

Sparebanken Hedmark

Presentation of financial results for 2014

About Sparebanken Hedmark

Sparebanken Hedmark

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 7.6 billion in equity.

NOK 50 billion in total assets.

NOK 66 billion in commercial volume (incl. loans to SpareBank 1 Boligkreditt/SpareBank 1 Næringskreditt).

700 employees, 171 000 customers.

23 branches in Hedmark, 2 in Oppland and 1 in Akershus.

Subsidiaries

Estate agency (EiendomsMegler 1 Hedmark Eiendom AS).

Leasing and asset financing (SpareBank 1 Finans Østlandet AS).

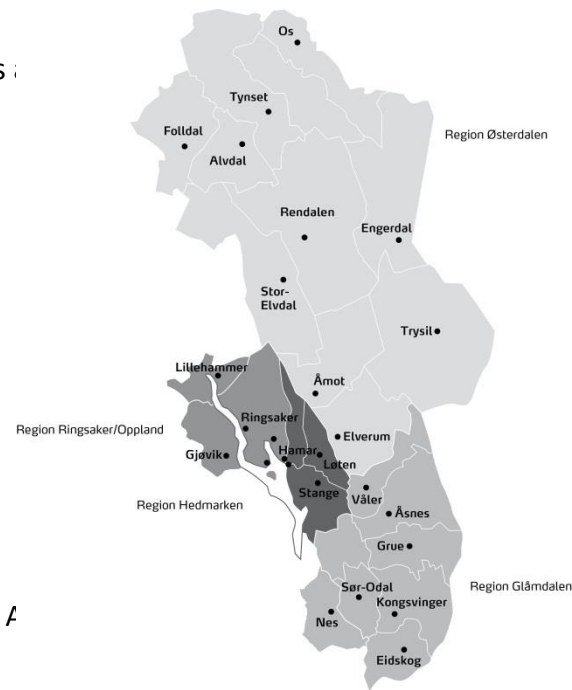
Accounting and consultancy chain (SpareBank 1 Regnskapshuset Østlandet AS)

Associated companies

Owens 40.5% of Bank 1 Oslo Akershus AS and 11 % of the SpareBank 1 Gruppen AS.

Rating

Rated by Moody's: A2



Highlights - year 2014

2014 was the Bank's best year

Market developed well: 6.8% lending growth and 3.2% deposit growth.

Very good growth in new markets, Oppland and Akershus.

Good growth in sales of non-capital intensive products.

Digital channels saw good growth.

Very good result

Very good profit after tax of NOK 1,040 million for 2014.

Return on equity of 14.4 per cent.

Nets proceeds contributed NOK 158 million.

Structural

The Board has approved, and recommended to the Supervisory Board, conversion to equity certificates.

Reacquired 40% ownership interest in SpareBank 1 Regnskapshuset Østlandet AS.

Participated in structural solution with SpareBank 1 Markets, which reduces ownership interest from 16.8% to 6.1% with effect from January 2015.

Highlights - year 2014

Stable banking operations and good results from ownership interest

The fall in margins on mortgages are largely compensated with lower deposits rates.

The losses are very low and the exposure in the oil sector are minimal

Good results from subsidiaries (Leasing and asset financing , Estate agency and Accounting and consultancy)

Very good contributions from part-owned companies (Bank 1 Oslo Akershus AS (40,5 %) and SpareBank 1 Gruppen AS (11 %))

Very good financial strength

Common equity Tier 1 capital ratio: 14.8 per cent. Capital adequacy ratio: 17.1 per cent

Very high financial strength with equity ratio of 15.3 per cent.

Attractive in capital market

Rated A2 by Moody`s and rated # 1 among Norwegian saving banks by SpareBank 1 Markets, # 2 by DNB Markets and # 2 by Nordea.

Very good liquidity situation – huge demand for bank debt securities.

Profit/loss (Group)

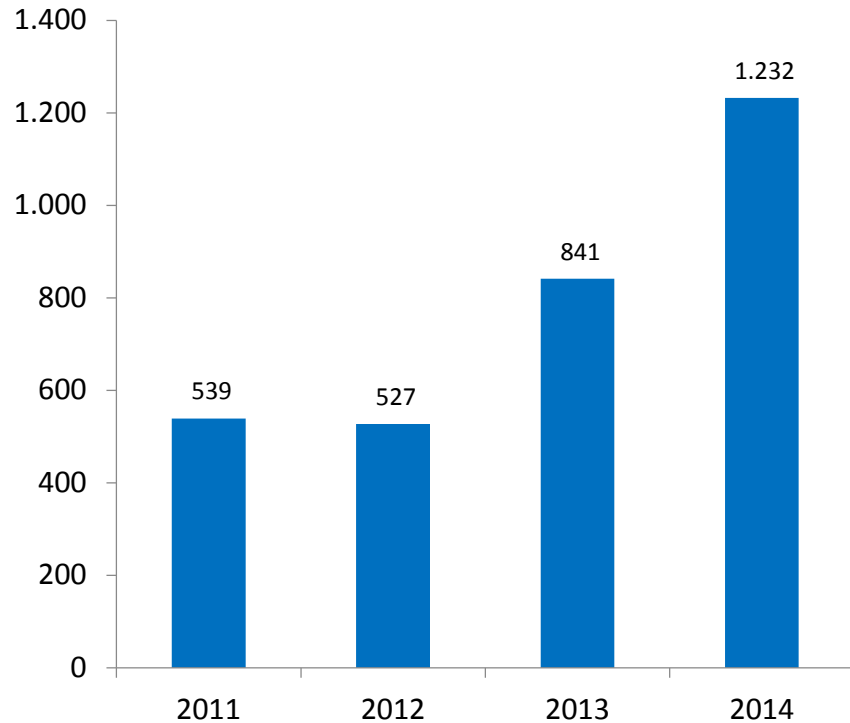
	2014	2013	Change in amount
Net interest income	1.043	1.008	35
Net commission income	446	370	76
Other income	217	189	28
Total operating expenses	981	916	65
Result bank operation before losses	725	651	74
Losses on loans and guarantees	66	72	-6
Result bank operation after losses	659	579	80
Dividends	13	21	-8
Net profit from ownership interest	394	326	68
Net income from financial assets/liabilities	166	-84	250
Profit/loss before tax	1.232	842	390
Tax charge	192	147	45
Profit/loss after tax	1.040	694	346
Return on equity capital after tax	14,4 %	11,0 %	
Total operating costs in relation to total income	43,0 %	50,1 %	
Losses on loans as a percentage of gross loans	0,2 %	0,2 %	

Profit/loss (Parent bank)

