

Sparebanken Hedmark

Financial result

Third quarter 2015



Sparebanken
HEDMARK



Sparebanken Hedmark – Third quarter 2015

Stable development and falling unemployment rate in Hedmark

- Hedmark and Oppland are two of the country's least cyclical counties.
- Increasing unemployment elsewhere in the county, but falling unemployment rate in Hedmark.
- A business dominated by small and medium-sized business customers- mainly in traditional industries.
- Very stable development of agriculture and forestry.

Low losses and less problem loans

- Stable market share of about 50 per cent in both the retail and corporate markets in Hedmark county.
- Low losses – we notice little problems in the Oil Industry.
- The share of problem loans decreased from 1 per cent to 0.8 per cent of total commitments.

The Foundation is established

- The establishment of Sparebanken Hedmark Sparebankstiftelsen was approved by the Board 29. sept 2015.
- Sparebanken Hedmark Sparebankstiftelsen will own 60 per cent of the bank's equity.
- Planned IPO in 2016.

Highlights – financial report Third quarter 2015

Satisfactory return on Equity

- Return on equity as at Q3 is 12.3 per cent and in the quarter 14.6 per cent.
- Return on equity adjusted for securities effects year to date 10.8 per cent and in the quarter 9.8 per cent.

Solvency further strengthened

- Very high solvency with a pure core capital ratio of 17.1 per cent for the Group.
- Capital adequacy ratio – 18.8 per cent.
- Equity ratio – 15.5 per cent.

Improved interest margin

- Positive trend in the interest margins from first to third quarter.
- Growth in costs 0.6 per cent in Parent bank compared to the same period last year.
- Net income recognition in the financial field due to widening of credit spreads on NOK 138 mill in Q3 and NOK 161 mill year to date.

Credit risk related to Oil-related activities is close to zero

- The bank's exposure to the oil sector accounts for less than 0.1 per cent of gross loans.
- Stable development for business in the Inland and lending within the corporate market dominated by loans to small and medium enterprises and agriculture contribute to continued
- low losses

Satisfactory return on equity – taking into account the bank's high capital ratios

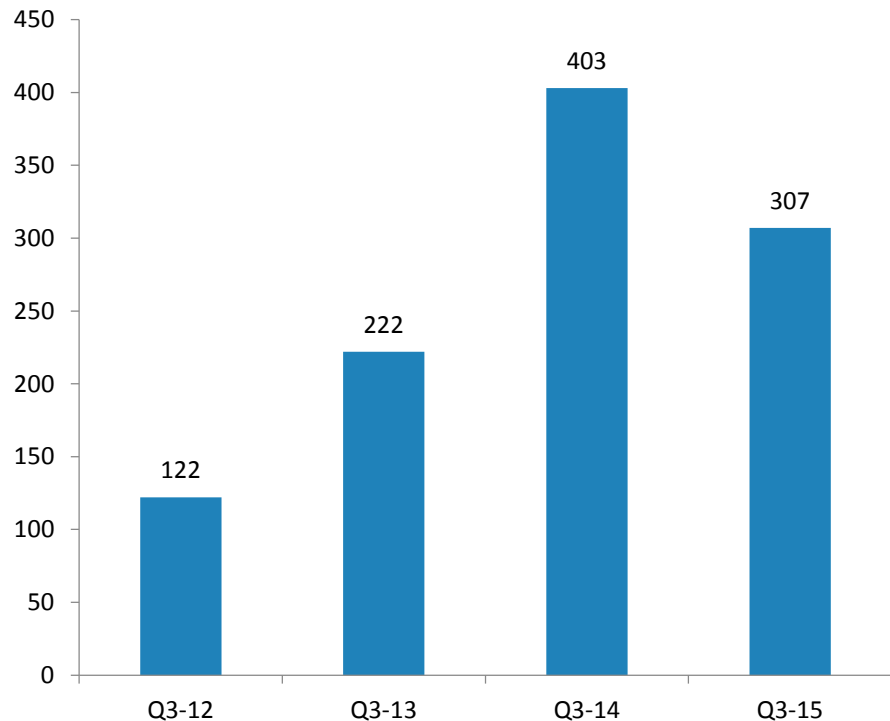
	Q3-15	Q3-14	2014
Net interest income	815	771	1.043
Net commission income	346	342	446
Other income	146	163	217
Total operating expenses	758	717	981
Result bank operation before losses	549	558	725
Losses on loans and guarantees	38	42,4	66
Result bank operation after losses	511	515	659
Dividends	8	13	13
Net profit from ownership interest	231	294	394
Net income from financial assets/liabilities	172	140	166
Profit/loss before tax	923	963	1.232
Tax charge	186	136	192
Profit/loss after tax	736	826	1.040
Return on equity capital after tax	12,3 %	41,7 %	43,0 %
Total operating costs in relation to total income	44,1 %	0,1 %	0,2 %
Losses on loans as a percentage of gross loans	0,1 %	0,1 %	0,2 %

Diversified income

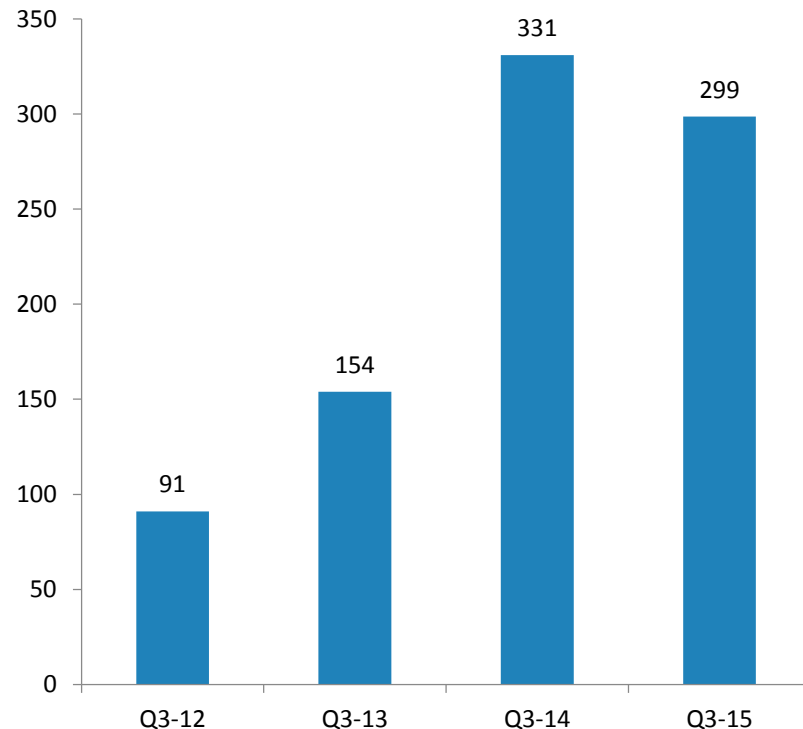
<i>(Nok million)</i>	Q3 15	Q3 14	2014
Parent Bank's profit after tax	683	582	676
Dividends received from subsidiaries and joint ventures	-259	-135	-135
Profit /loss attributable to:			
SpareBank 1 Gruppen AS	103	146	202
Bank 1 Oslo Akershus AS	84	149	183
SpareBank 1 Boligkreditt and Næringskreditt AS	36	15	24
EiendomsMegler 1 Hedmark Eiendom AS	9	8	8
SpareBank 1 Finans Østlandet AS	58	53	73
SpareBank 1 Regnskapshuset Østlandet AS	14	5	4
Other companies	8	3	5
Consolidated profit after tax	736	826	1.040

