

Sparebanken Hedmark

Q3-2013

Presentation of financial results

CEO Richard Heiberg

1 November 2013

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 6.5 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

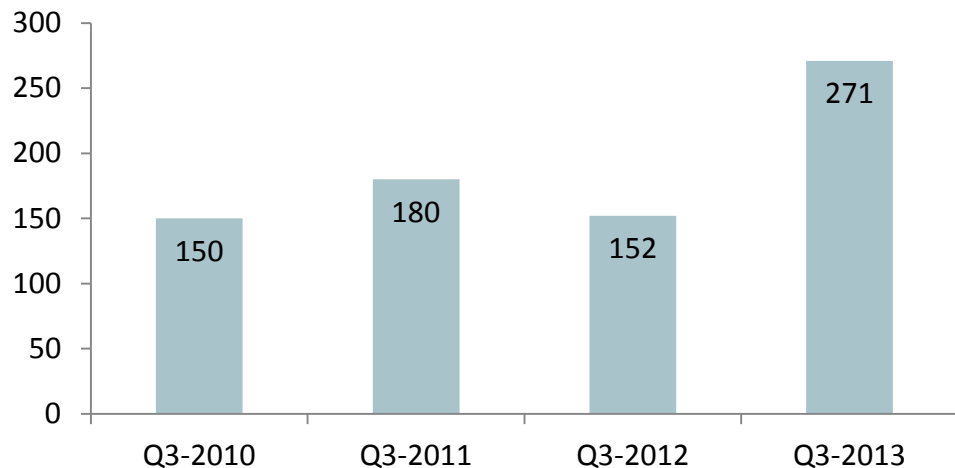


Highlights – third quarter 2013

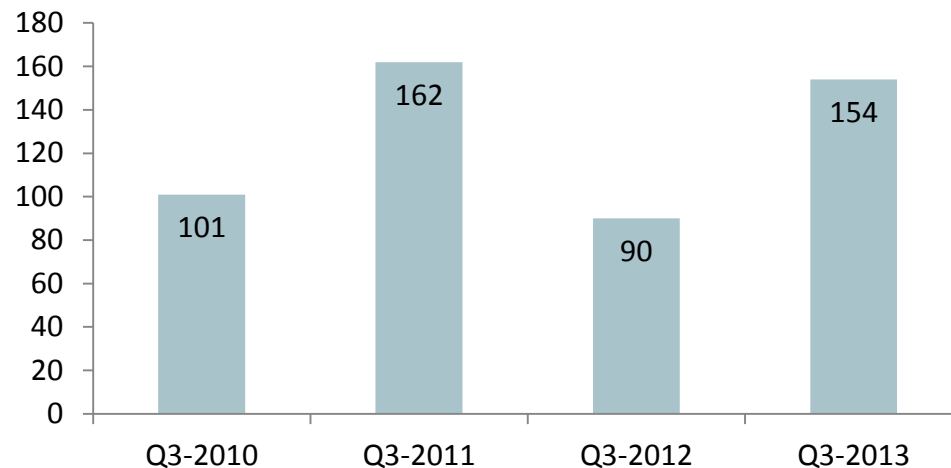
- Improved return on equity - 13.8 per cent in third quarter
- Improved earnings from banking operations
- High activity – lending growth last 12 months 9.2 per cent
- Significant contributions from the partly owned companies Bank 1 Oslo Akershus and SpareBank 1 Gruppen - 40 per cent of net profit
- Low losses
- Common equity Tier 1 capital ratio 15.3 per cent (transitional rules)

Result before tax for Group and Parent Bank

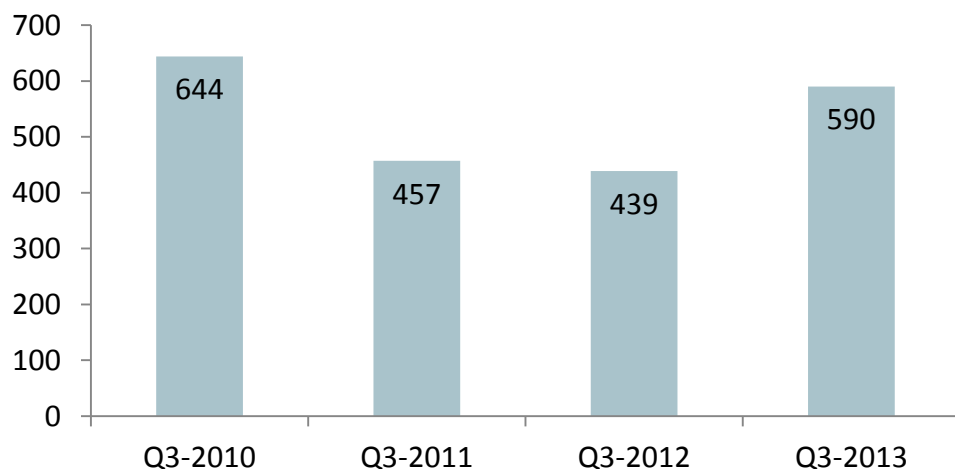
Result before tax for the quarter isolated - Group



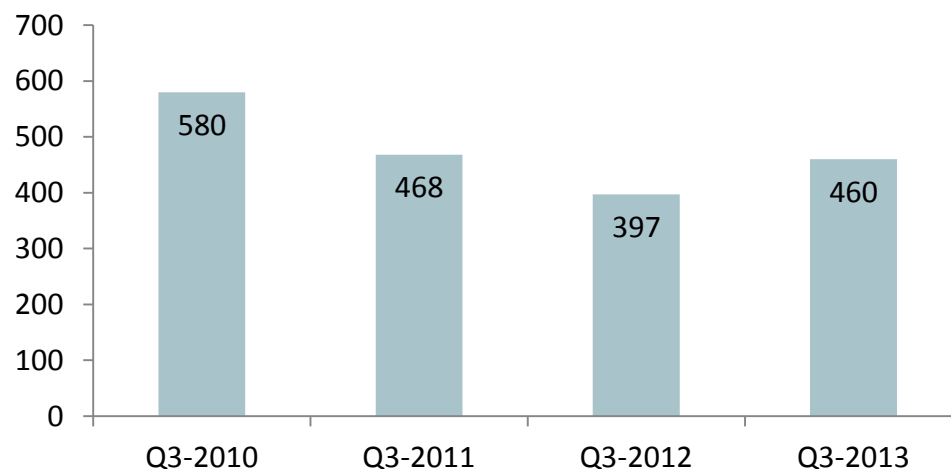
Result before tax for the quarter isolated – Parent bank



Result before tax accumulated for the quarter - Group



Result before tax accumulated for the quarter – Parent bank



Profit/loss third quarter 2013 (Group)

	Q3-2013	Q3-2012
Net interest income	745	713
Net commission income	270	176
Other income	143	141
Total operating expenses	681	641
Result bank operation before losses	477	389
Losses on loans and guarantees	29	19
Result bank operation after losses	448	370
Dividends	18	7
Net profit from ownership interest	205	100
Net income from financial assets/liabilities	-81	-38
Profit/loss before tax	590	439
Tax charge	109	95
Profit/loss after tax	481	344

Income statement Q3-2013 (Group)

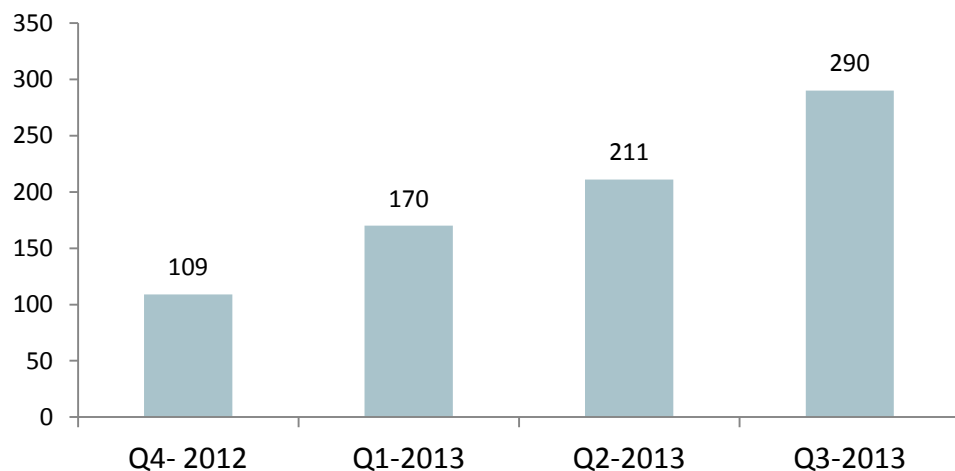
	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Net interest income	266	252	227	242	242	230
Net commission income	104	89	77	74	63	63
Other income	49	48	46	44	51	45
Total operating expenses	223	227	231	223	205	213
Result bankoperation before losses	196	162	119	137	151	125
Losses on loans and guarantees	4	22	3	23	-2	23
Result bankoperation after losses	192	140	116	114	153	102
Dividends	0	18				7
Net profit from ownership interest	98	53	54	-5	46	10
Net income from financial assets/liabilities	-19	26	-88	-21	-47	38
Profit/loss before tax	271	237	82	88	152	157
Tax charge	49	51	9	29	30	40
Profit/loss after tax	222	186	73	59	122	117