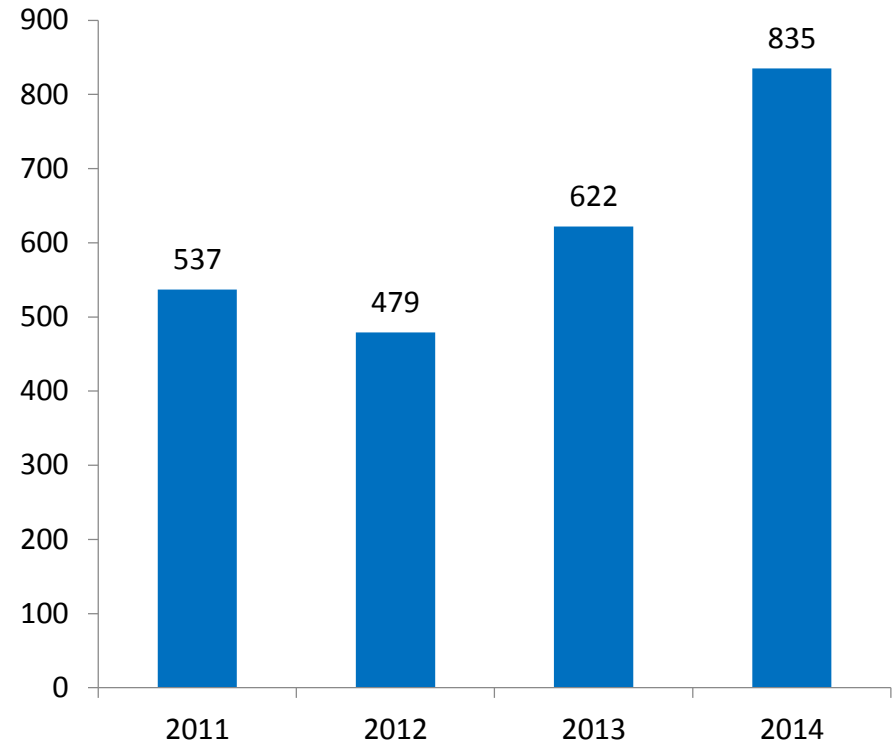
	2014	2013	Change in amount
Net interest income	835	831	4
Net commission income	467	389	78
Other income	16	19	-3
Total operating expenses	726	681	45
Result bank operation before losses	592	558	34
Losses on loans and guarantees	52	61	-9
Result bank operation after losses	540	497	43
Dividends	13	21	-8
Net profit from ownership interest	117	124	-7
Net income from financial assets/liabilities	148	-19	167
Profit/loss before tax	835	623	212
Tax charge	159	124	35
Profit/loss after tax	676	499	177

Result before tax for Group and Parent Bank

Result before tax - Group



Result before tax – Parent bank



Income statement quarterly (Group)

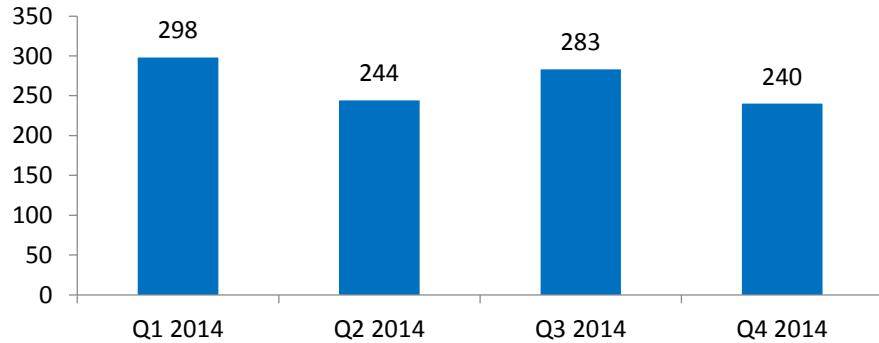
	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Net interest income	272	272	259	240	263	266	252	227	242
Net commission income	104	104	109	130	100	104	89	77	74
Other income	54	51	57	56	46	49	48	46	44
Total operating expenses	263	237	239	242	235	223	227	231	223
Result bankoperation before losses	167	190	185	184	174	196	162	119	137
Losses on loans and guarantees	24	9	21	12	43	4	22	3	23
Result bankoperation after losses	143	181	164	172	131	192	140	116	114
Dividends	1	1	0	12	3	0	18		
Net profit from ownership interest	97	103	81	114	120	98	53	54	-5
Net income from financial assets/liabilities	29	173	-4	-33	-3	-19	26	-88	-21
Profit/loss before tax	270	458	241	265	250	271	237	82	88
Tax charge	56	54	45	38	38	49	51	9	29
Profit/loss after tax	214	403	197	227	212	222	186	74	59

Specification of results (Group)

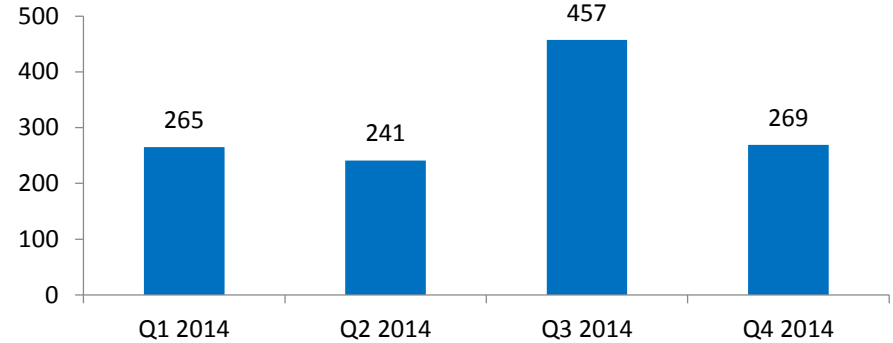
<i>(Nok million)</i>	2014	2013	Change in amount
Parent Bank's profit after tax	835	622	213
Dividends received from subsidiaries and joint ventures	-135	-123	-12
Profit /loss attributable to:			
SpareBank 1 Gruppen AS	202	132	70
Bank 1 Oslo Akershus AS	183	133	50
SpareBank 1 Boligkreditt and Næringskreditt AS	24	17	7
EiendomsMegler 1 Hedmark Eiendom AS	12	5	7
SpareBank 1 Finans Østlandet AS	101	79	22
SpareBank 1 Regnskapshuset Østlandet AS	6	-4	10
Other companies	4	-20	24
Consolidated profit before tax	1 232	841	391
Tax	192	147	45
Consolidated profit after tax	1 040	694	346

Financial results by quarter (Group)

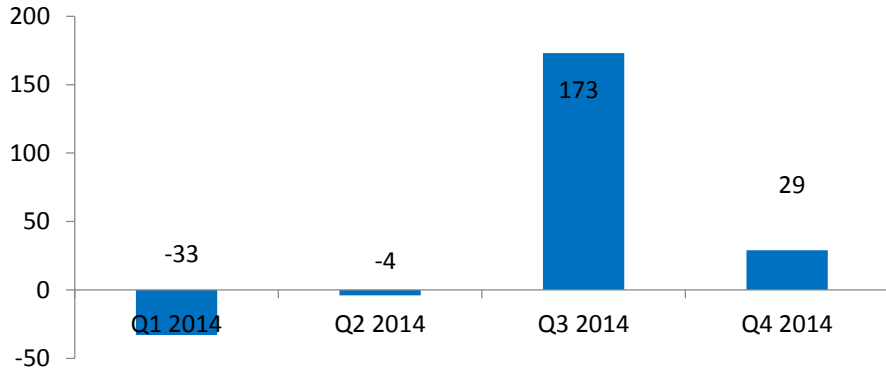
Profit/loss before tax excl. profit from other financial assets and liabilities