Stable earnings for the Group

Profit/loss after tax - Group

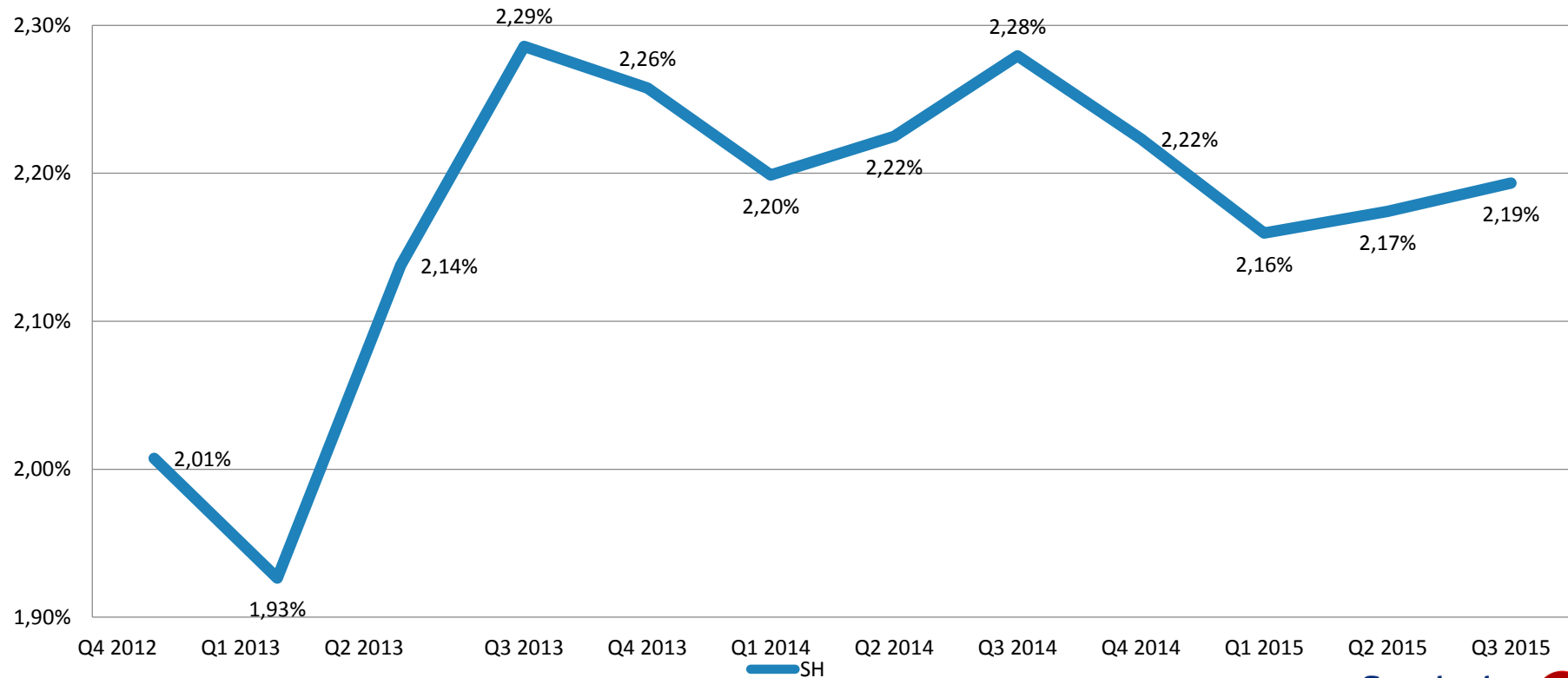


Profit/loss after tax – Parent bank



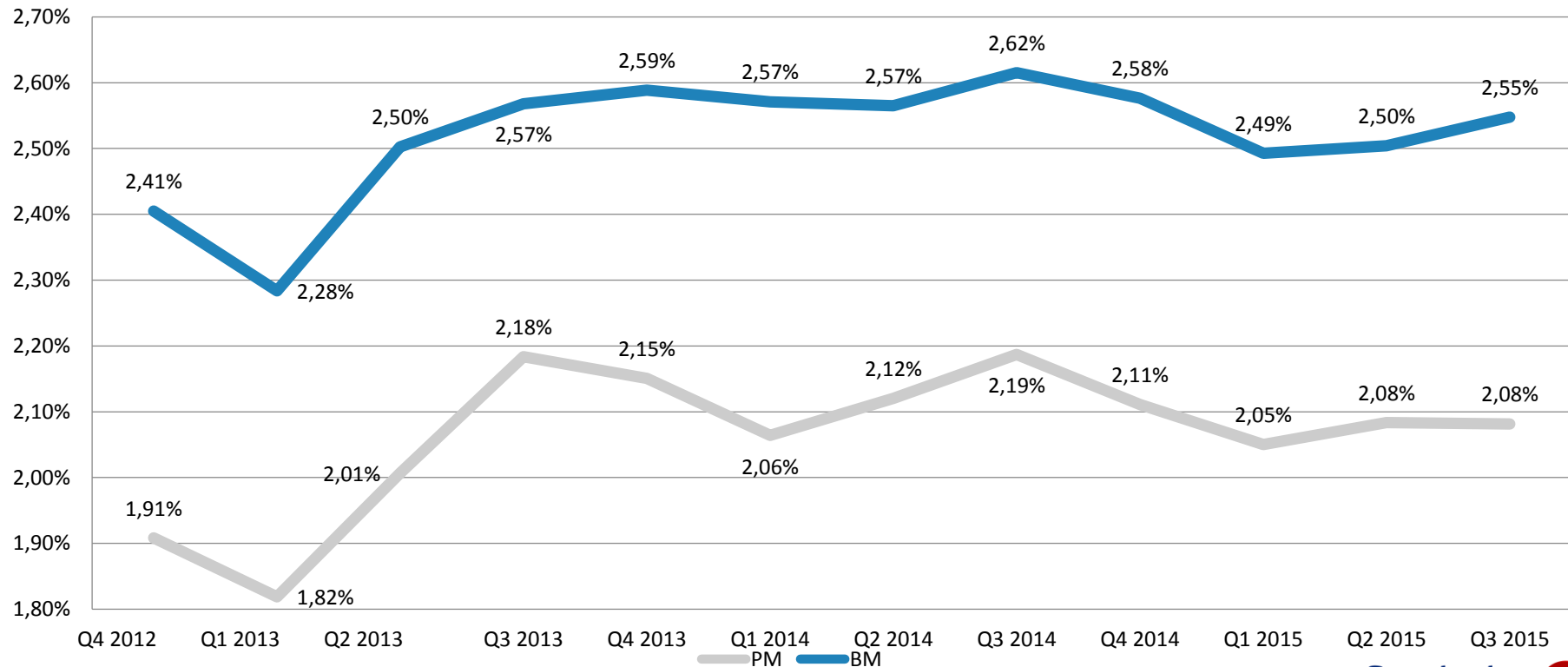
Positive trend in the interest margin

Interest margin for Parent bank, incl. commission from covered bond companies and excl. Credit cards)



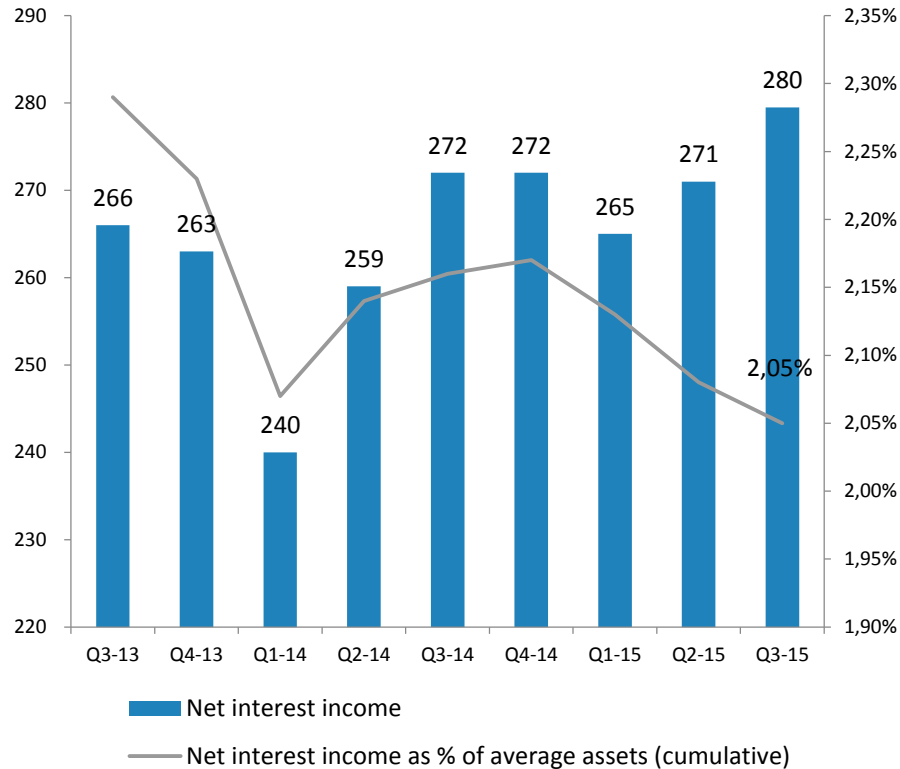
Improved margins in corporate market, stable in retail market

Retail market (PM) and Corporate market (BM) incl. commission from covered bond companies