Specification of results (Group)

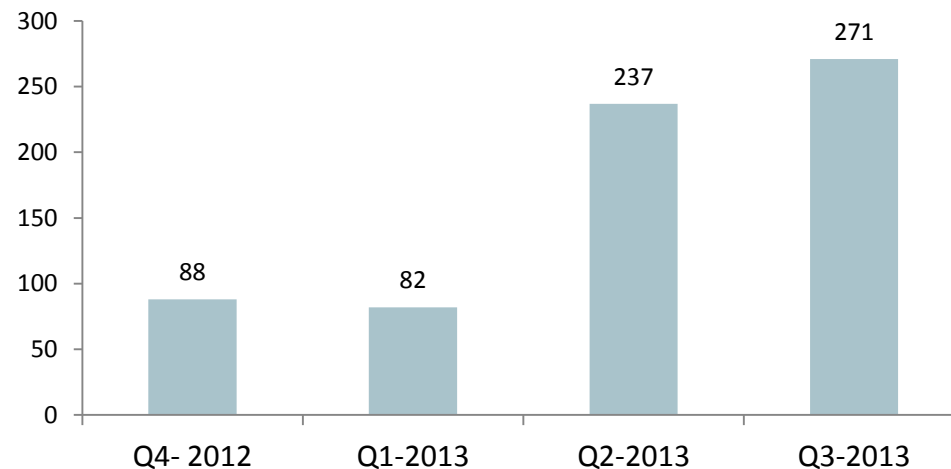
<i>(Nok million)</i>	Q3-2013	Q3-2012
Parent Bank's profit before tax	460	397
Dividends received from subsidiaries and joint ventures	-124	-101
Profit /loss attributable to:		
SpareBank 1 Gruppen AS	97	65
Bank 1 Oslo Akershus AS	99	19
SpareBank 1 Boligkreditt AS	11	16
EiendomsMegler 1 Hedmark Eiendom AS	4	4
SpareBank 1 Finans Østlandet AS	59	31
SpareBank 1 Regnskapshuset Østlandet AS	1	0
Other companies and eliminations	-16	8
Consolidated profit before tax	590	439
Tax	109	95
Consolidated profit after tax	481	344

Financial results by quarter (Group)

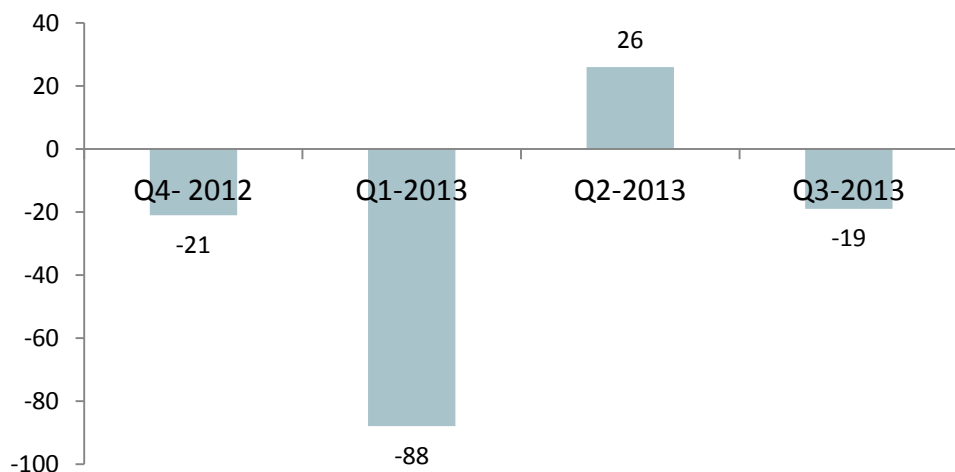
Profit/loss before tax excl. profit from other financial assets and liabilities