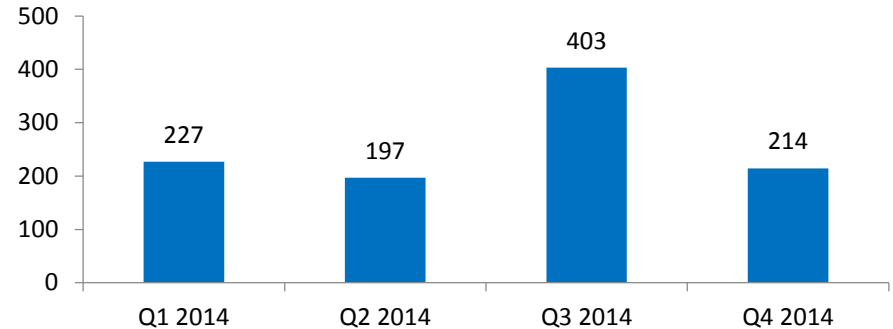
Profit/loss before tax



Net result from other financial assets and liabilities

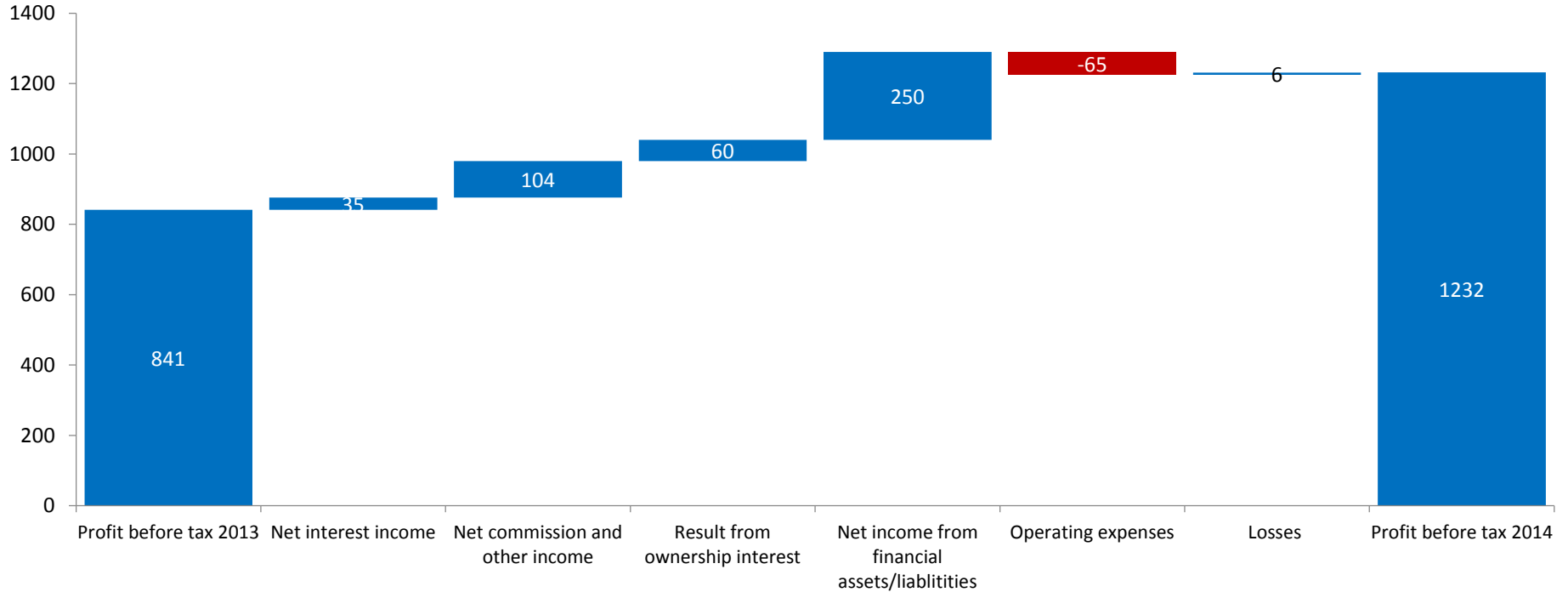


Result after tax



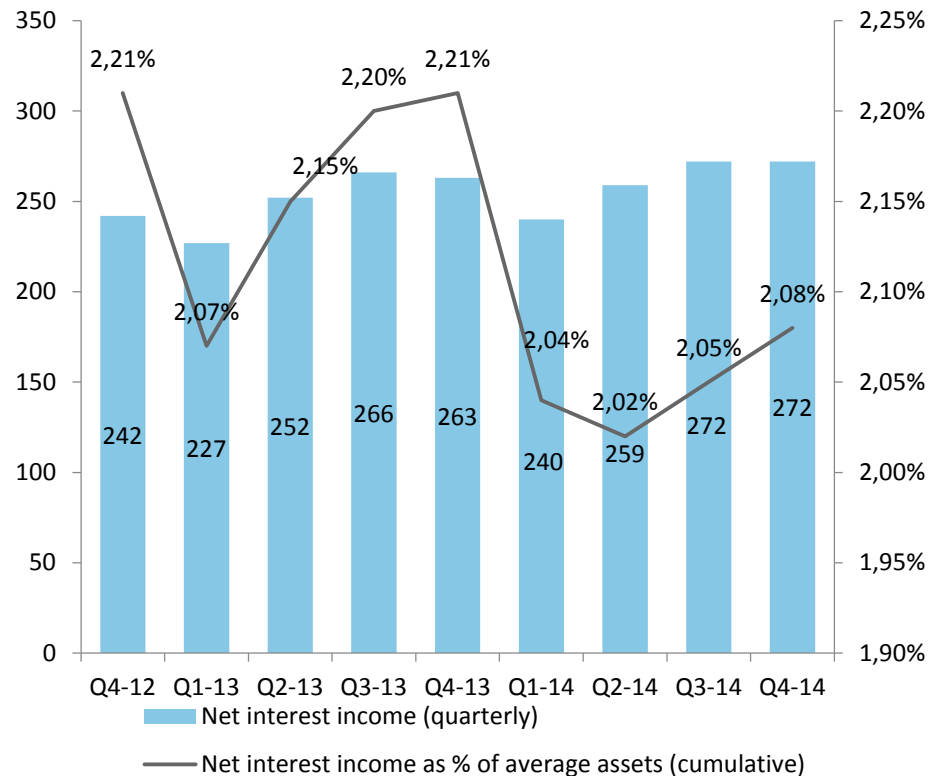
Specification of the consolidated profit (Group)

Change in profit before tax 2013 vs 2014

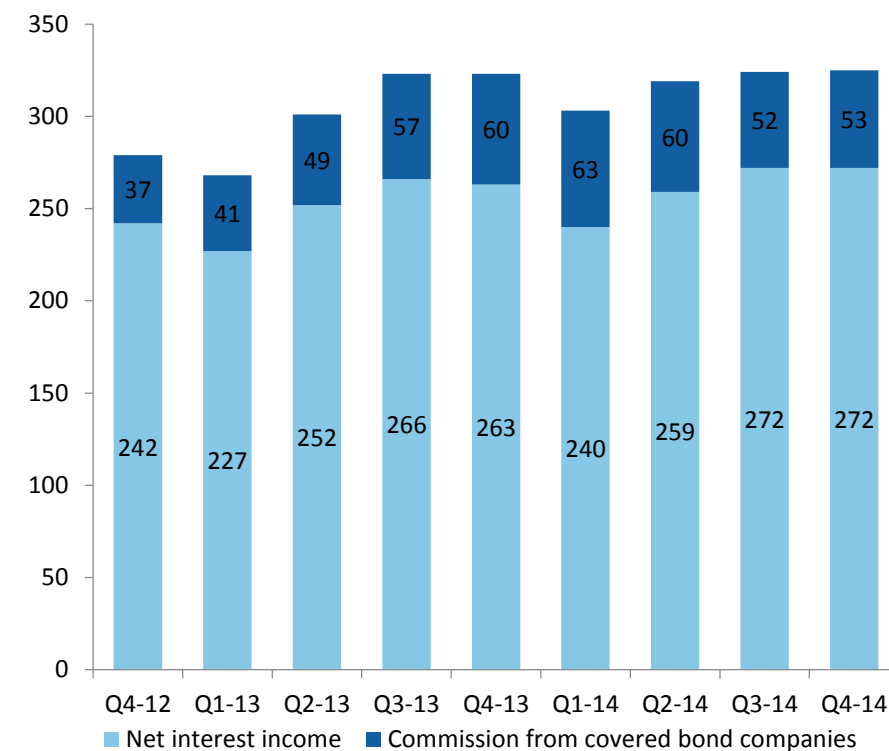


Net interest income (Group)

Interest income excl. Commission from cover bond companies *



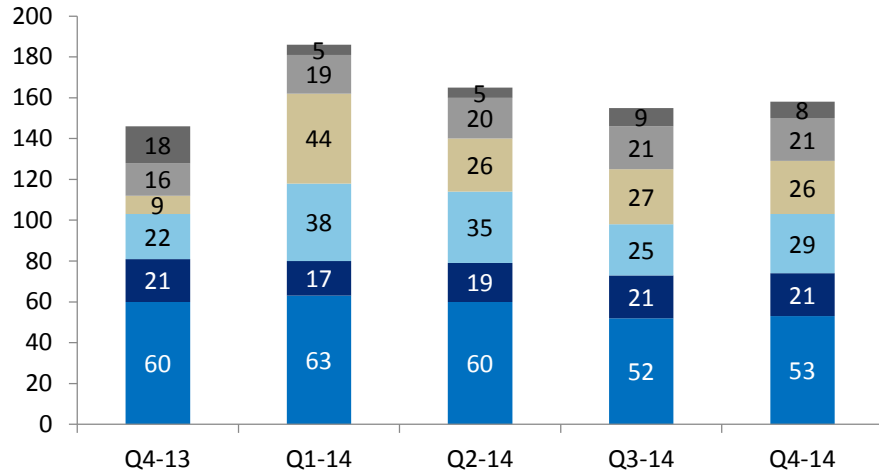
Interest income incl. commission from cover bond companies



*Sales of Mastercard portfolio in Q1 2014 contributed to reduced reported net interest income. Recognized after Q1 as commissions.