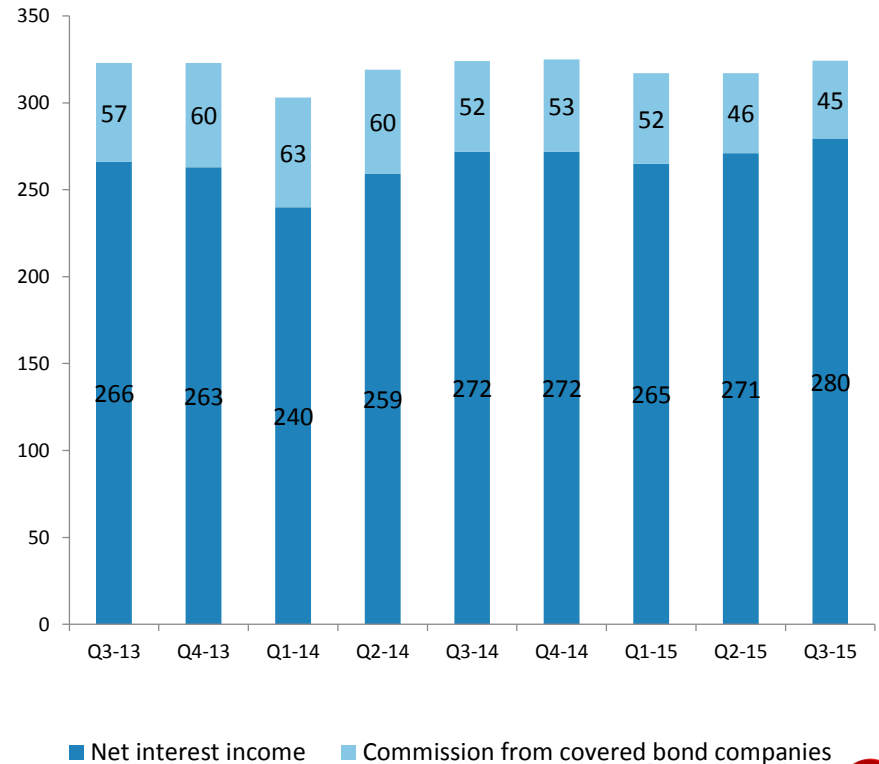


Higher net interest income in Q3

Interest income excl. commission from covered bond companies*



Interest income incl. commission from covered bond companies



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

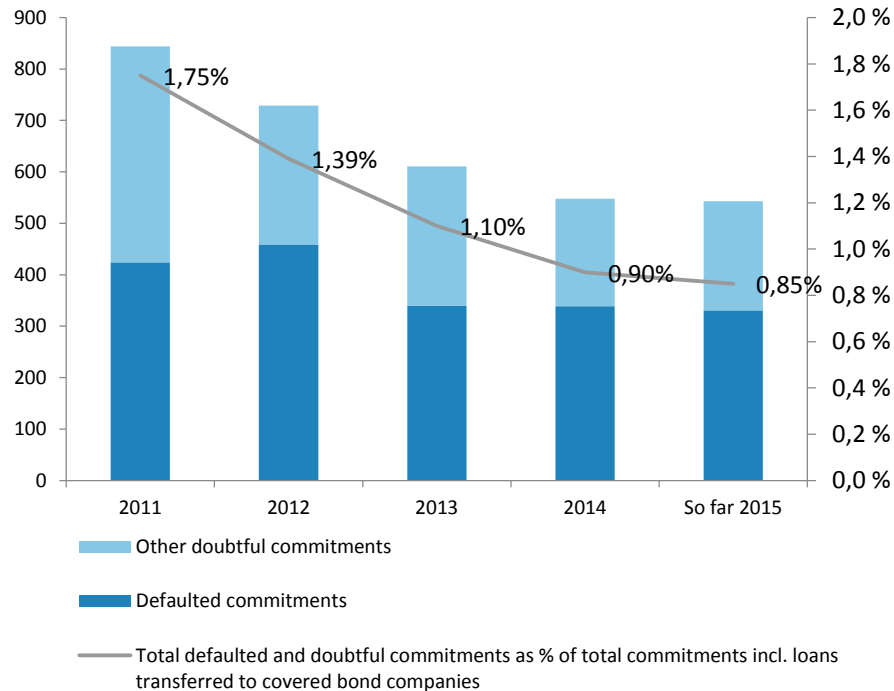
Group

Increased activity in subsidiaries affects costs

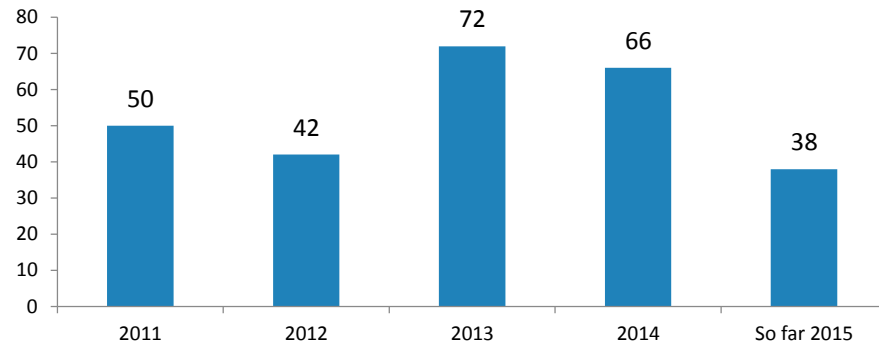
	Q3 2015	Q3 2014	2014
Payroll	325	295	397
Pension costs	42	41	54
Social security expenses	68	61	92
Total personnel expenses	435	397	543
Operating expenses and other expenses	220	213	294
Total personnel and operating expenses	655	610	837
Depreciation	33	31	42
Other operating costs	69	76	102
Total expenses	758	718	980

Low losses and stable development in problem loans

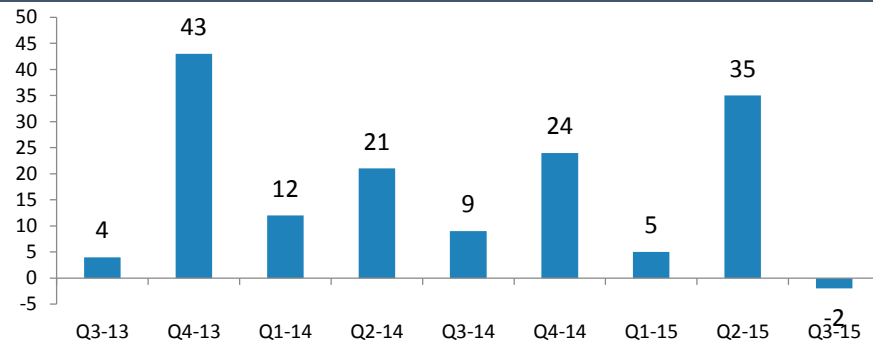
Problem loans



Yearly losses

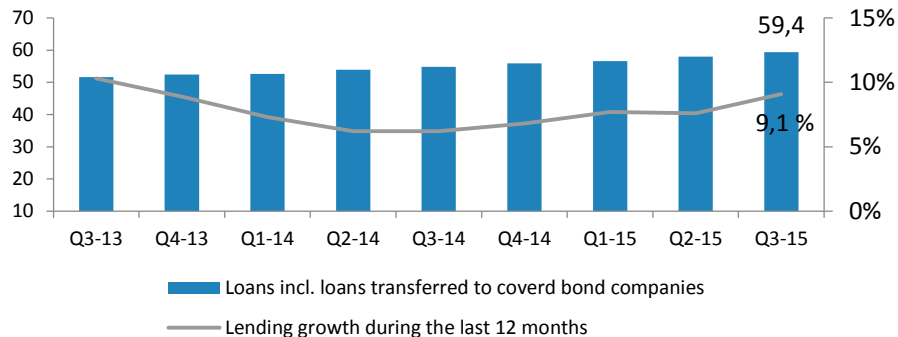


Quarterly losses

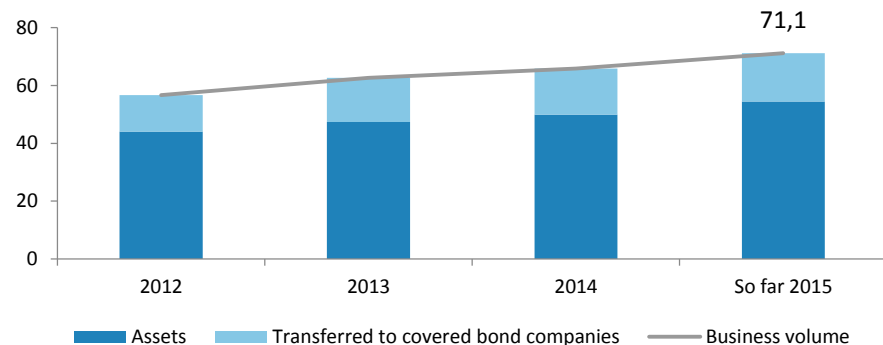


Higher lending growth and further strengthened solvency

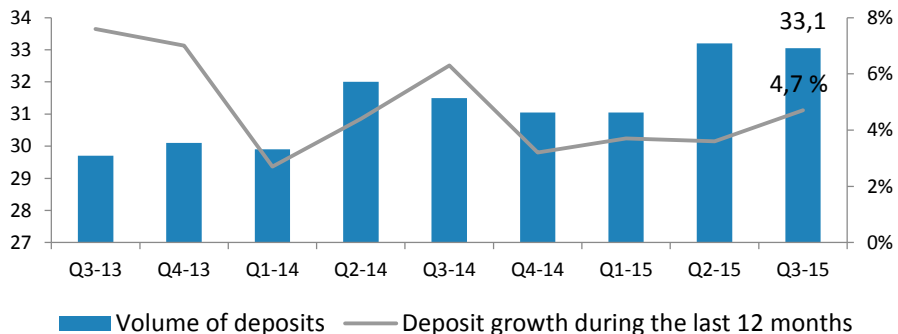
Gross loans incl. Loans transferred to covered bond companies (Nok billion)



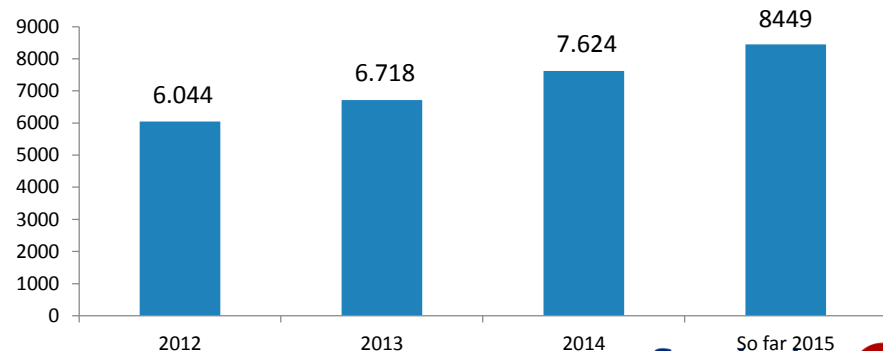
Development in assets and business volume (Nok billion)



Deposits (Nok billion)

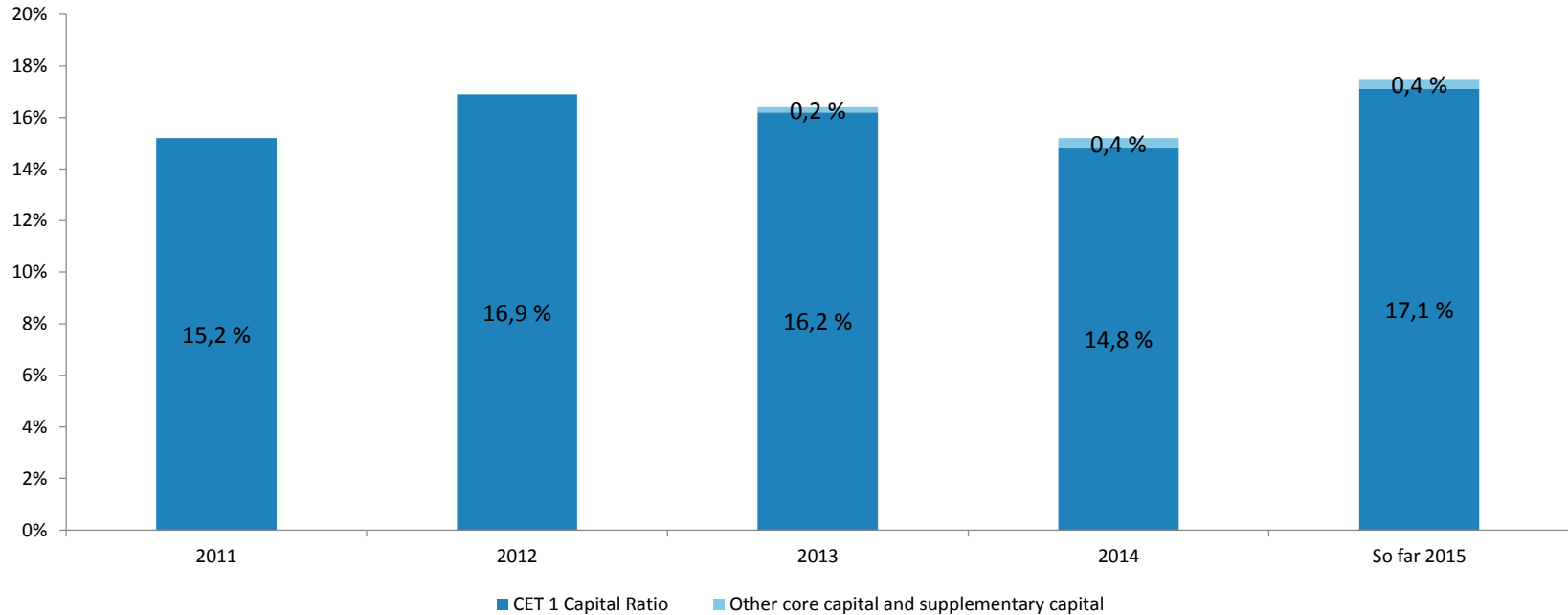


Development equity (NOK million)



