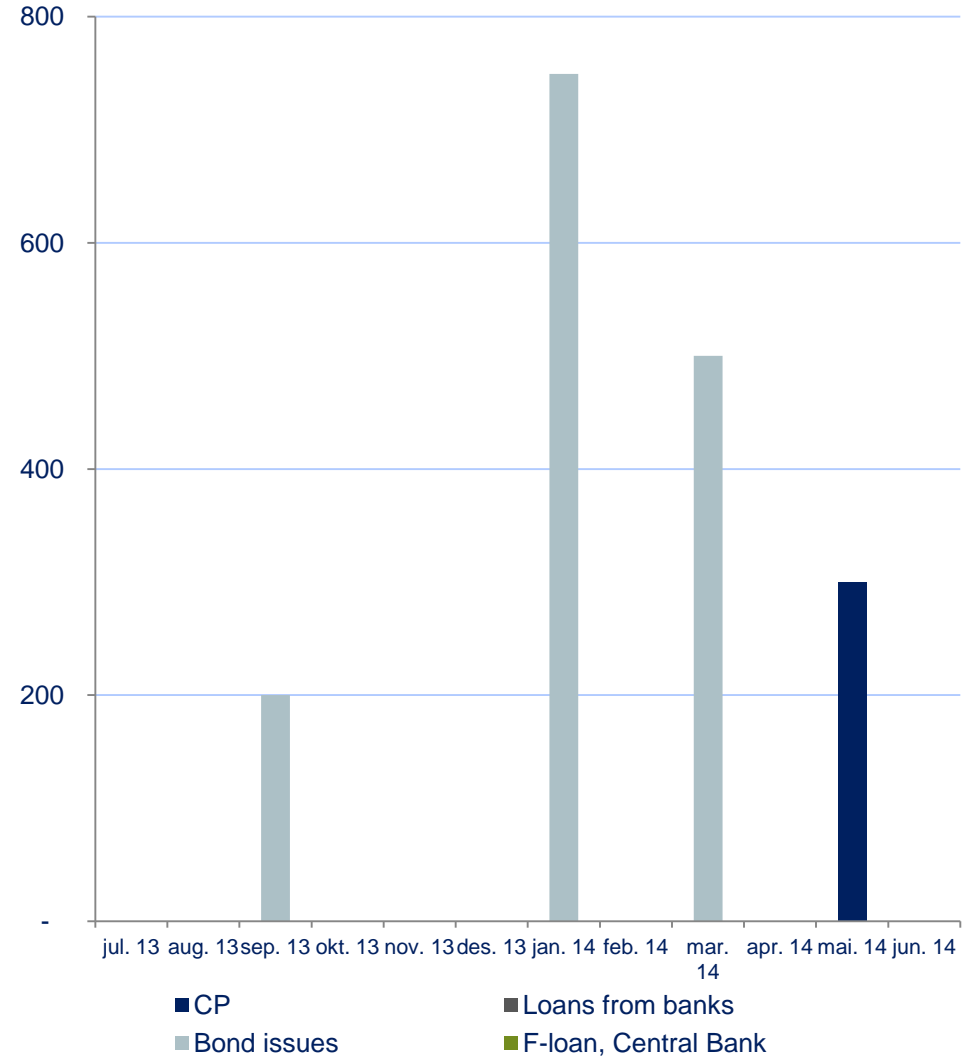


Maturities

Annual maturities; total to maturity MNOK 8 044.



Funding maturities the next 12 months MNOK 1 749.



Rating

Rating

- On 2 July, Moody's confirmed Sparebanken Hedmark's A2 rating and said it had a stable outlook.
 - Moody's put it under review for possible downgrading in March due to our increased stake in Bank 1 Oslo Akershus AS
 - The bank's individual C- rating (standalone financial strength rating) was also confirmed
- Rating drivers:
 - Robust local retail operations
 - Funding supported by high proportion of deposit funding
 - 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
 - Increased stake in Bank 1 Oslo Akershus increases the risk profile slightly
- Unofficial ratings - rating of Norwegian savings banks:
 - Nordea Credit Research: # 1
 - DNB Markets: # 2
 - SpareBank 1 Markets: # 1