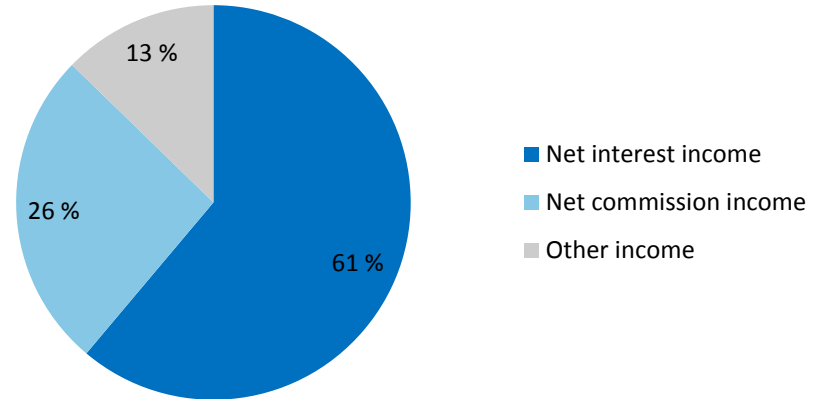
Net commission and other income (Group)

Net commission and other income



- Other commission
- Insurance services
- Payment transmission
- Income from accounting
- Real estate brokerage
- Commission from covered bond companies

Composition of total income from banking operations



- Net commission income consists of:
 - Commission from covered bond companies
 - Commission from credit card
 - Payment transmission
 - Insurance services
- Other operating income consist of:
 - Real estate brokerage
 - Income from accounting
 - Other commission

Net income from financial assets and liabilities (Group)

	2014	Q4 2014	Q3 2014	Q2 2013	Q1 2013	2013
Dividends	13	1	1	0	12	21
Net profit from ownership interest	394	97	103	80	114	326
Net income from other financial assets and liabilities	166	29	173	-3	-33	-84
Net income from financial assets and liabilities	573	126	277	77	93	263

- Nets contributed NOK 158 million and other securities NOK 8 million to the net result from financial assets and liabilities of NOK 166 (-84) million.
- The total net change in market value for fixed-income securities amounted to NOK 36 (-67) million, while the change in value for fixed-rate products for customers was NOK 28 (-34) million. Other items amounted to NOK 16 (16) million.

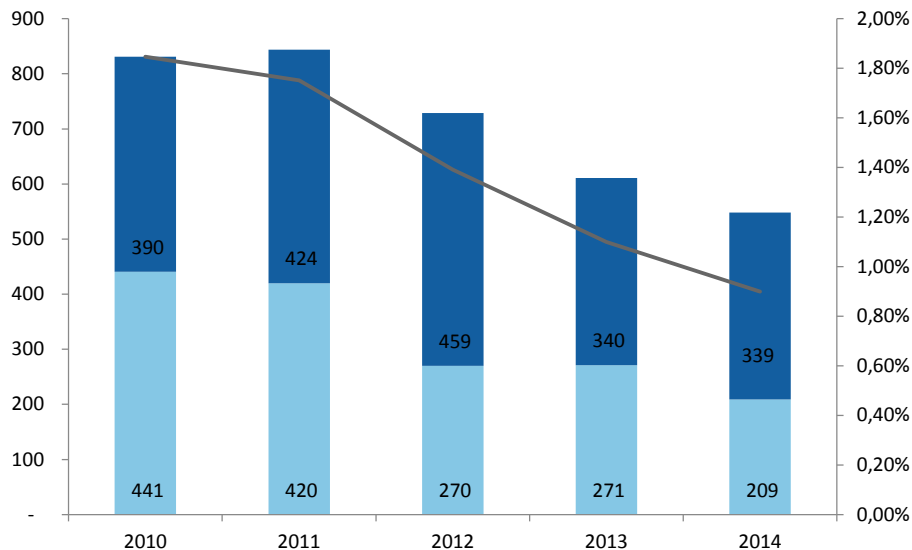
* The Bank's securities issued, fixed-income investments, derivatives and fixed-rate products for customers are assessed at fair value through profit and loss pursuant to IAS 39, and changes in market value are recognised in profit and loss.

Operating expenses (Group)

	2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014	2013
Payroll	397	102	98	95	102	359
Pension costs	54	13	14	14	13	49
Social security expenses	92	31	20	20	21	79
Total personnel expenses	543	146	132	129	136	487
					0	
Total operating expenses and other expenses	294	81	70	74	69	288
Total personnel- and operating expenses	813	227	202	203	205	774
					0	
Depreciation	42	11	11	10	10	39
Other operating expenses	102	26	24	25	27	103
Total personnel- and operating expenses	981	264	237	238	242	916

Losses on loans and guarantees (Group)

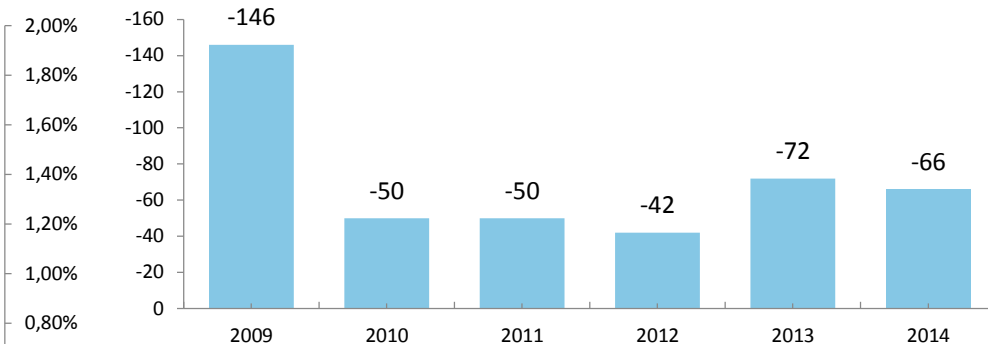
Defaulted and doubtful commitments



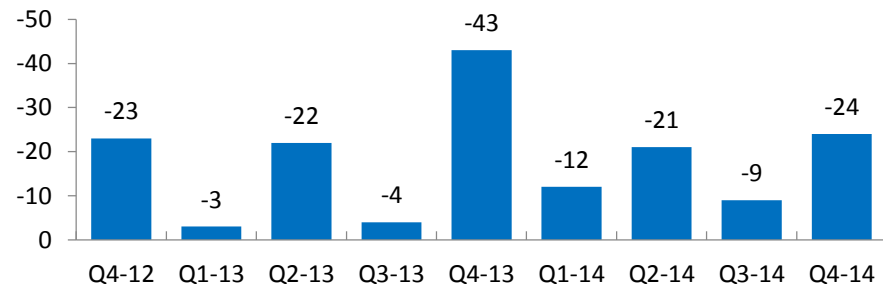
■ Defaulted commitments
■ Other doubtful commitments

— Total defaulted and doubtful commitments as a percentage of total commitments loans incl. Loans transferred to covered bond companies