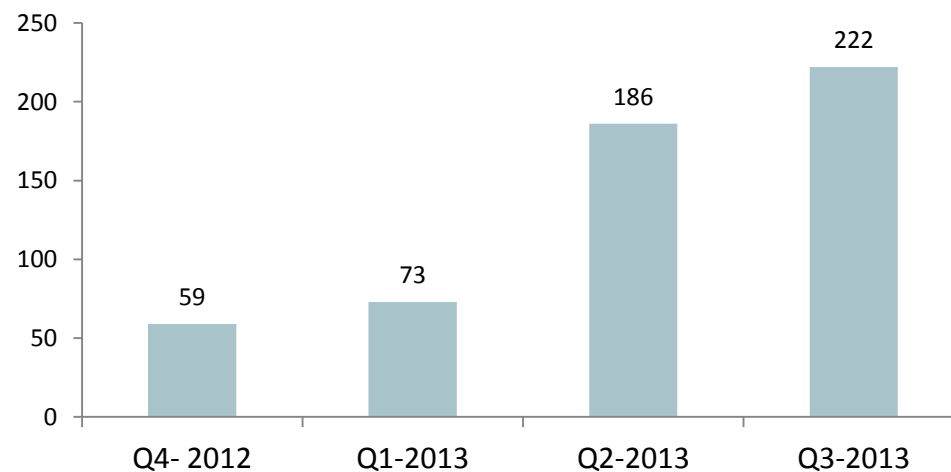
Profit/loss before tax



Net result from other financial assets and liabilities

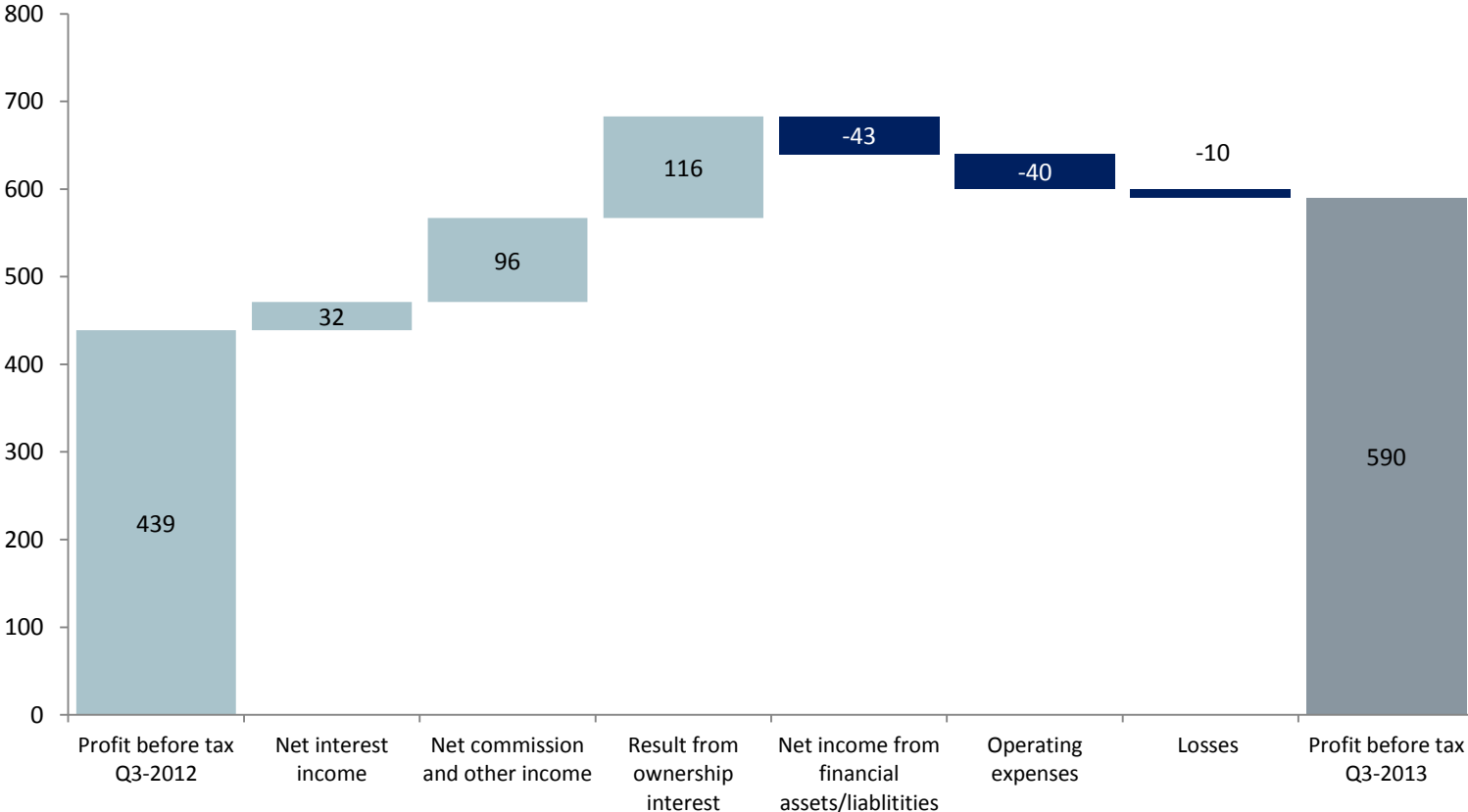


Result after tax



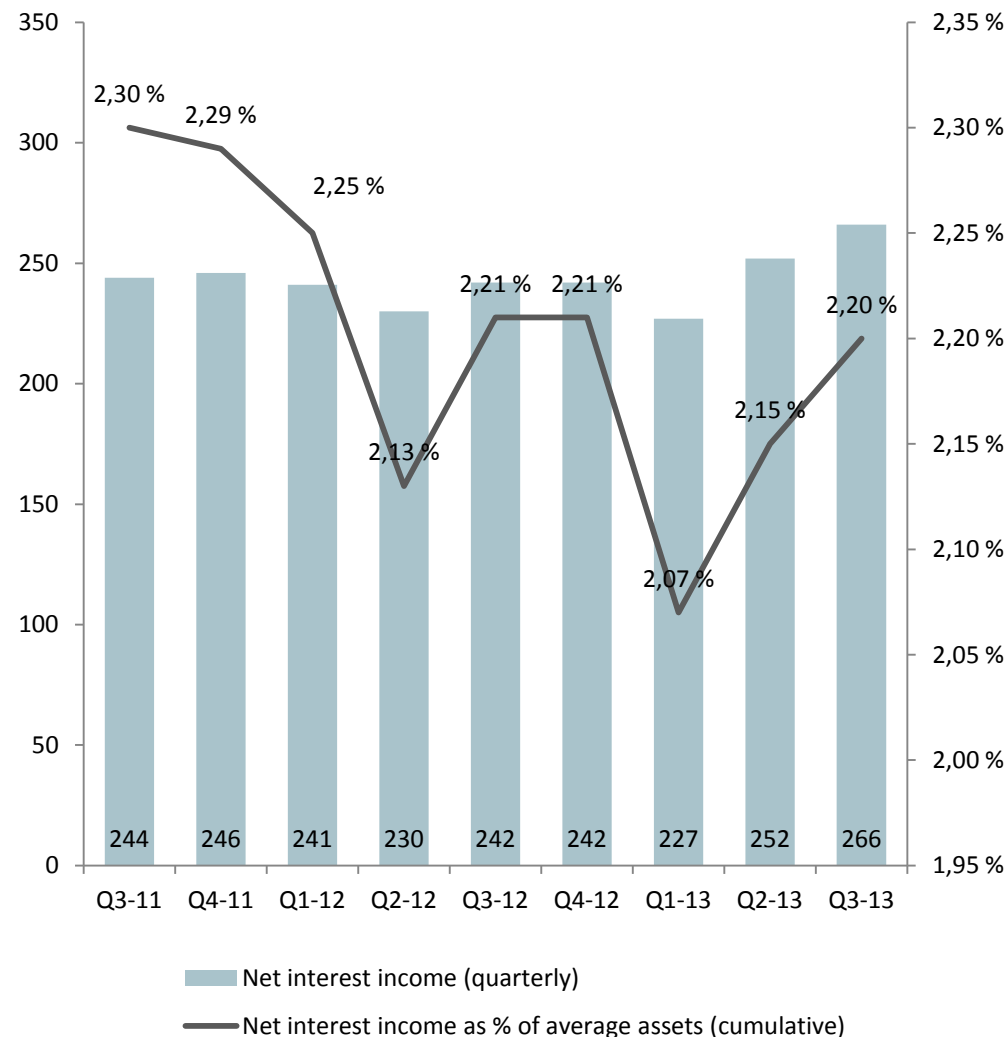
Specification of the consolidated profit (Group)

Change in profit before tax Q3-2012 vs Q3-2013

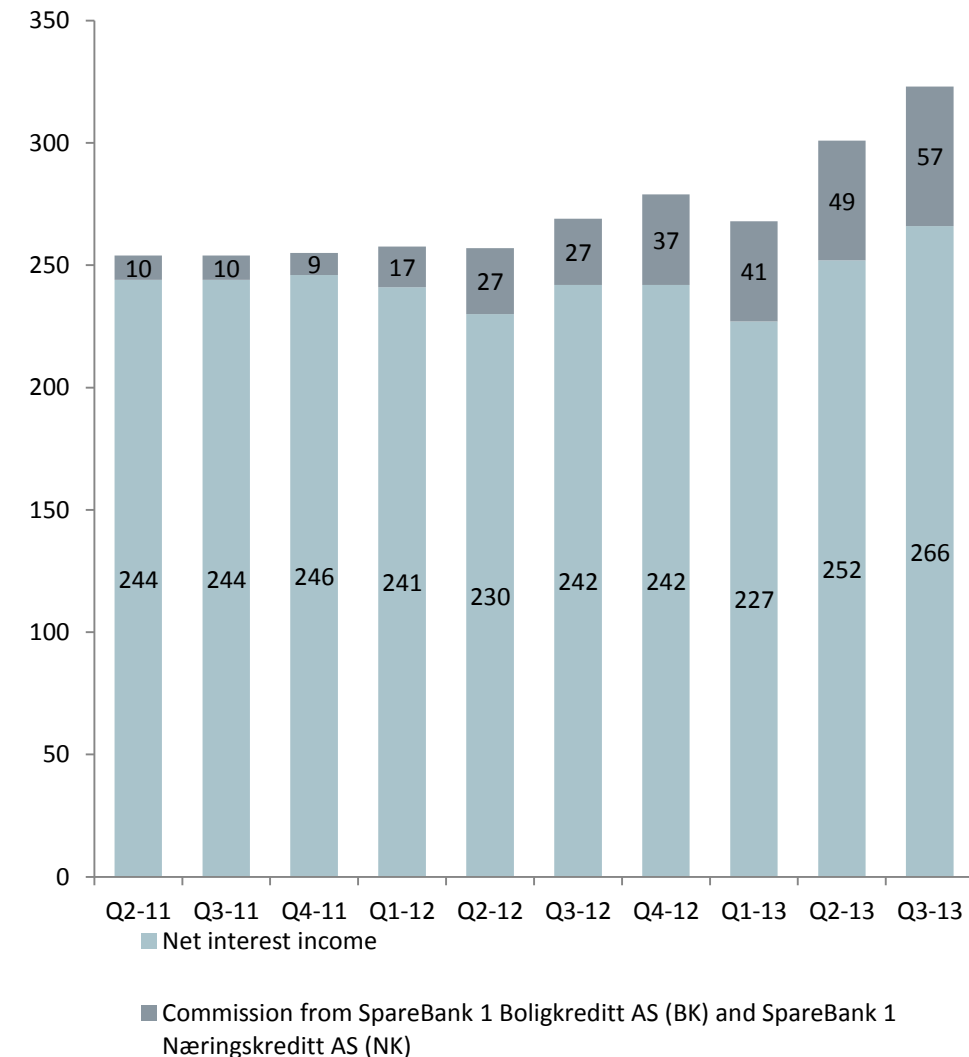


Net interest income (Group)