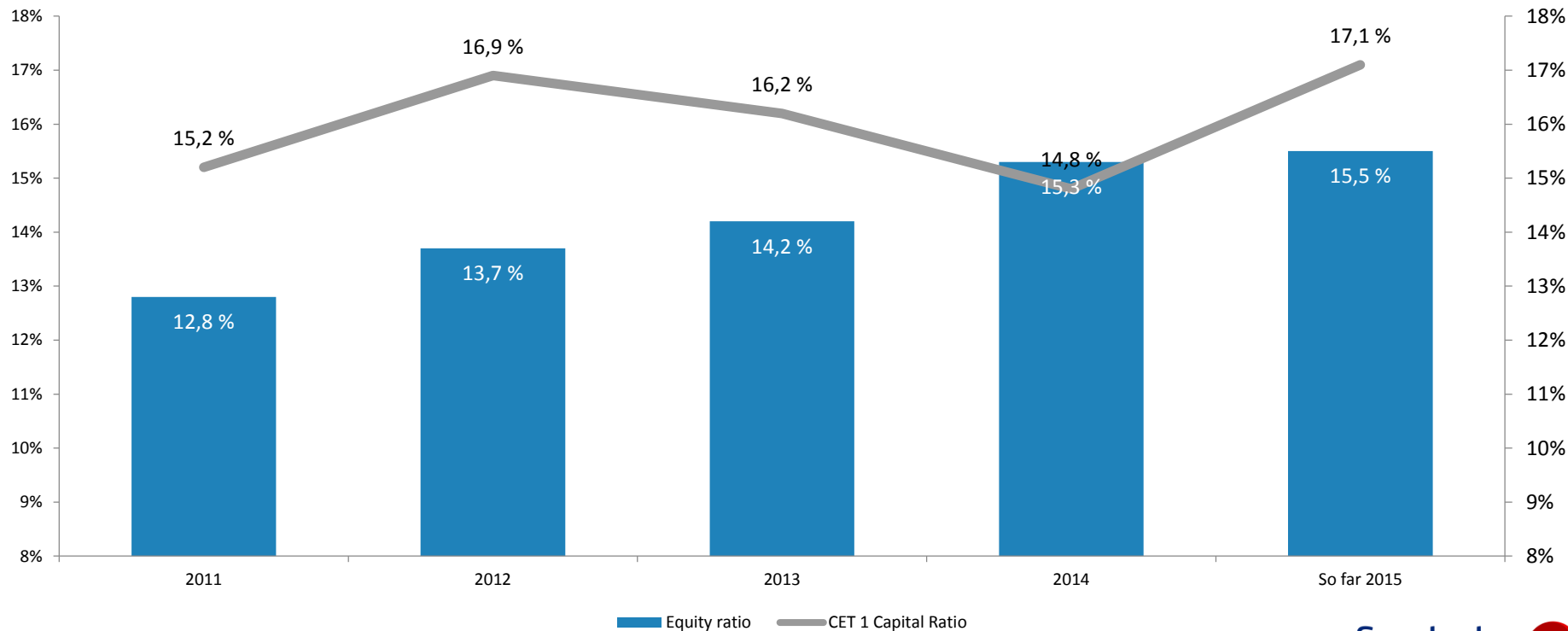
Strengthened CET1 capital ratio

- Capital adequacy ratio group as at 30.09.15: 18.8 %
- Tier 1 Capital ratio parent bank as at 30.09.15: 24.2 %



Equity ratio of 15.5 per cent

- Group's reported leverage ratio by the end of Q3-15 of 9.8 per cent.



Summary Q3: Strengthened capital – satisfactory result

	Q3 2015	Q3 2014	2014
Profitability			
Return on equity capital after tax	12,3 %	15,5 %	14,4 %
From the balance sheet			
Assets	54.501	49.751	49.934
Business volume	71.145	65.324	65.928
Lending growth last 12 months incl. loans transferred to covered bond companies	8,4 %	6,2 %	6,8 %
Deposit growth during the last 12 months	4,7 %	6,3 %	3,2 %
Deposits from customers in relation to gross loans to customers	77,2 %	80,5 %	77,8 %
Financial strength			
Common Equity Tier 1 capital ratio	17,1 %	14,5 %	14,8 %
Tier 1 capital ratio	17,5 %	14,9 %	15,2 %
Total capital ratio	18,8 %	16,3 %	17,1 %
Other key figures			
Total operating costs in relation to total income	44,1 %	41,7 %	43,0 %
Gros doubtful commitments as a percentage of total commitments incl. loans transferred to covered bond companies	0,8 %	1,0 %	0,9 %

Conversion to equity certificate bank

Conversion of 60 per cent is approved

- The Supervisory Board has decided to convert part of primary capital.
- Conversion rate of 60 per cent of primary capital.
- Approved by the Financial Supervisory Authority (Finanstilsynet).

One of the nations' largest savings bank foundations

- Foundation has been being established.
- Expected completion of the entire process in the fourth quarter of this year.
- One of the nation`s largest savings banks foundations with a book valute of certificates of approximately NOK 5 billion.
- The Foundation shall be a long-term and predictable owner of the bank and own at least 50 per cent of the equity certificates.

Planned stock exchange listing in 2016

- Preparations for stock exchange listing.
- Clarify possible solutions with Bank 1 Oslo Akershus before stock exchange listing.
- Planned stock exchange listing in 2016.

Highlights Bank 1 Oslo Akershus AS (40.5 per cent ownership)

Reduced profit

- Profit of NOK 207 billion provided a return on equity on 9.2 per cent.
- The decline in profit mainly came from revaluation of the shares in Nets Holding ASA in 2014 and reduced lending margins on mortgage loans during the first half year.

Good growth and focus on local markets

- Lending growth last 12 months of 14.6 per cent and deposits growth of 6.6 per cent.
- No business financing outside the bank's market area.
- Retail customers represents 81 per cent of total loan volume (incl. covered bond companies).

Summary Q3: Strengthened capital – satisfactory result

Reduced risk

- Net recoveries on losses NOK 26 million.
- Problem loans amounts to 0.4 per cent of gross loans.
- Significantly better shadow rating from several brokerages - rated A by SpareBank 1 Markets

Appendix



Sparebanken
HEDMARK



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 8.4 billion in equity.

NOK 54,5 billion in total assets.

NOK 71 billion in commercial volume (incl. loans to SpareBank 1 Boligkreditt

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).

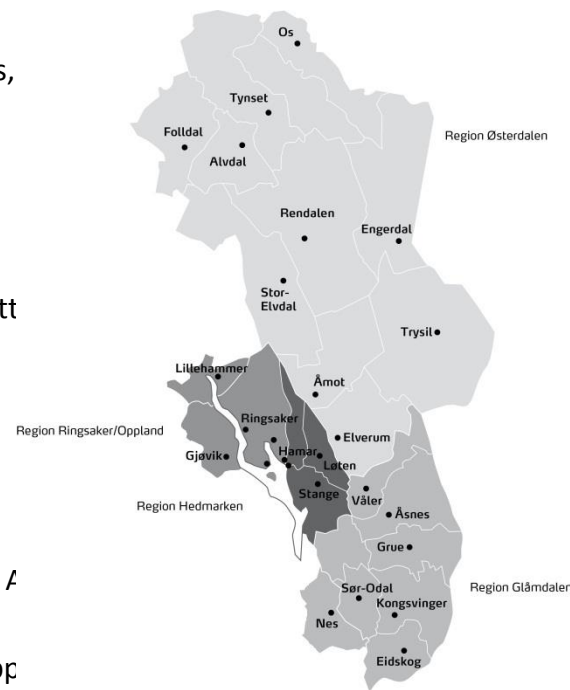
Accounting and consultancy chain (SpareBank 1 Regnskapshuset Østlandet AS)

Associated companies

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

Rating

Rated by Moody's: A2

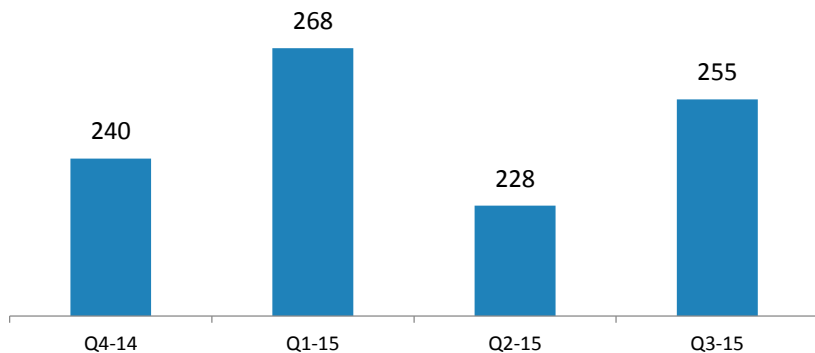


Income statement quarterly

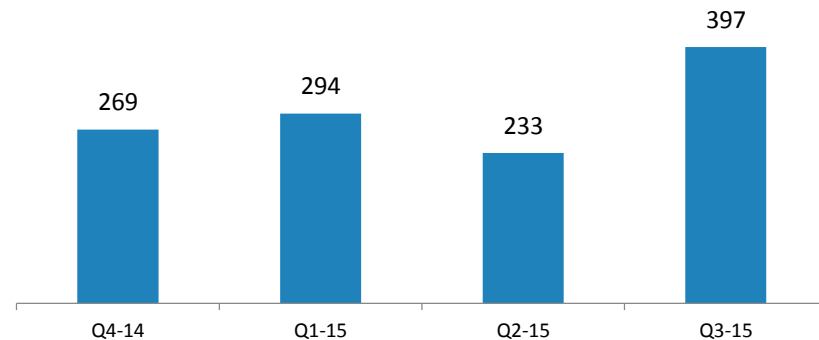
	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Net interest income	280	271	265	272	272	259	240	263	266
Net commission income	118	118	110	104	104	109	130	100	104
Other income	37	48	61	54	51	57	56	46	49
Total operating expenses	248	251	258	263	237	239	242	235	223
Result bankoperation before losses	187	186	178	167	190	185	184	174	196
Losses on loans and guarantees	-2	35	5	24	9	21	12	43	4
Result bankoperation after losses	189	151	173	143	181	164	172	131	192
Dividends	0	1	7	1	1	0	12	3	0
Net profit from ownership interest	67	76	88	97	103	81	114	120	98
Net income from financial assets/liabilities	141	5	26	29	173	-4	-33	-3	-19
Profit/loss before tax	397	234	294	270	458	241	265	250	271
Tax charge	89	43	54	56	54	45	38	38	49
Profit/loss after tax	307	190	240	214	403	197	227	212	222