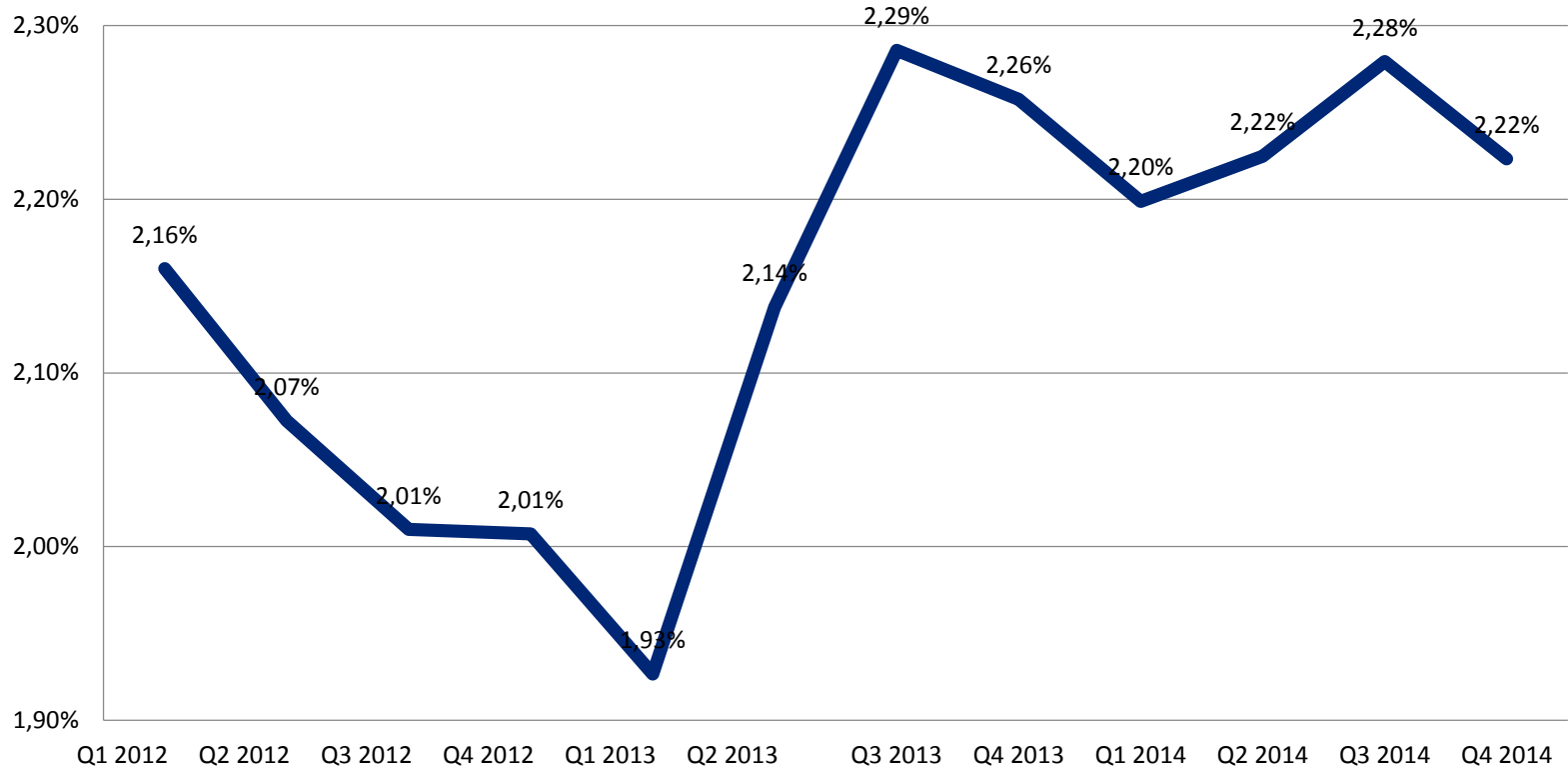
Yearly losses



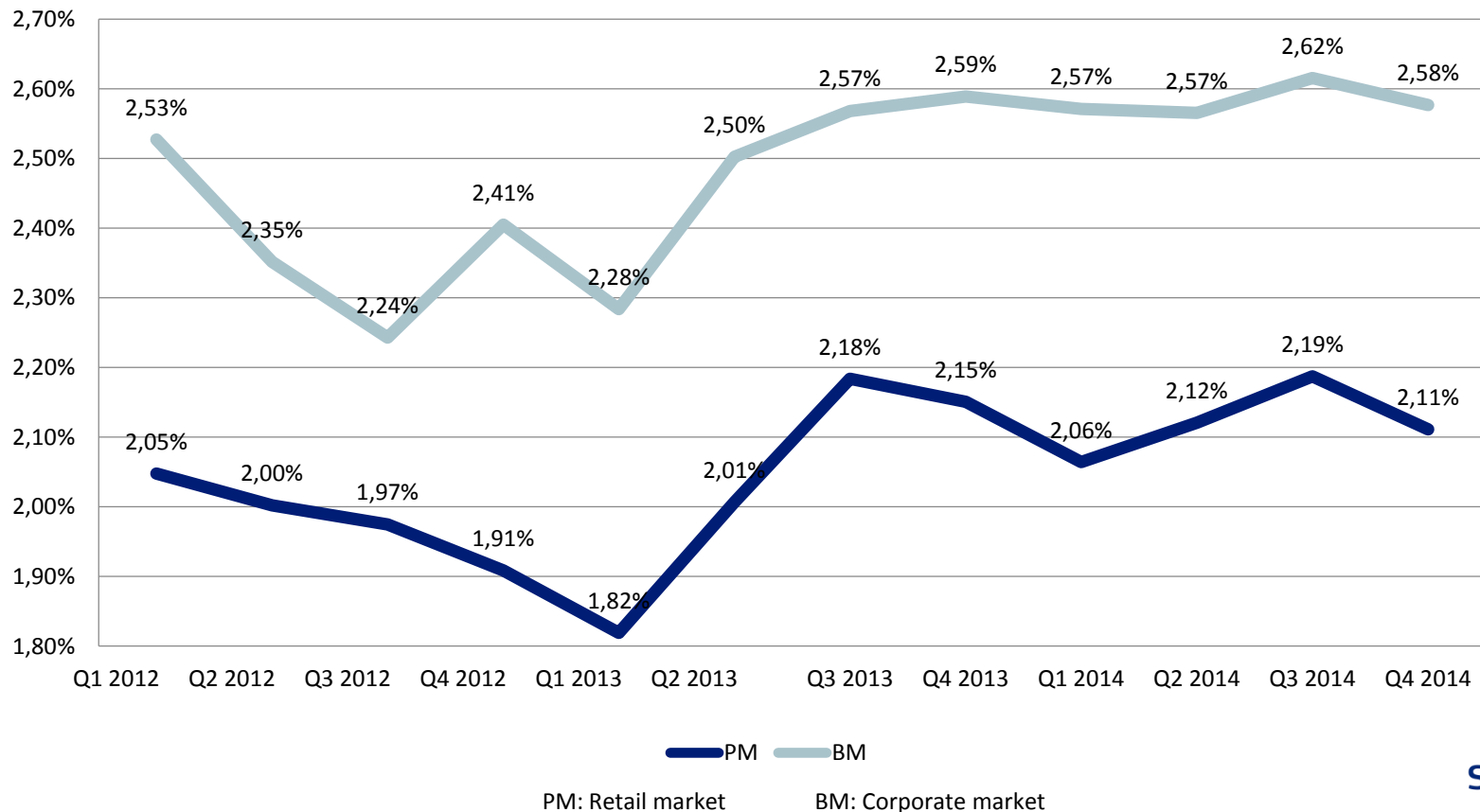
Quarterly losses



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



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



Main figures Sparebanken Hedmark (Group)