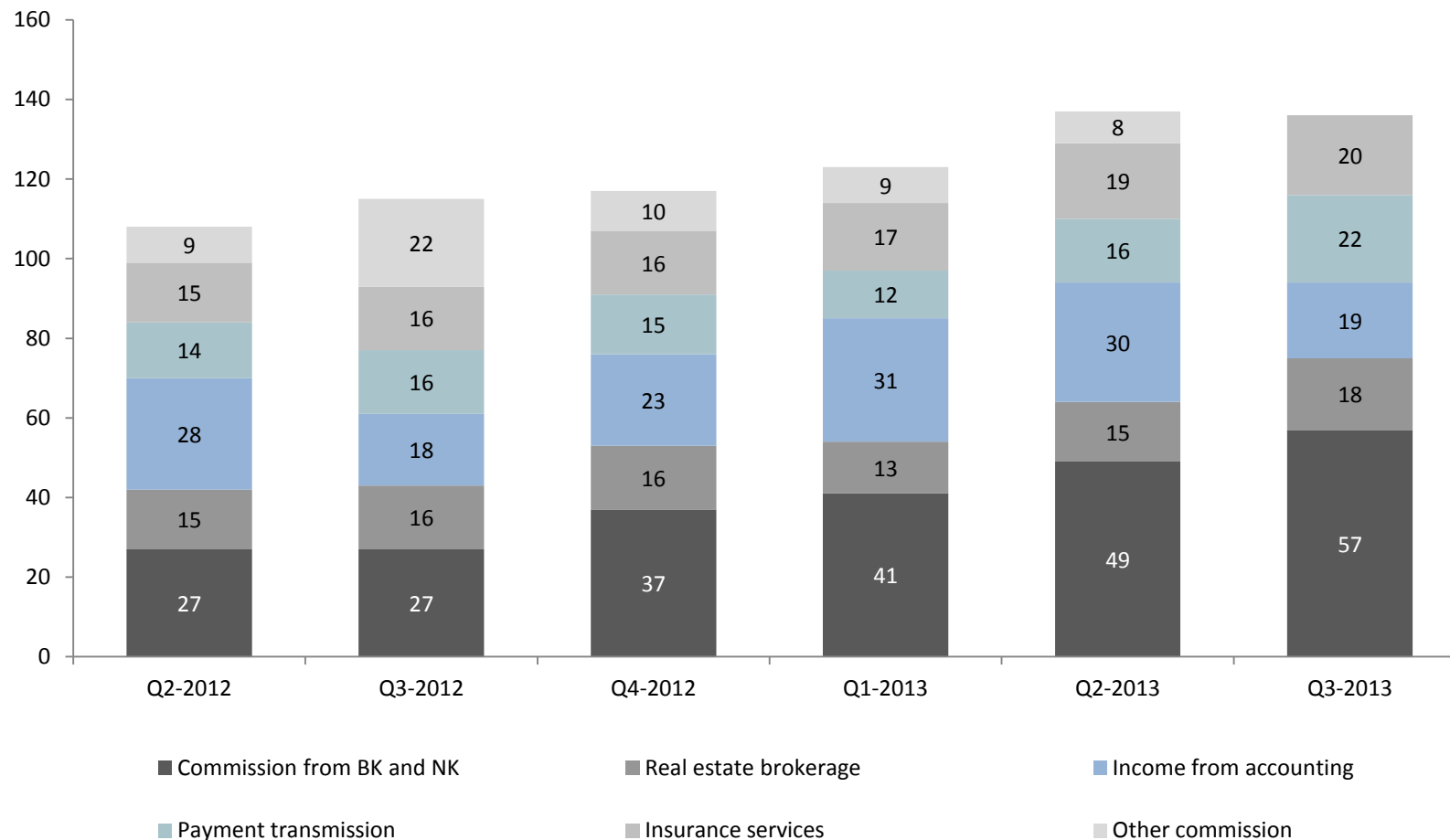
Interest income excl. Commission from cover bond companies



Interest income incl. commission from cover bond companies



Net commission and other income (Group)



Net income from financial assets and liabilities (Group)

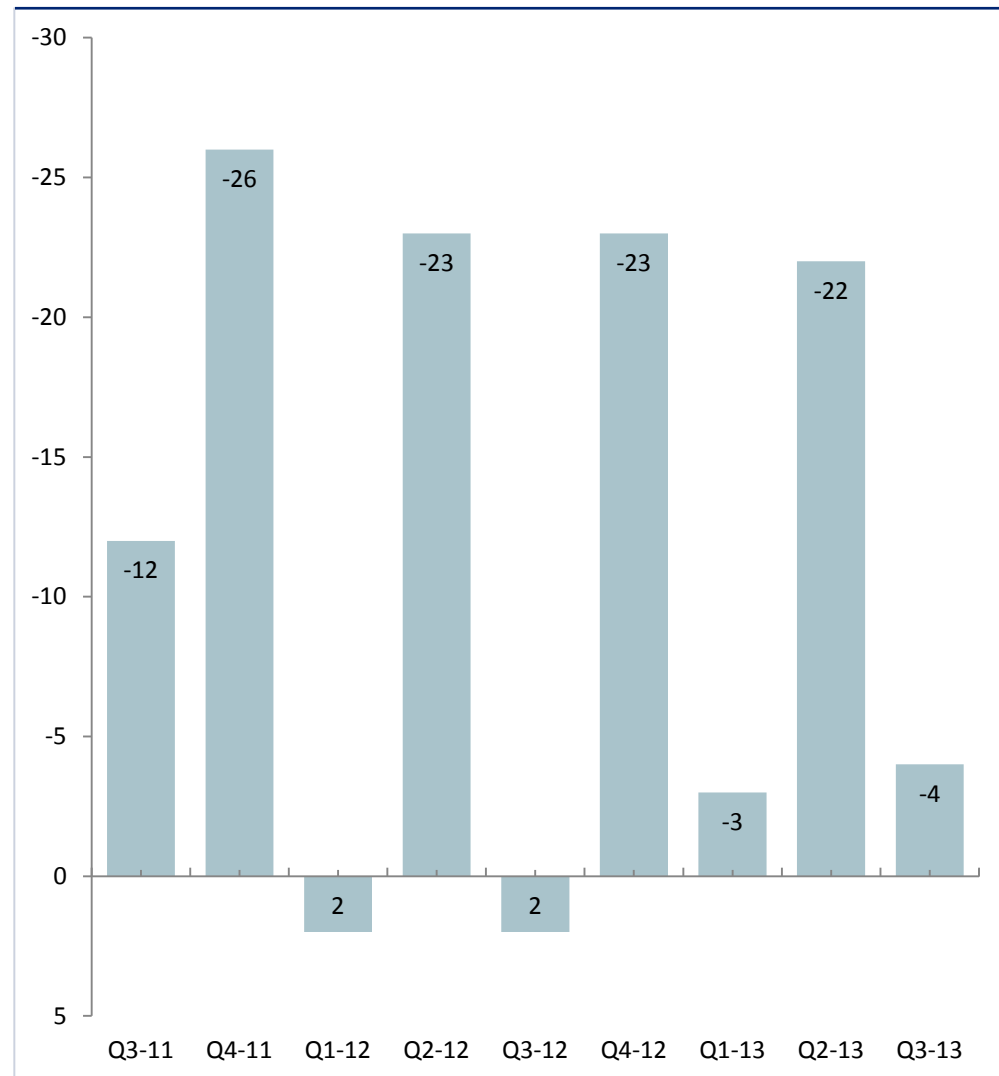
	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Dividends		18			
Net profit from ownership interest	99	53	54	-5	46
Net profit from shares and other securities		-7			
Profit/loss and change in value of bond and certificates	10	19	-37	-21	-114
Profit/loss and change in value of shares	3				1
Profit/loss and change in value of financial derivatives	-33	14	-51		66
Net income from financial assets and liabilities	79	97	-34	-26	-1

Operating expenses (Group)