Financial results by quarter

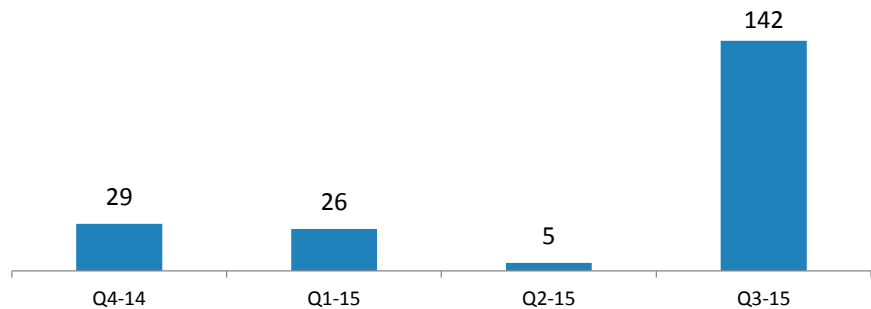
Profit/loss before tax excl. profit from other financial assets and liabilities



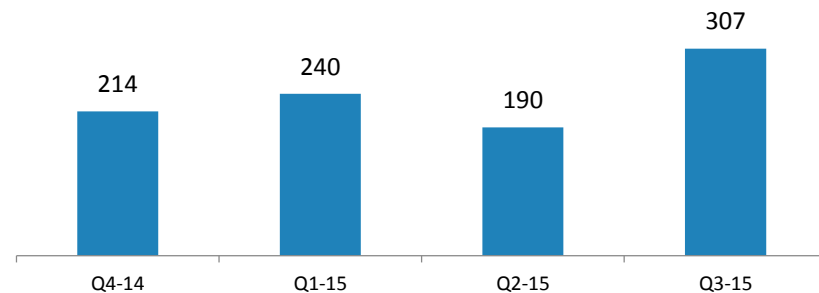
Profit/loss before tax



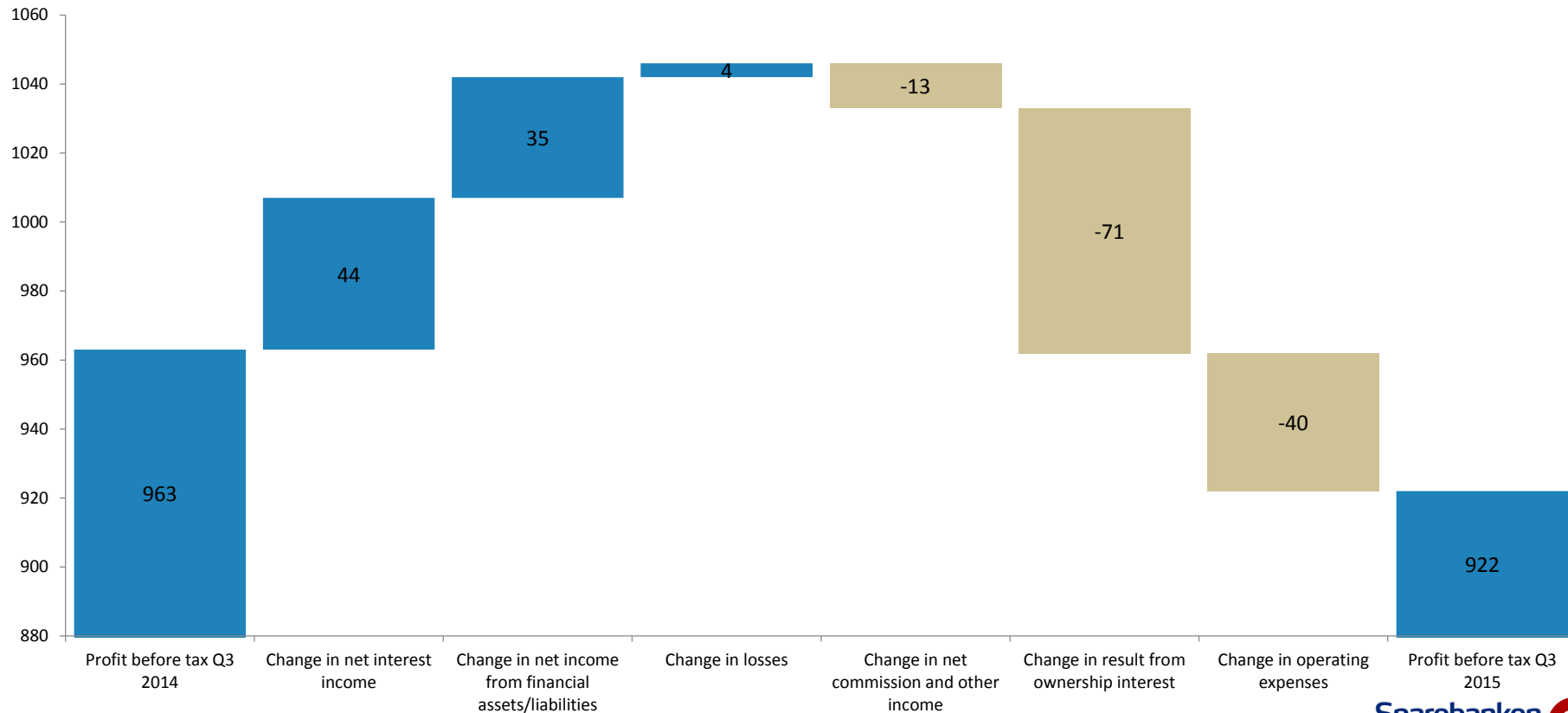
Net result from other financial assets and liabilities