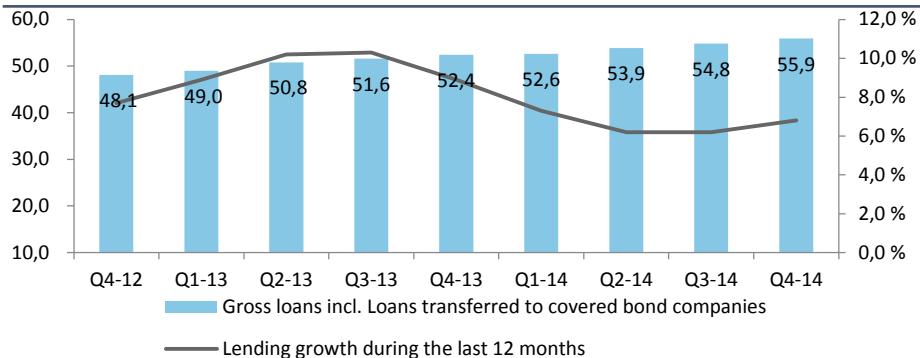
	2014	2013
Profitability		
Return on equity capital after tax	14,4 %	11,0 %
From the balance sheet		
Assets	49.934	47.397
Business volume	65.928	62.578
Lending growth last 12 months incl. Loans transferred to covered bond companies	6,8 %	8,9 %
Deposits growth during the last 12 months	3,2 %	7,0 %
Deposits from customers in relation to gross loans to customers	77,8 %	80,9 %
Financial strength		
Core Tier 1 capital ratio	14,8 %	16,2 %
Tier 1 capital ratio	15,2 %	16,4 %
Total capital ratio	17,1 %	16,4 %
Other key figures		
Total operating costs in relation to total income	43,0 %	50,1 %
Gros doubtful commitments as a percentage of total commitments incl. Loans transferred to covered bond companies	0,9 %	1,1 %

Balance sheet (Group)

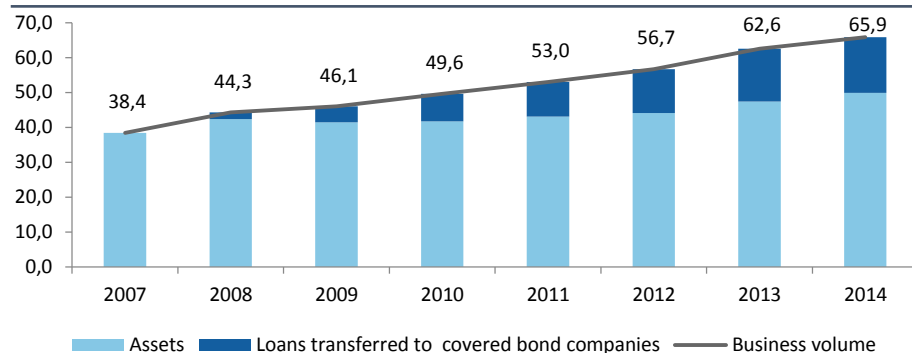
	31.12.2014	31.12.2013 Change in amount	
ASSETS			
Cash and deposits with central banks	748	572	176
Loans to and receivables from credit institutions	675	699	-24
Loans to and receivables from customers	39.691	36.936	2.755
Financial papers	4.787	5.647	-860
Investments in subsidiaries, associates and joint ventures	3.073	2.565	508
Other assets	960	979	-19
Total assets	49.934	47.397	2.537
LIABILITIES			
Deposits from and liabilities to credit institutions	665	632	33
Deposits from and liabilities to customers	31.070	30.097	973
Liabilities arising from issuance of securities and financial derivatives	9.281	8.580	701
Other debt and liabilities recognised in the balance sheet	789	866	-77
	505	503	2
Total liabilities	42.310	40.678	1.632
EQUITY CAPITAL			
Earned equity capital	7.624	6.718	906
Total equity capital	7.624	6.718	906
Total liabilities and equity capital	49.934	47.397	2.537

Development in balance sheet (Group)

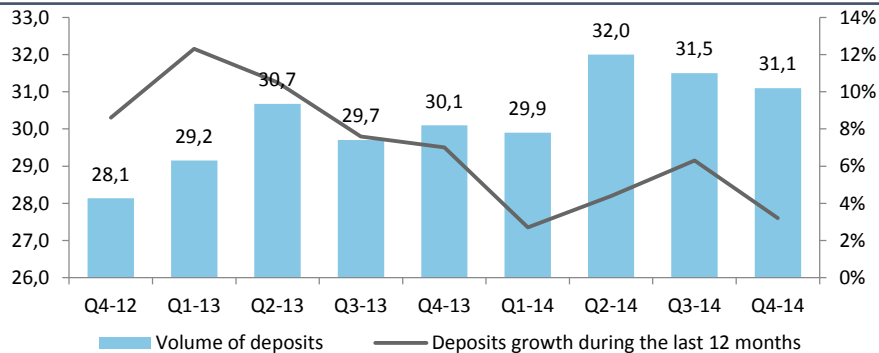
Gross loans incl. Loans transferred to coverd bond companies (Nok billion)



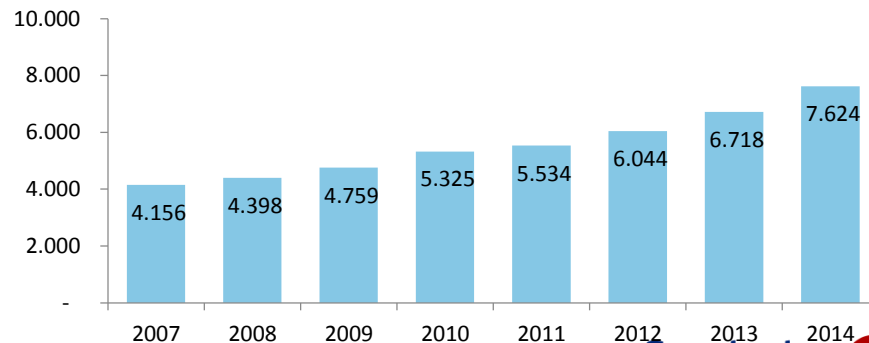
Development in assets and business volume (Nok billion)



Deposits (Nok billion)

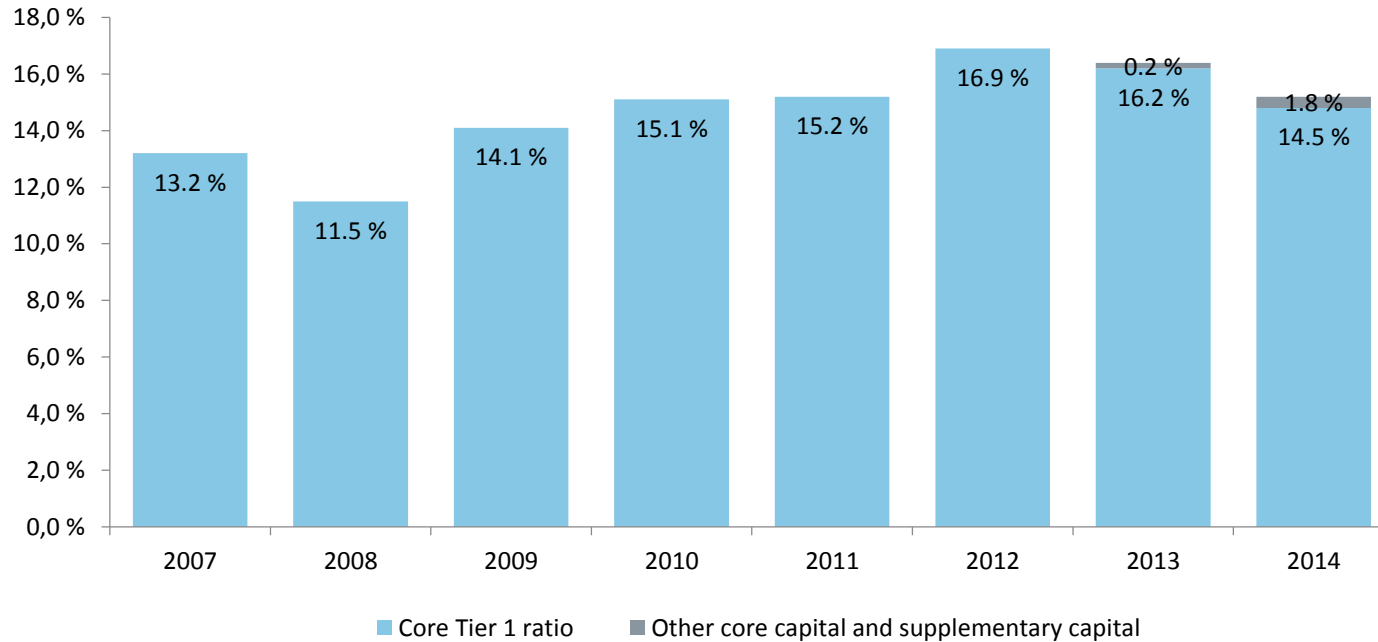


Development equity (NOK million)