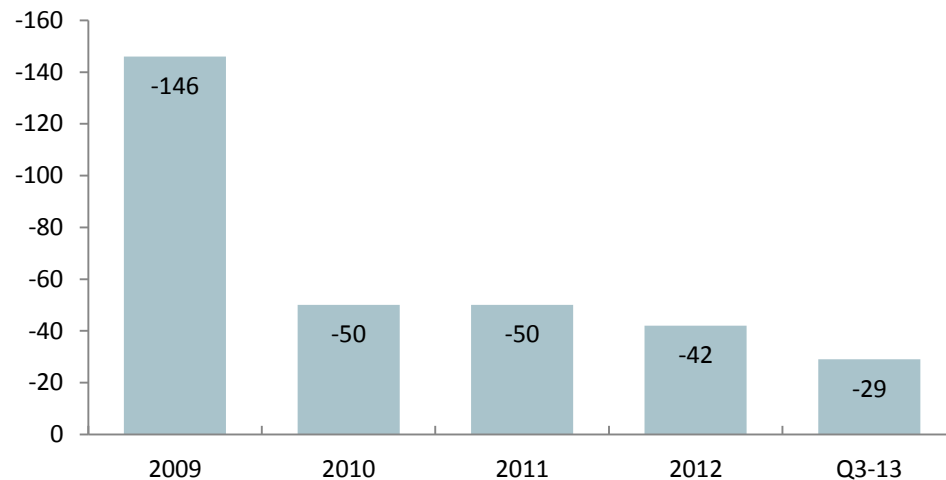
	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Payroll	90	86	92	87	86
Pension costs	13	12	12	3	11
Social security expenses	19	18	20	20	18
Total personnel expenses	122	116	125	110	115
Total operating expenses and other expenses	67	75	67	77	61
Total personnel- and operating expenses	189	191	191	187	176
Depreciation	10	10	9	9	9
Other operating expenses	24	27	30	27	20
Total personnel- and operating expenses	223	227	231	223	205

Losses on loans and guarantees (Group)