Result after tax

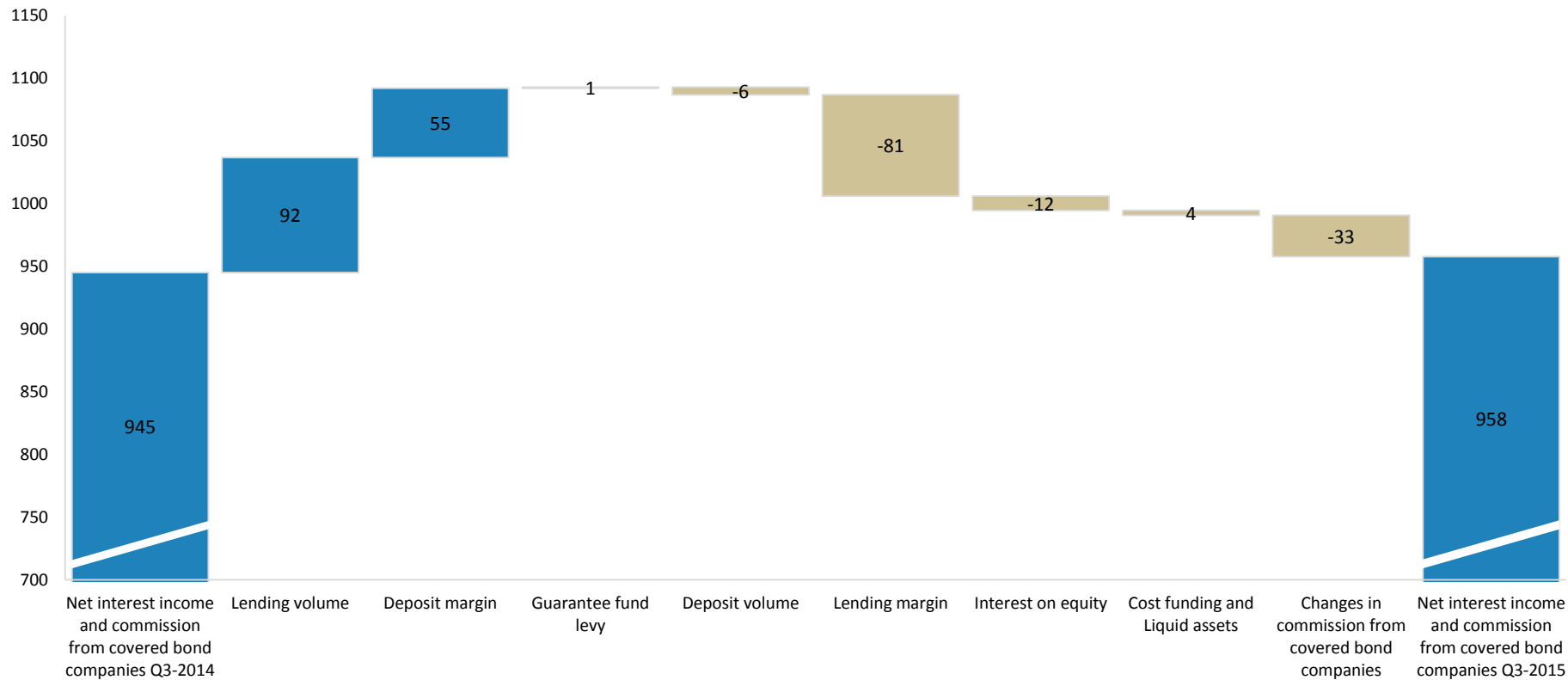


Change in profit before tax third quarter 2014 vs third quarter 2015



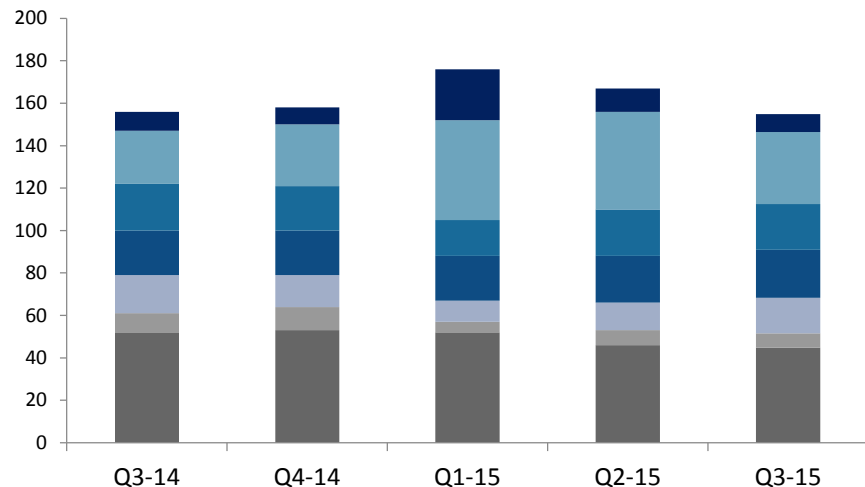
Changes in net interest income year

Incl. Commission from covered bond companies
Q3-2014 to Q3-2015



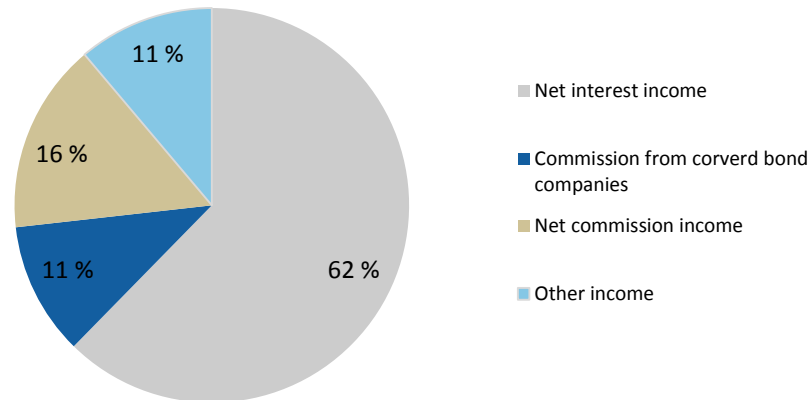
Net commission and other income

Net commission and other income



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

Composition of total income from banking operations

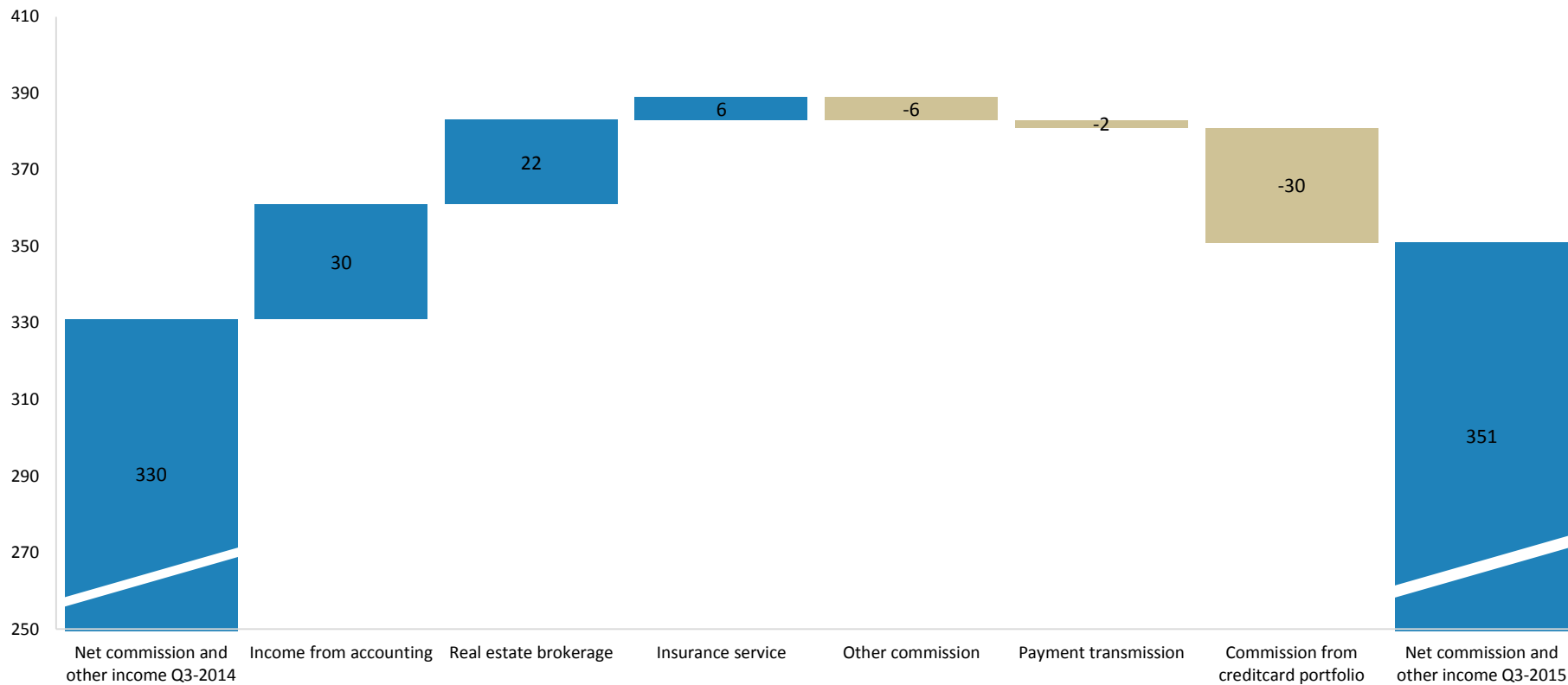


- Net commission income consists of:
 - Commission from credit card portfolio
 - Insurance services
 - Payment transmission
 - Real estate brokerage
- Other operating income consist of:
 - Income from accounting
 - Other commission

Changes in net commission and other income year

Excl. Commission from covered bond companies

From Q3-2014 to Q3-2015



Group

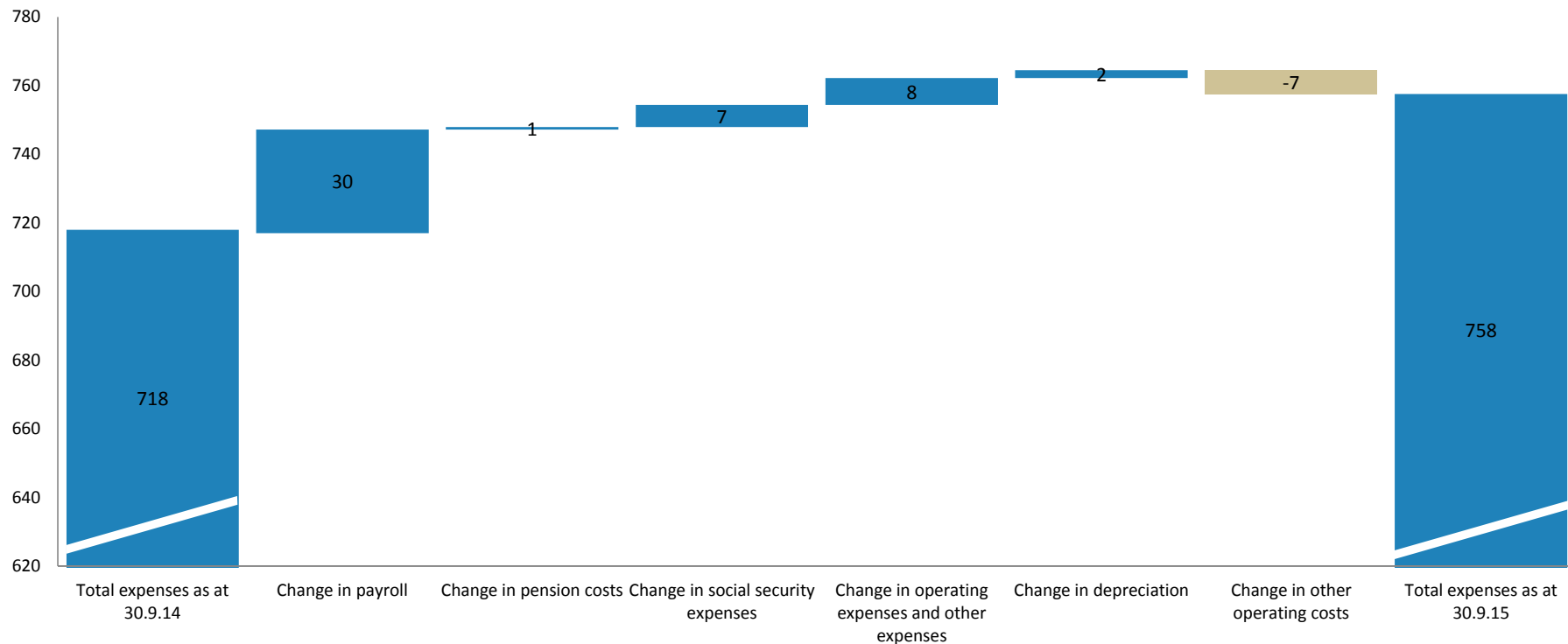
Net income from financial assets and liabilities

	2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	2014
Dividends	8		1	7	1	1	0	12	14
Net profit from ownership interest	231	66	76	88	97	103	80	114	394
Net income from other financial assets and liabilities	172	142	5	26	29	173	-3	-33	166
Net income from financial assets and liabilities	411	208	82	121	126	277	77	93	573

Operating expenses

	2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	2014
Payroll	325	108	108	109	102	98	95	102	397
Pension costs	42	14	14	14	13	14	14	13	54
Social security expenses	68	23	21	24	31	20	20	21	92
Total personnel expenses	435	145	143	147	146	132	129	136	543
Operating expenses and other expenses	220	72	77	71	81	70	74	69	294
Total personnel and operating expenses	655	217	220	218	227	202	203	205	837
Depreciation	33	11	11	11	11	11	10	10	42
Other operating costs	69	20	20	29	26	23	26	27	102
Total expenses	758	248	251	258	263	236	239	242	980