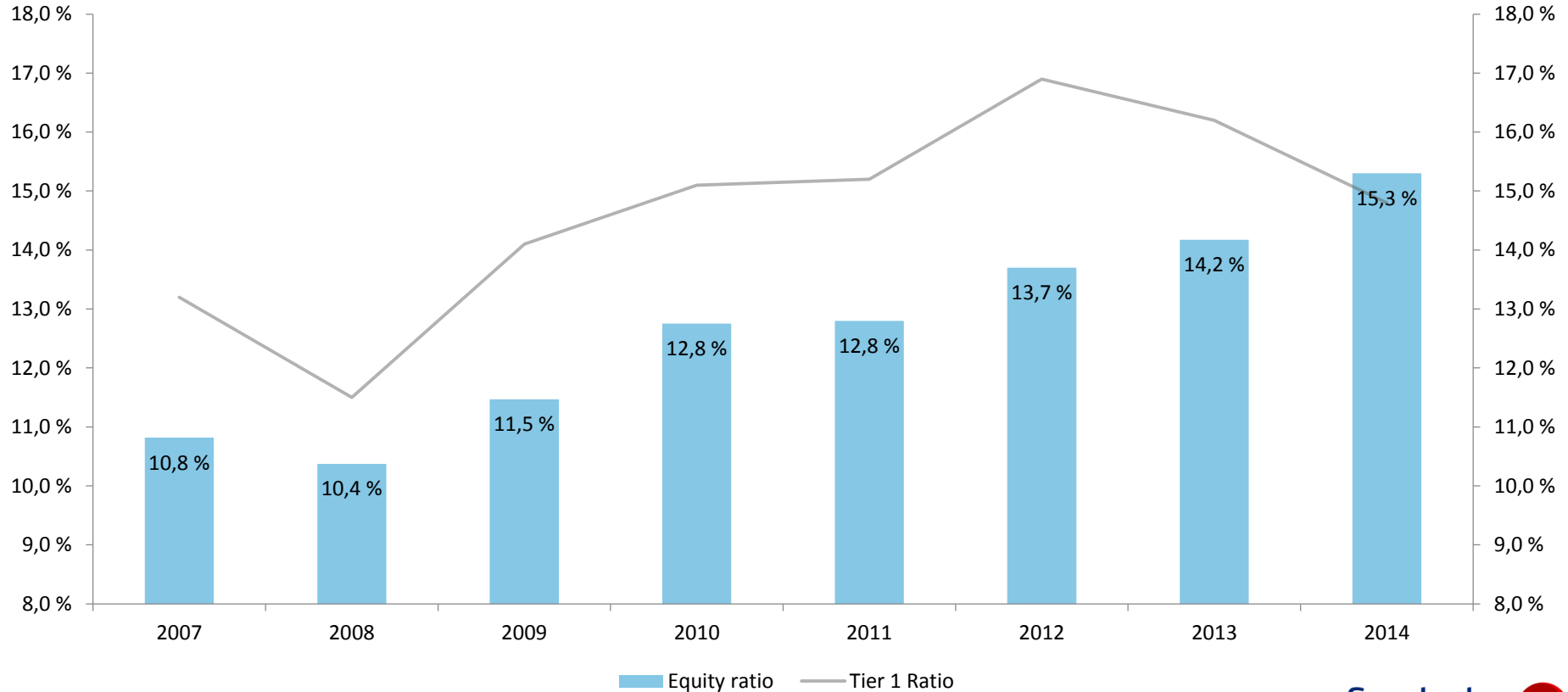


Development in Tier 1 ratio (Group)

- Capital adequacy ratio group as at 31.12.14: 17,1 %
- Tier 1 Capital ratio parent bank as at 31.12.14: 21,7 %

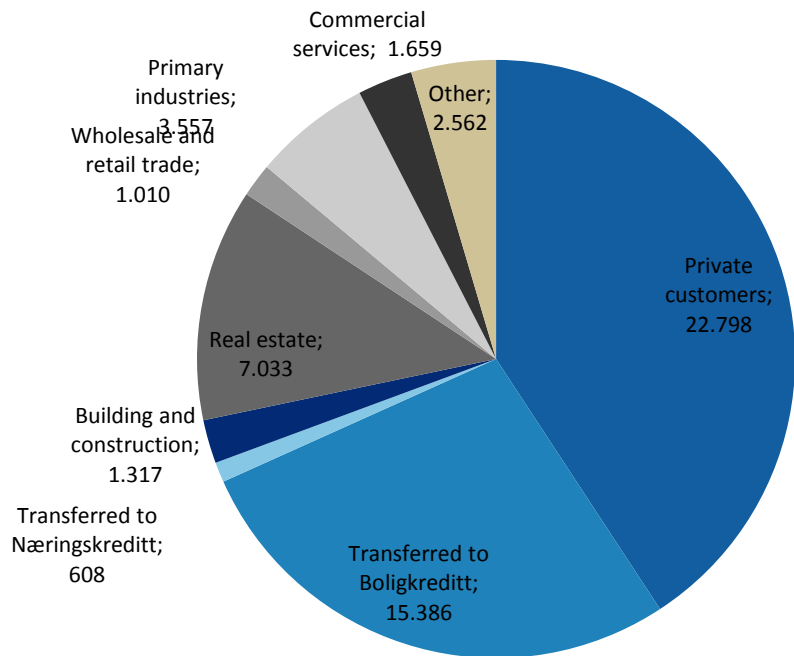


Equity ratio (Group)

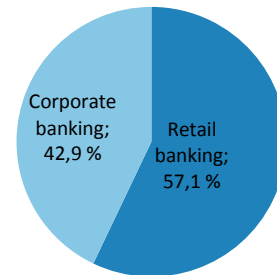


Composition of loans and receivables from customers (Group)

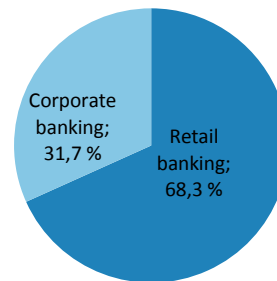
Composition of loans incl. covered bond companies