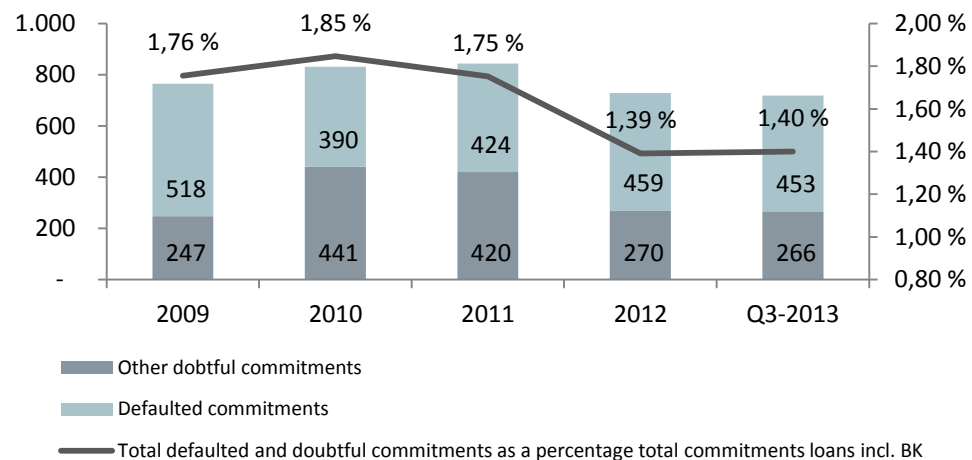
Quarterly losses isolated



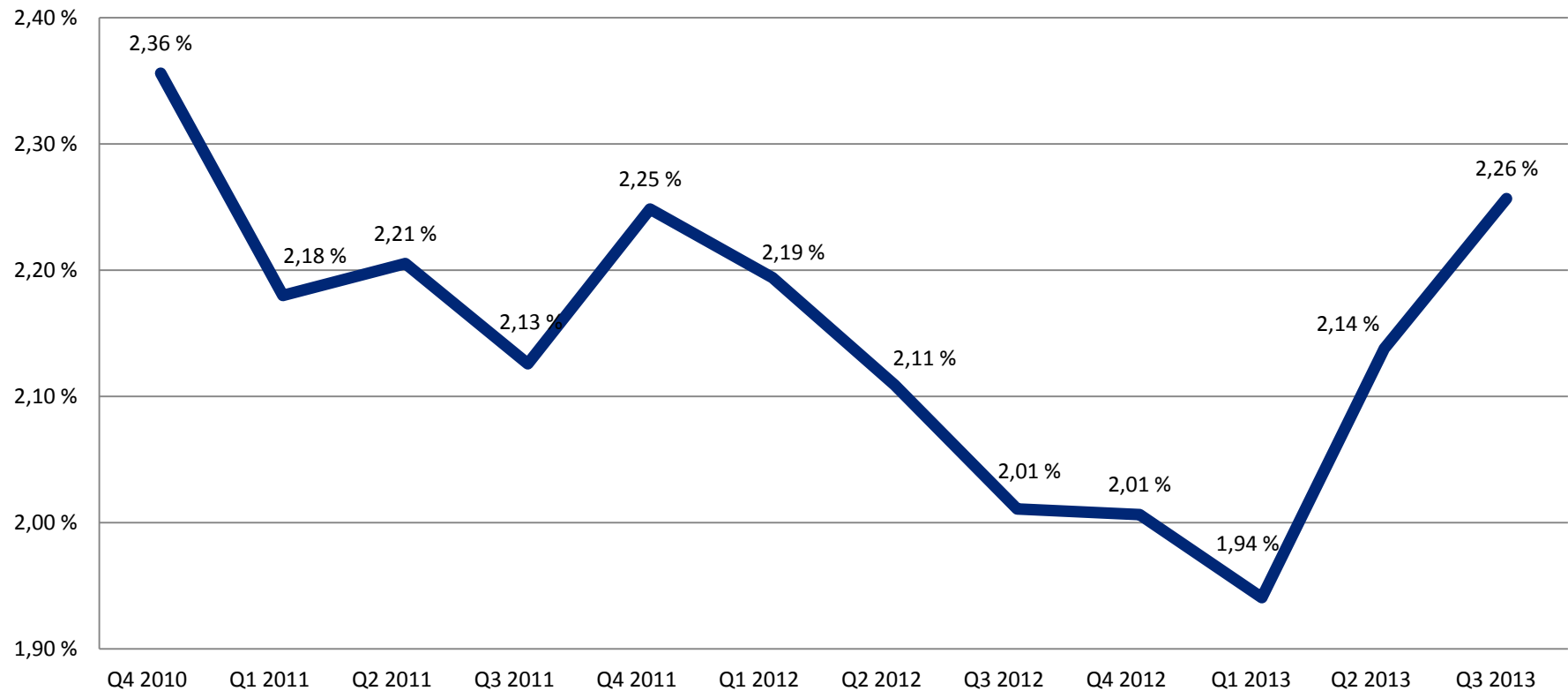
Yearly losses



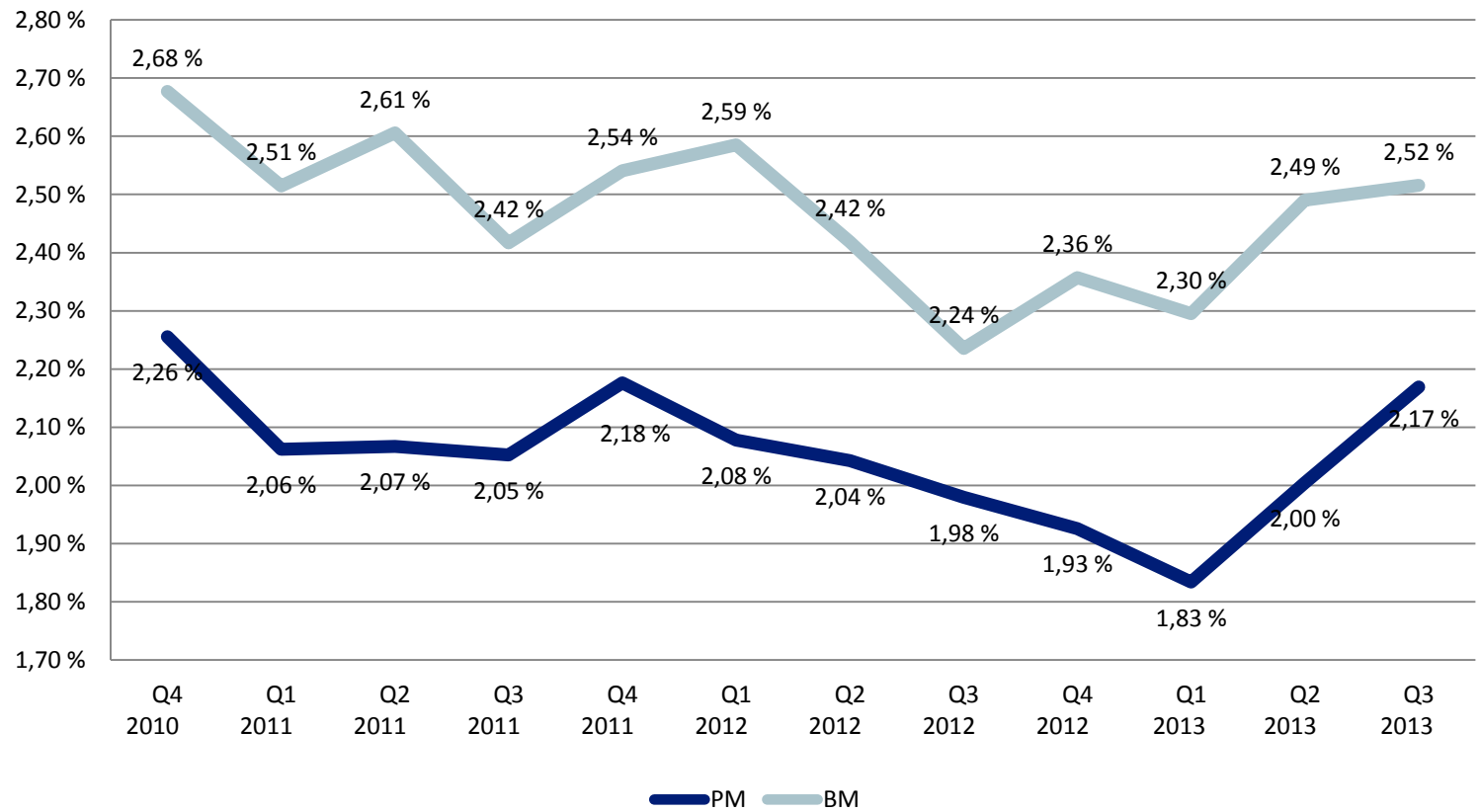
Defaulted and doubtful commitments



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



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



PM: Retail banking
BM: Corporate banking

Main figures Sparebanken Hedmark (Group)

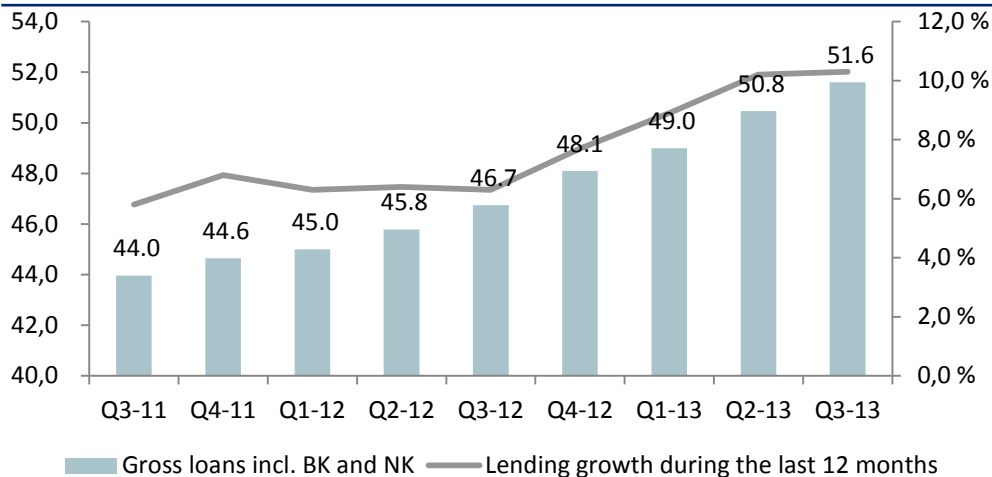
	Q3 2013	Q3 2012	2012
Profitability			
Return on equity capital after tax	10,3 %	7,9 %	7,0 %
Total operating costs in relation to total income	52,4 %	58,6 %	60,3 %
From the balance sheet			
Deposits from customers in relation to gross loans to customers	79,7 %	80,4 %	79,4 %
Lending growth last 12 months incl. Loans transferred to cover bond companies	10,3 %	6,4 %	7,7 %
Deposits growth during the last 12 months	7,6 %	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. Loans transferred to cover bond companies	0,9 %	0,9 %	0,90 %
Other doubtful commitments as a percentage of total commitments incl. Loans transferred to cover bond companies	0,5 %	0,3 %	0,50 %
Financial strength			
Capital adequacy ratio	15,3 %	13,8 %	16,9 %
Core capital ratio	15,3 %	13,8 %	16,9 %

Balance sheet

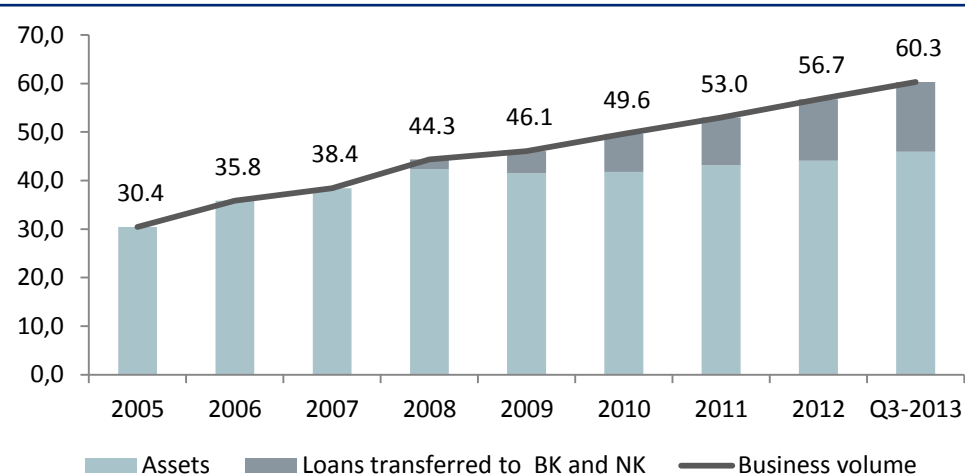
	30.09.2013	30.09.2012	31.12.2012
ASSETS			
Cash and deposits with central banks	313	210	236
Loans to and receivables from credit institutions	314	357	294
Loans to and receivables from customers	37.022	34.527	35.200
Financial papers	4.843	5.732	5.958
Investments in subsidiaries, associates and joint ventures	2.488	1.558	1.558
Other assets	976	902	867
Total assets	45.956	43.286	44.113
LIABILITIES			
Deposits from and liabilities to credit institutions	630	740	833
Deposits from and liabilities to customers	29.707	27.610	28.137
Liabilities arising from issuance of securities and financial derivatives	7.731	8.178	8.231
Other debt and liabilities recognised in the balance sheet	852	896	868
	502	-	-
Total liabilities	39.422	37.424	38.069
EQUITY CAPITAL			
Earned equity capital	6.534	5.862	6.044
Total equity capital	6.534	5.862	6.044
Total liabilities and equity capital	45.956	43.286	44.113

Development in balance sheet (Nok billion)

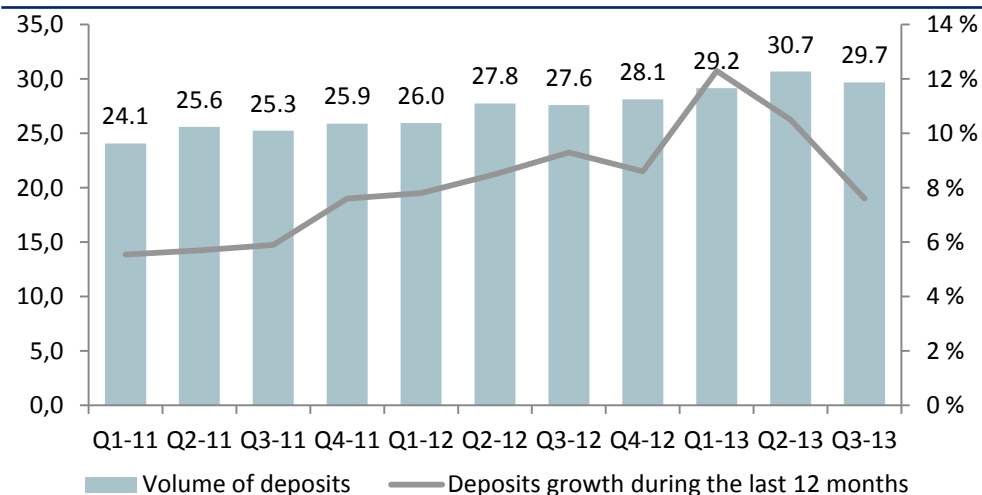
Gross loans incl. Loans transferred to cover bond companies