Change in operating expenses

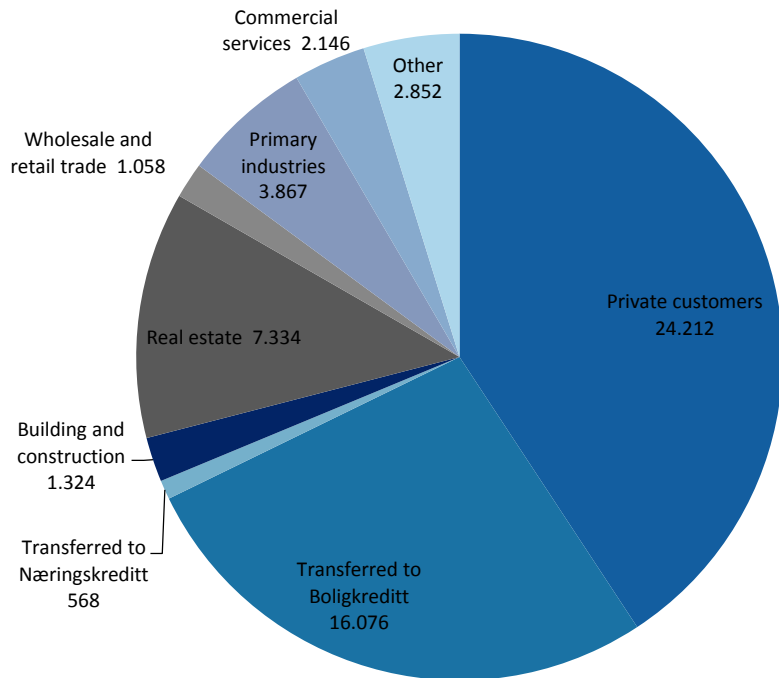


Balance sheet

	30.09.2015	30.09.2014	31.12.2014
ASSETS			
Cash and deposits with central banks	644	713	748
Loans to and receivables from credit institutions	1.314	635	675
Loans to and receivables from customers	42.539	38.978	39.691
Financial papers	5.825	5.323	4.787
Investments in subsidiaries, associates and joint ventures	3.183	2.966	3.073
Other assets	996	1.136	960
Total assets	54.501	49.751	49.934
LIABILITIES			
Deposits from and liabilities to credit institutions	648	677	665
Deposits from and liabilities to customers	33.052	31.575	31.070
Liabilities arising from issuance of securities and financial derivatives	11.101	8.665	9.281
Other debt and liabilities recognised in the balance sheet	750	853	789
Subordinated loan capital	500	511	505
Total liabilities	46.052	42.281	42.310
EQUITY CAPITAL			
Earned equity capital	8.449	7.470	7.624
Total equity capital	8.449	7.470	7.624
Total liabilities and equity capital	54.501	49.751	49.934

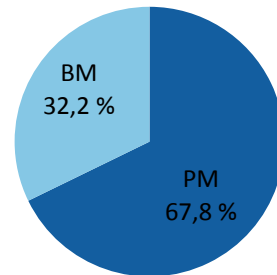
Composition of loans and receivables from customers (Group)

Composition of loans incl. covered bond companies

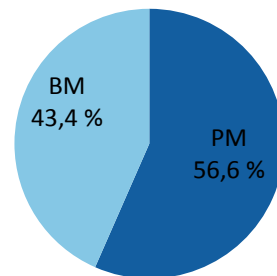


Group

Composition of loans incl. covered bond companies

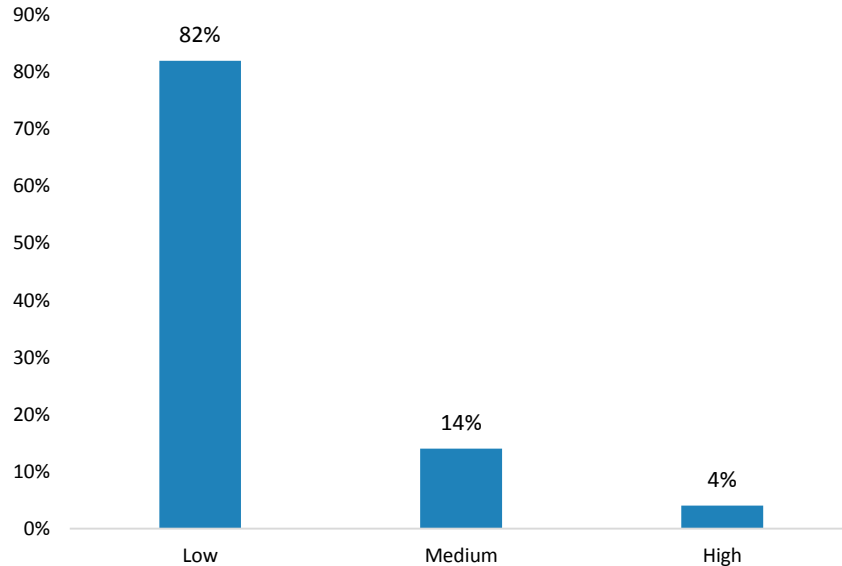


Composition of loans excl. covered bond companies

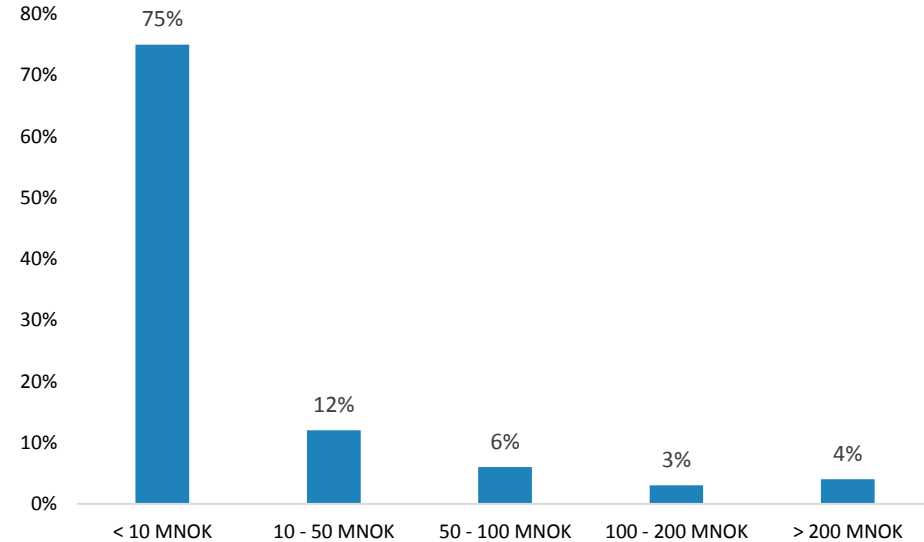


Risk in the loan portfolio (excl. Covered bond companies)

Lending by risk category as a percentage of EAD

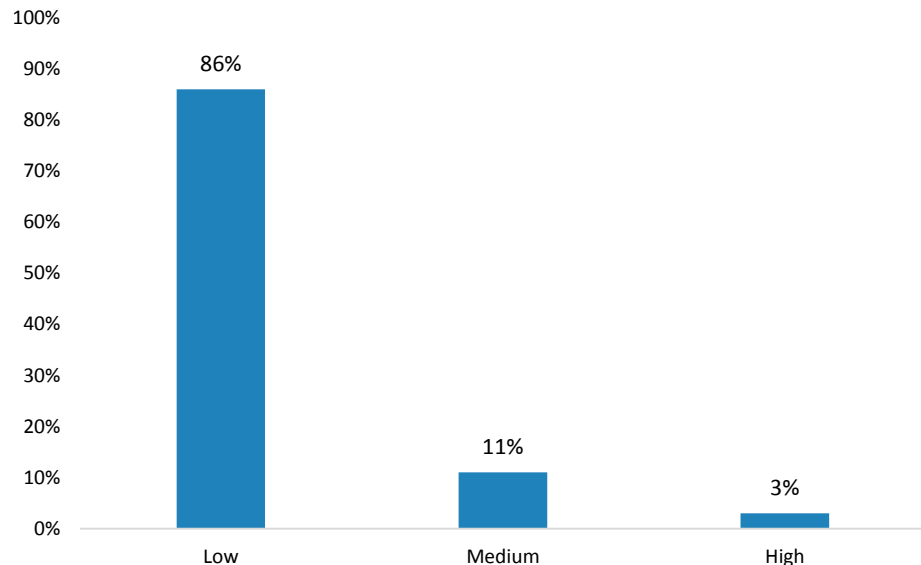


Lending by exposure size as a percentage of EAD

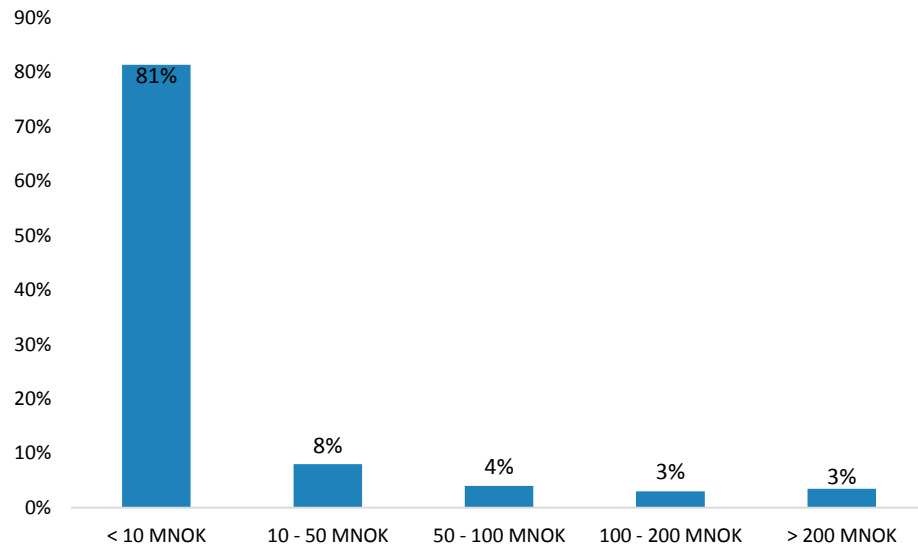


Risk in the loan portfolio (incl. Covered bond companies)