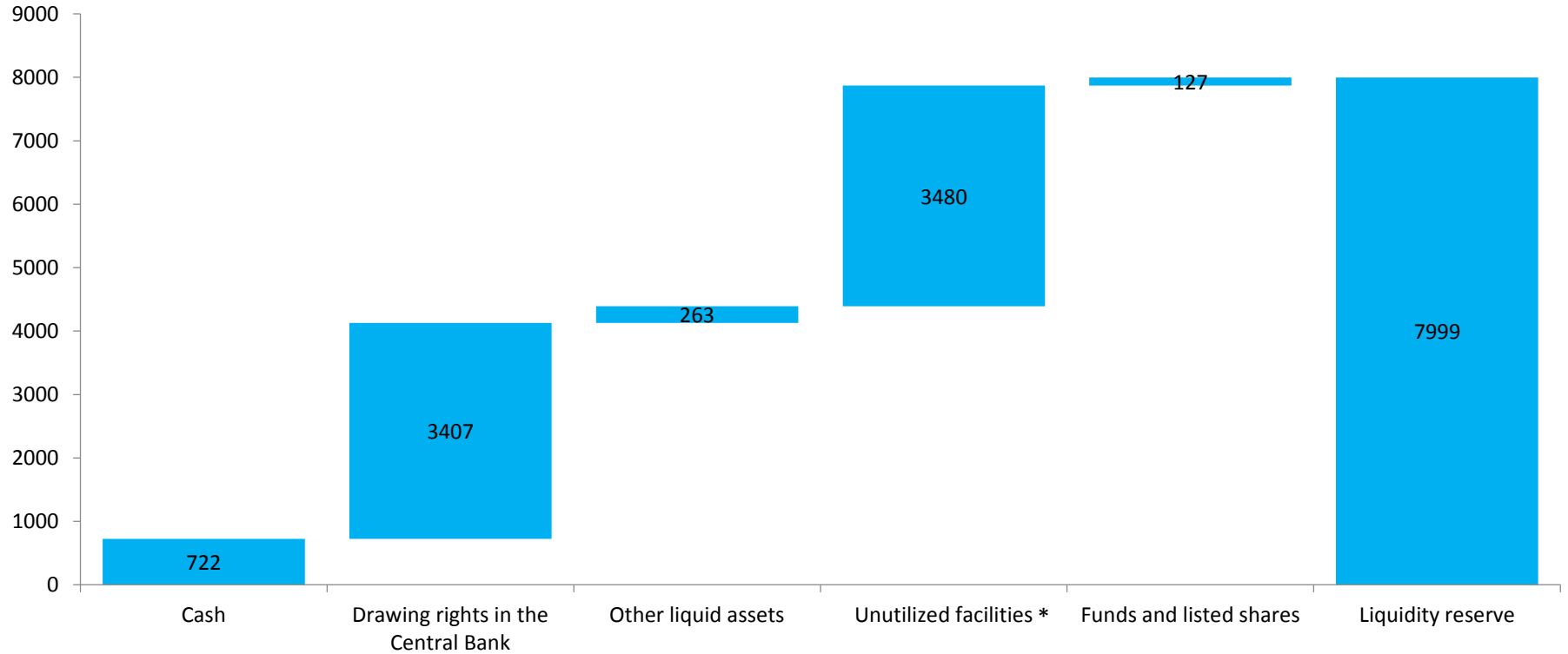
Composition of loans excl. covered bond companies



Composition of loans incl. covered bond companies



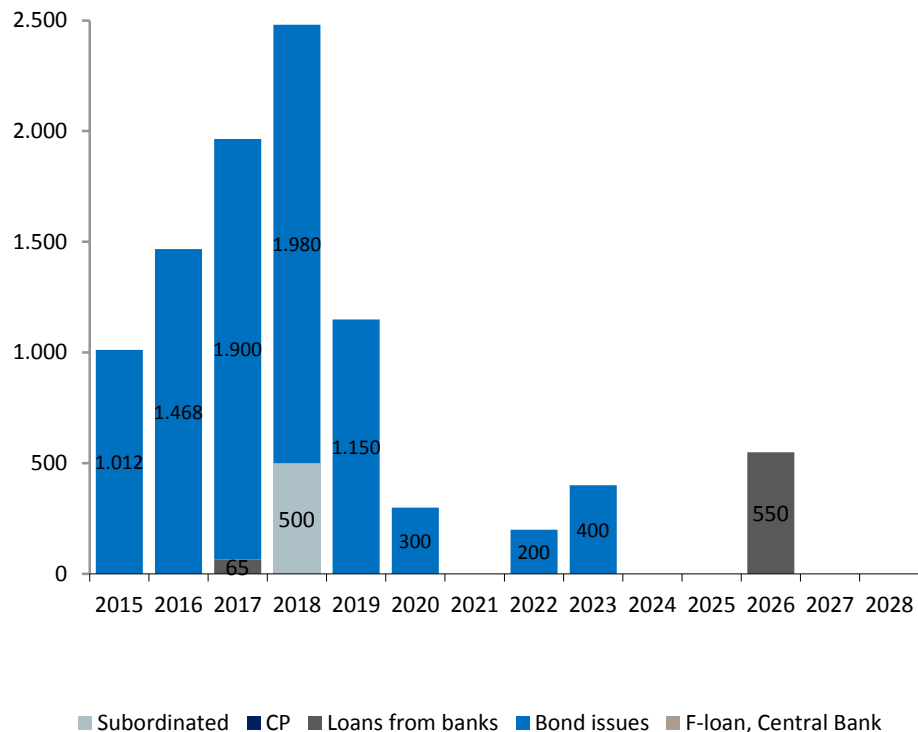
Liquidity reserves



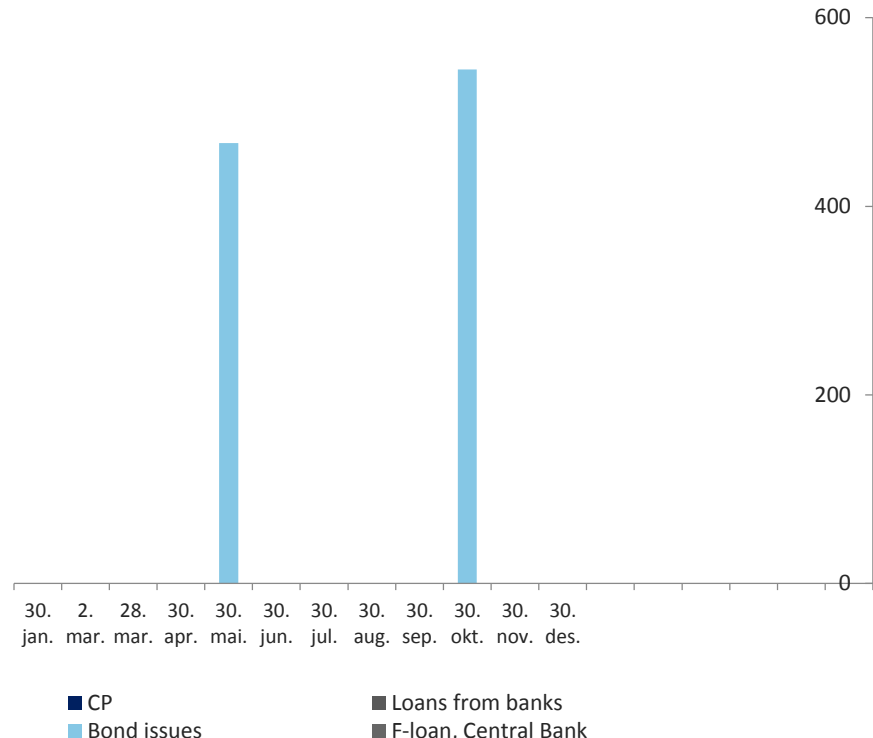
* Reserve taking into account 30% fall in house prices

Maturities

Annual maturities; total to maturity MNOK 9 525



Funding maturities the next 12 months MNOK



Outlook for 2015

- The development in the Inland Region is expected to be stable. This region has traditionally been less exposed to cyclical fluctuations than other regions, and reduced oil activities will have limited consequences.
- The bank expects continued low losses. Greater competition and falling lending margins combined with extraordinary revenue last year suggests that the bank can expect lower profits in 2015.
- The bank is the best capitalized regional savings bank in the country, and solvency are expected to be further strengthened through the year.
- The Board of Representatives voted for the conversion to becoming an equity certificate bank on March 26. If the authorities endorse the bank will start preparing for listing on Oslo Børs.

Kontakt:

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