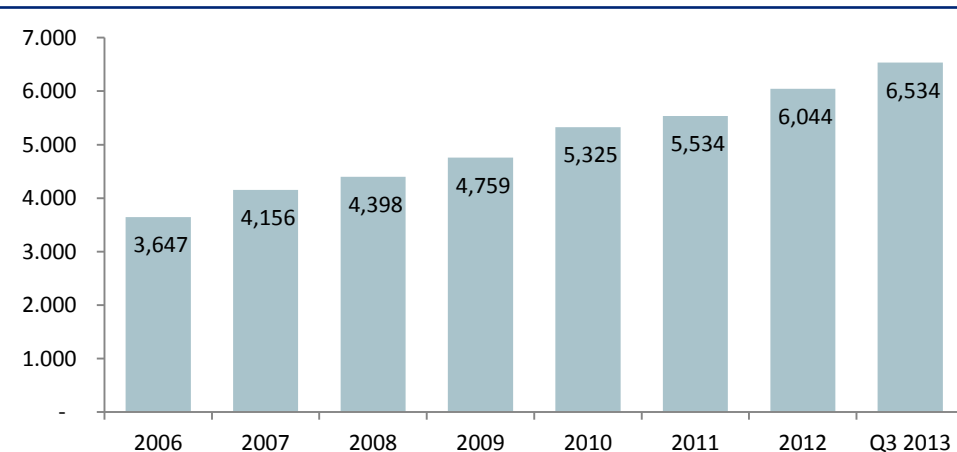
Development in assets and business volume



Deposits

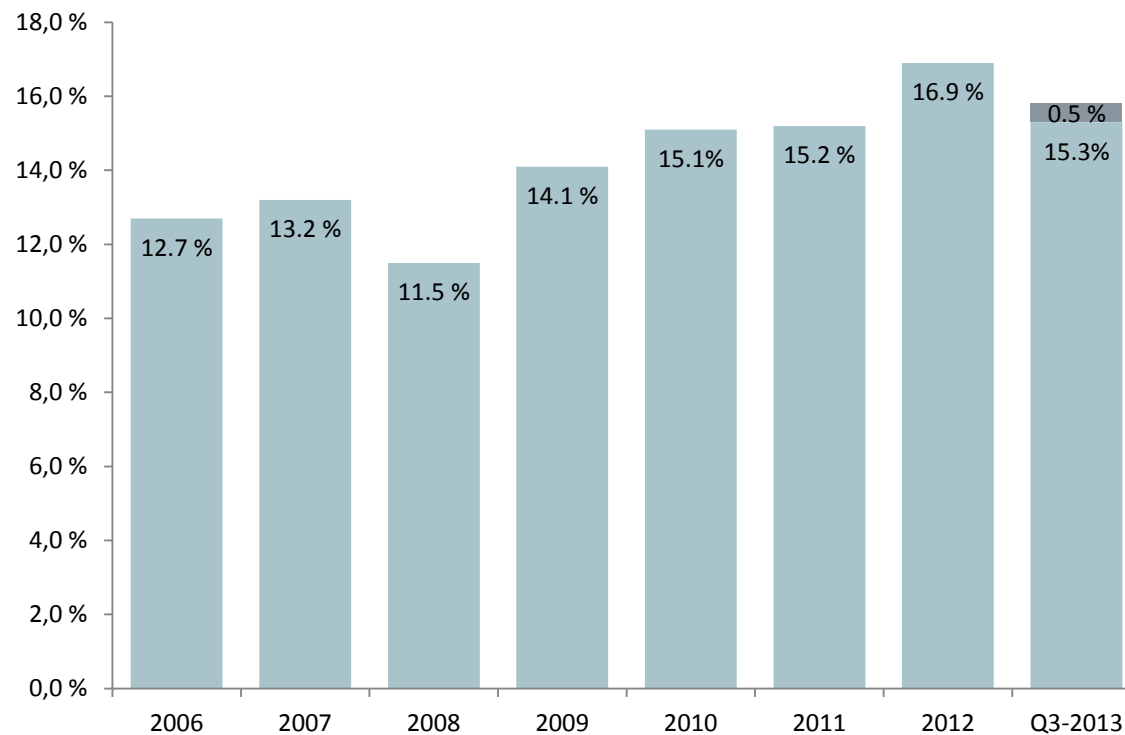


Development equity



Development in Tier 1 ratio (Group)

Tier 1 ratio for Parent bank (30.09): 20.8 %



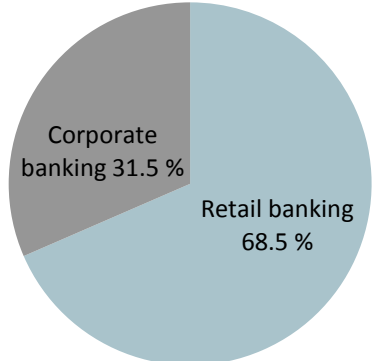
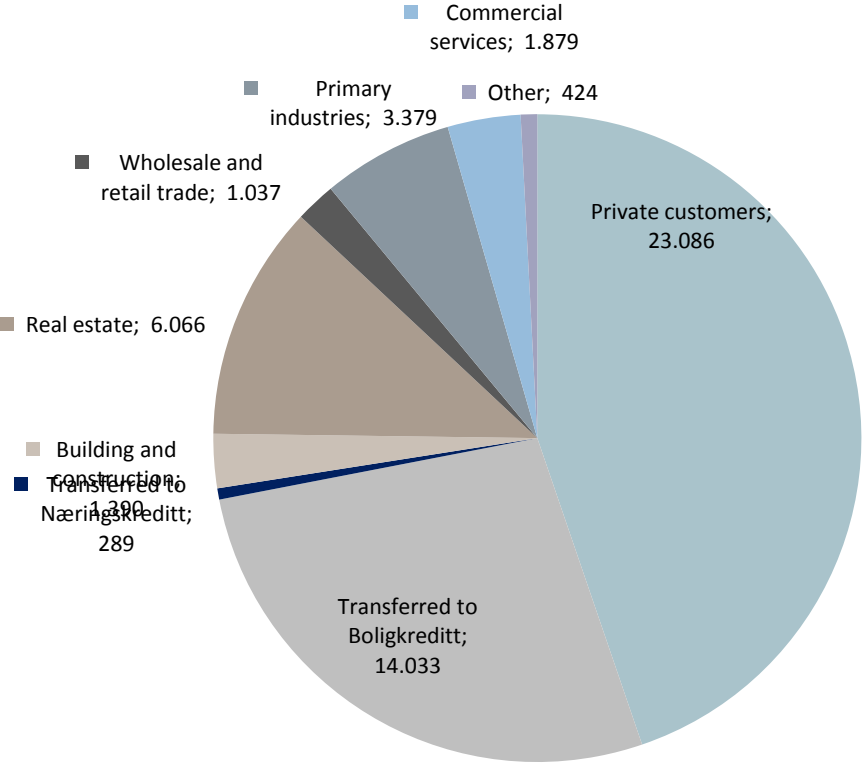
■ Core Tier 1 ratio ■ Capital adequacy ratio before transitional arrangements

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 %

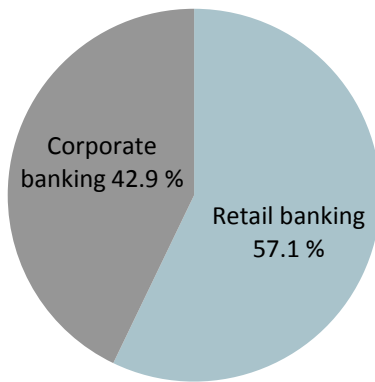
Composition of loans and receivables from customers (Group)