Lending by risk category as a percentage of EAD



Lending by exposure size as a percentage of EAD



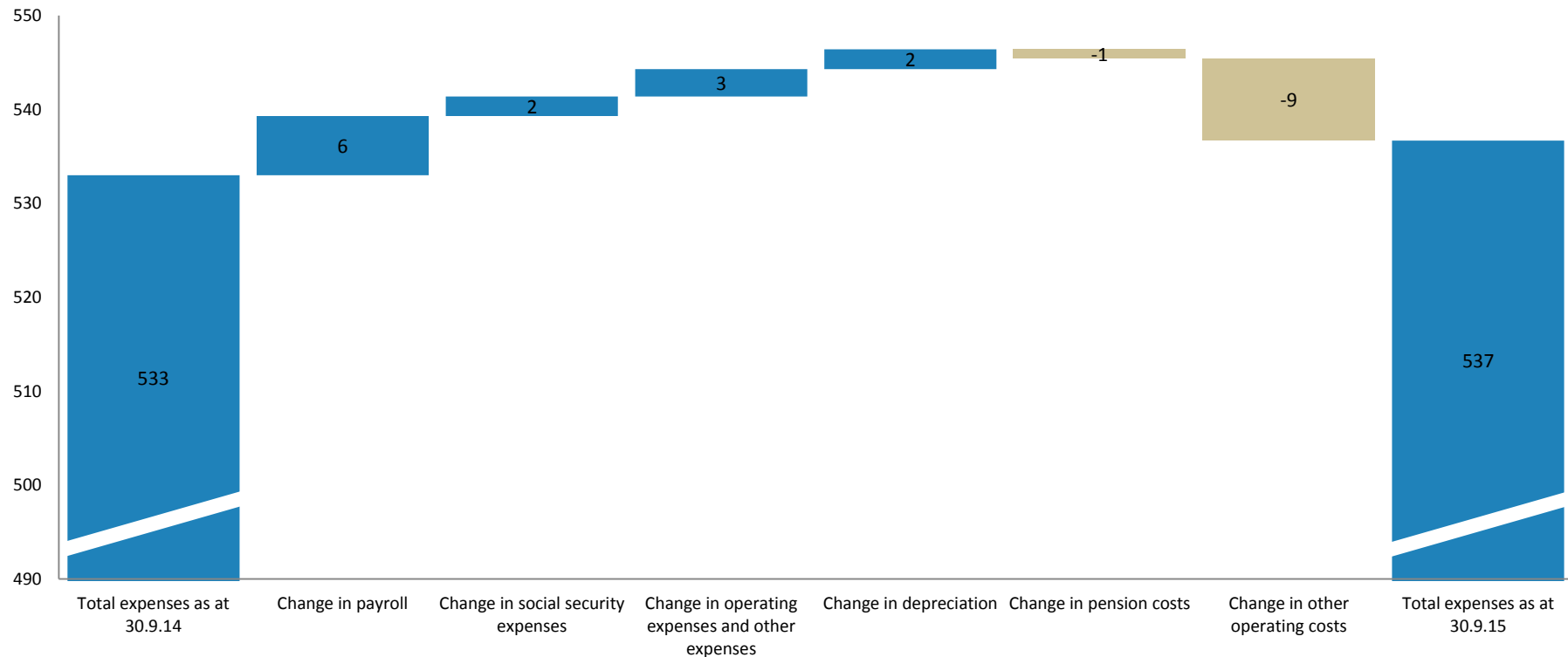
Profit/loss

	Q3-15	Q3-14	2014
Net interest income	644	620	835
Net commission income	305	357	466
Other income	14	10	16
Total operating expenses	537	534	726
Result bank operation before losses	426	453	591
Losses on loans and guarantees	25	29	52
Result bank operation after losses	401	424	539
Dividends	8	13	13
Net profit from ownership interest	259	135	117
Net income from financial assets/liabilities	172	122	166
Profit/loss before tax	839	693	835
Tax charge	156	111	159
Profit/loss after tax	683	582	676

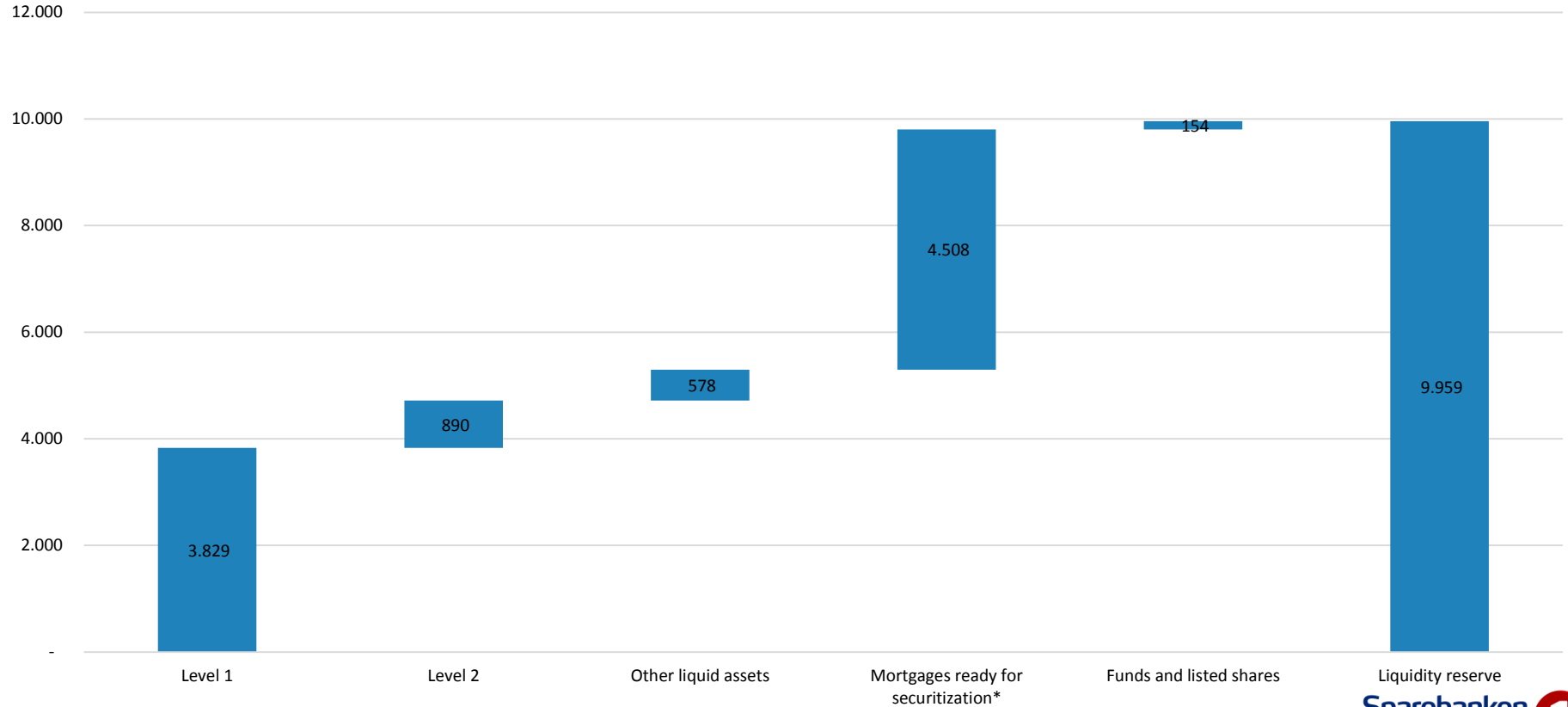
Operating expenses

	2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	2014
Payroll	205	70	69	67	62	66	66	66	261
Pension costs	34	12	12	11	12	12	12	12	47
Social security expenses	44	14	15	14	23	13	15	14	65
Total personnel expenses	283	96	96	92	97	91	93	92	374
Operating expenses and other expenses	185	60	66	59	67	59	64	59	249
Total personnel and operating expenses	468	155	162	151	164	150	157	151	623
Depreciation	27	9	9	8	9	9	8	8	33
Other operating costs	42	11	12	19	19	16	16	18	70
Total expenses	537	176	182	179	192	175	181	178	726

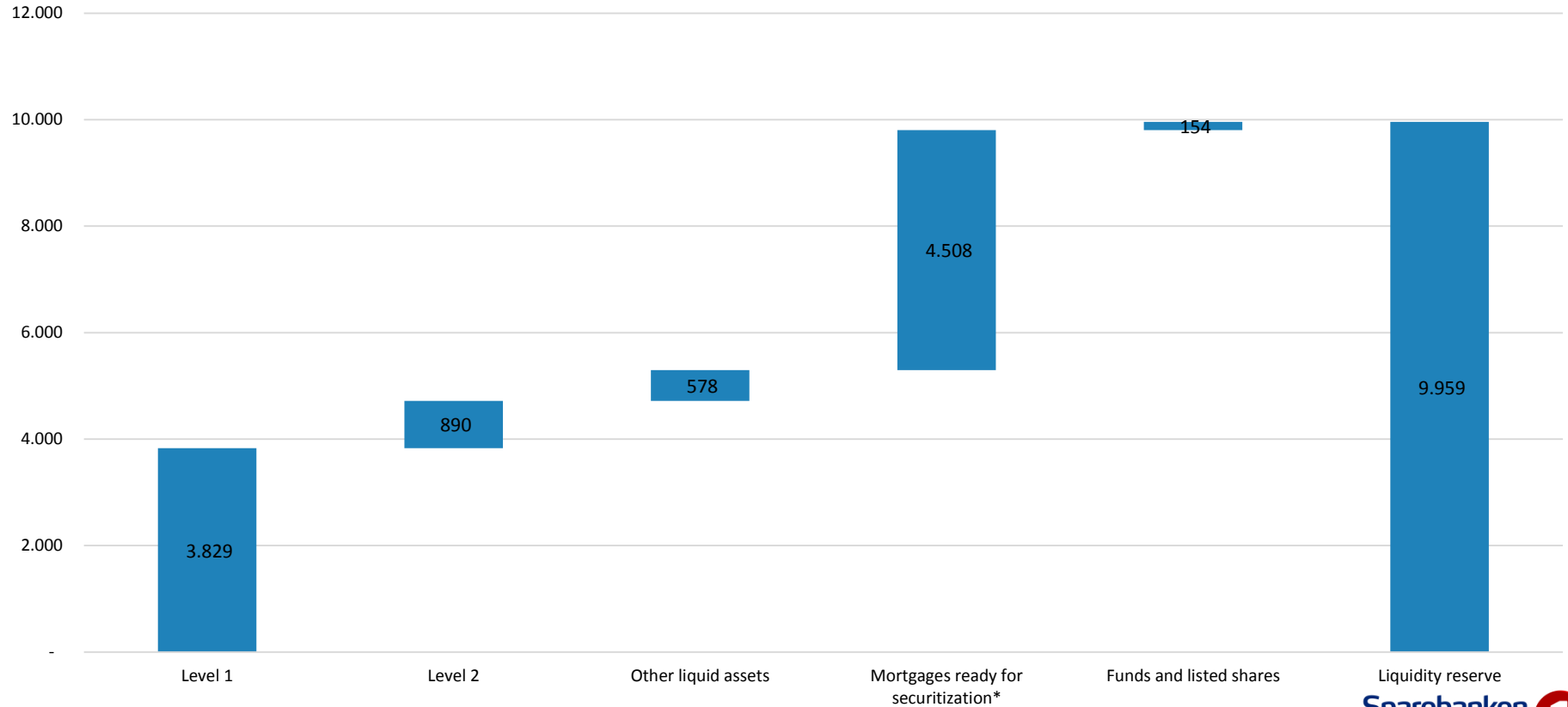
Change in operating expenses



Liquidity reserves NOK 9 959 mill as at 30.09.2015



Liquidity reserves NOK 9 959 mill as at 30.09.2015



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