Gross loans by sector and industry incl. Cover bond companies

Composition of loans incl. Cover bond companies

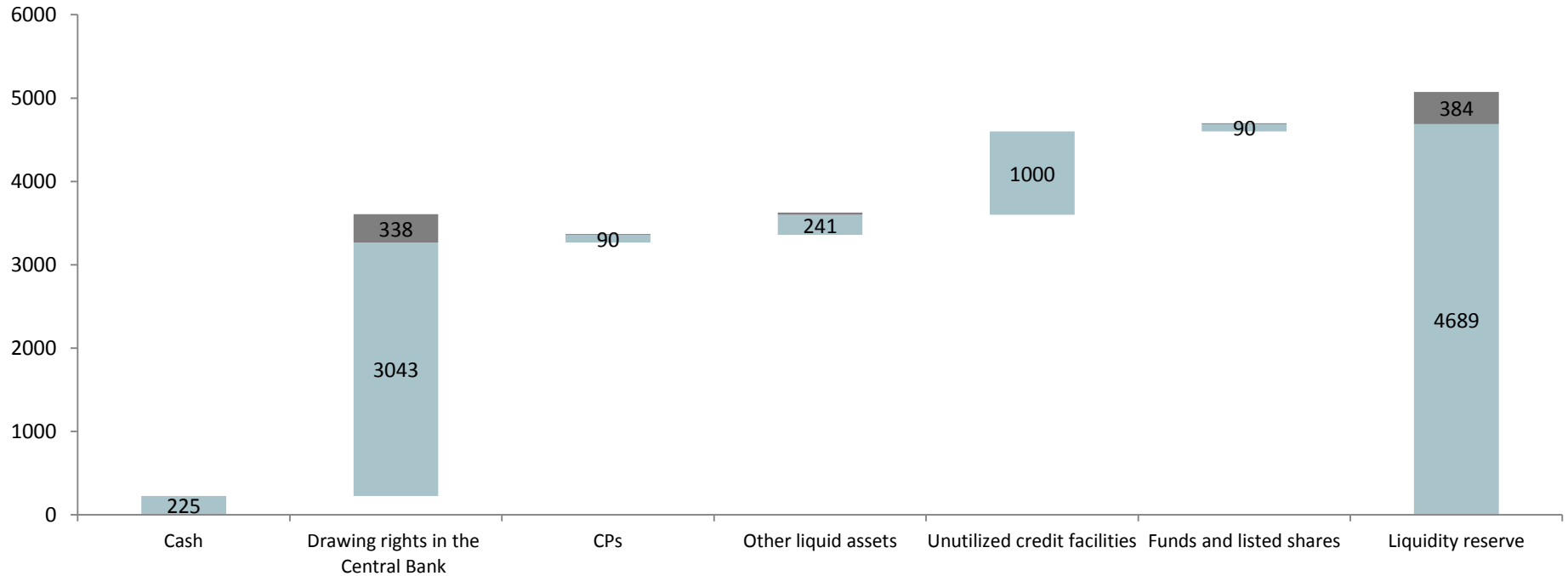


Composition of loans excl. Cover bond companies



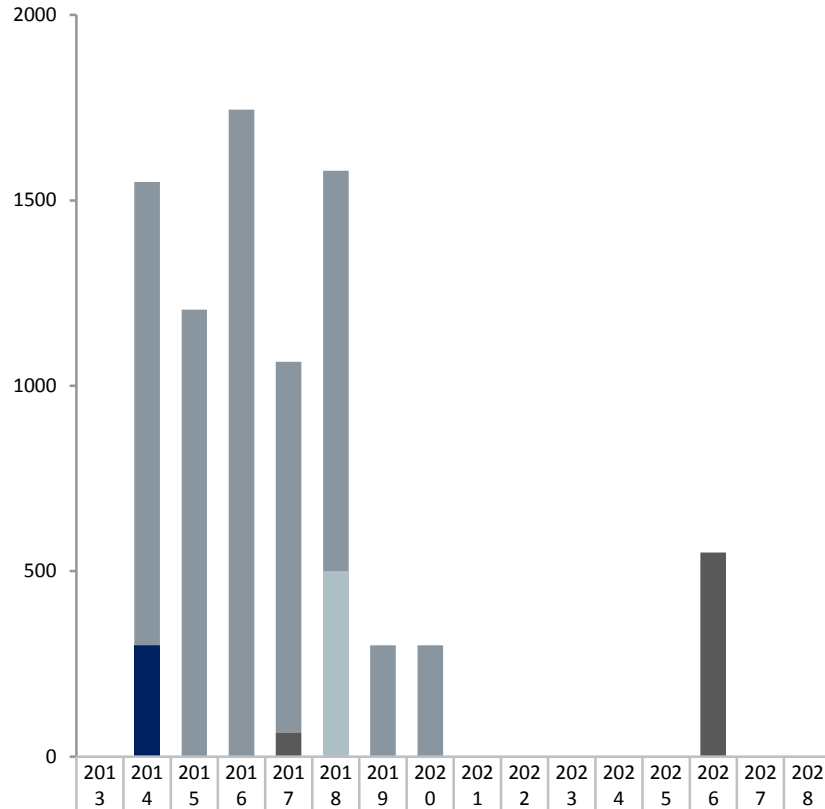
Liquidity reserves

- The figure shows the distribution of the bank's liquidity reserve as at 30.9.13
- The grey bar indicates a haircut of 10 %.



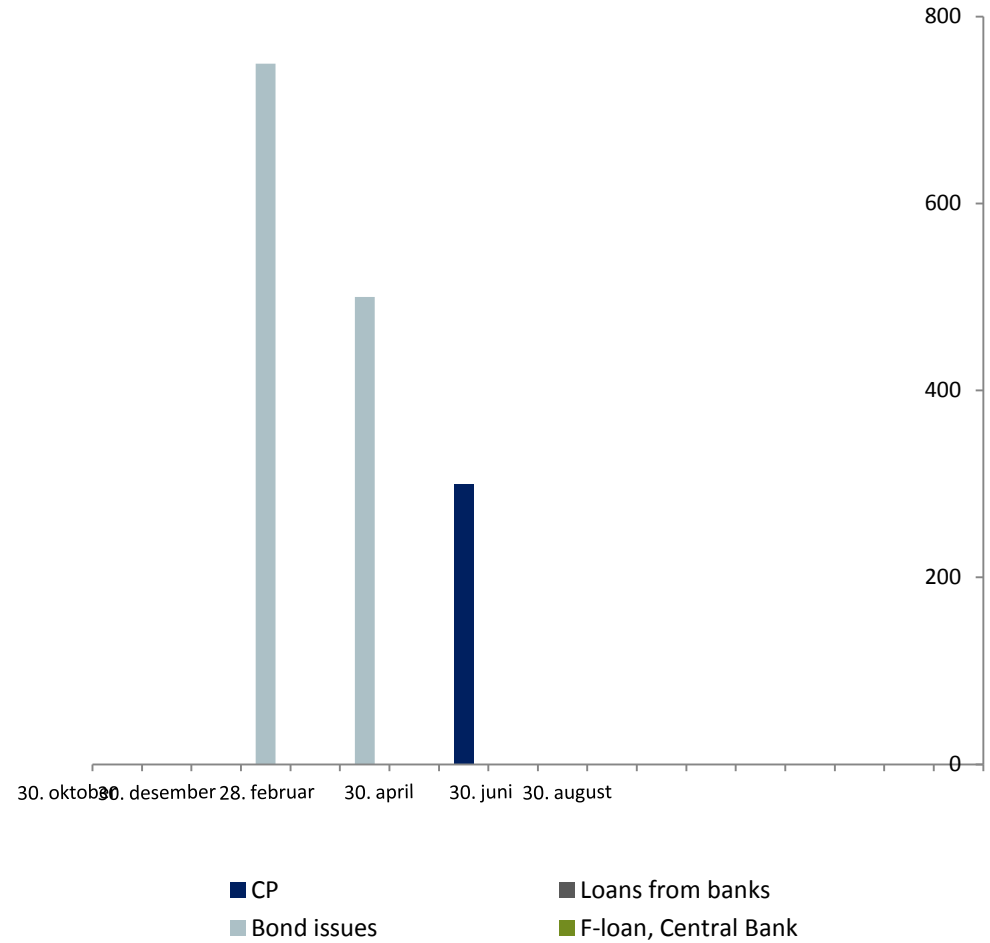
Maturities

Annual maturities; total to maturity MNOK 8 294



F-loan, Central Bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bond issues	0	1249	1205	1745	1000	1080	300	300	0	0	0	0	0	0	0	0	0	0
Loans from banks	0	0	0	0	65	0	0	0	0	0	0	0	0	0	0	550	0	0
CP	0	300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Subordinated	0	0	0	0	0	500	0	0	0	0	0	0	0	0	0	0	0	0

Funding maturities the next 12 months MNOK 1 549



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