

Financial result

Fourth quarter 2015

05.02.2016

Sparebanken
HEDMARK 

Highlights – financial report fourth quarter 2015

Satisfactory return on Equity

- Return on equity in 2015 was 11.4 per cent and in the fourth quarter 8.9 per cent.
- Return on equity adjusted for securities effects year to date 9.7 per cent and in the fourth quarter 7.9 per cent.

Solvency further strengthened

- Very high solvency with a pure core capital ratio of 17.2 per cent for the Group.
- Capital adequacy ratio in 2015 was 19.1 per cent of risk-weighted assets.
- Equity ratio in 2015 was 15.6 per cent.

Improved interest margin and high financial income

- Strengthened net interest margins compared to 2014, but lending margins shows a falling trend.
- Costs increased 2.3 per cent in Parent bank.
- Net income recognition in the financial field due to widening of credit spreads on MNOK 184.

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

- The bank's direct 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.

Acquisition of Bank 1 and planned IPO in 2016

Conversion to equity certificate bank

- Converted 60 per cent of the bank's primary capital to equity capital.
- Established Sparebanken Hedmark Sparebankstiftelse which owns 100 per cent of the equity certificates.

Acquisition of Bank 1 Oslo Akershus AS

- Agreed to buy the remaining 59.5% stake in Bank 1 Oslo Akershus AS.
- The Foundation is the largest shareholder with 75 per cent of the equity certificates, LO's second largest shareholder with 15 per cent of the equity certificates.
- After the acquisition, the Sparebanken Hedmark become the country's fourth largest savings bank with a total business capital of about 125 billion and operations in Hedmark, Oppland, Akershus and Oslo county.
- Implementation remains subject to regulatory approval.

Børsnotering i 2016

- Planned IPO in the second half of 2016, but depending on market conditions.

Satisfactory return on equity

-taking into account the bank's high capital ratios

	2015	2014	Change
Net interest income	1105	1043	62
Net commission income	461	525	-64
Other income	190	138	52
Total operating expenses	1051	981	-70
Result bank operation before losses	705	725	-20
Losses on loans and guarantees	56	66	10
Result bank operation after losses	649	659	-10
Dividends	8	13	-5
Net profit from ownership interest	301	394	-93
Net income from financial assets/liabilities	205	166	39
Profit/loss before tax	1164	1232	-68
Tax charge	234	192	-42
Profit/loss after tax	930	1040	-110
Return on equity capital after tax	11,4 %	43,0 %	-3,3 %
Total operating costs in relation to total income	46,3 %	0,2 %	0,1 %
Losses on loans as a percentage of gross loans	0,1 %	0,2 %	0,1 %

Diversified income

<i>(Nok million)</i>	2015	2014	Change
Parent Bank's profit after tax	796	676	120
Dividends received from subsidiaries and joint ventures	-259	-135	-124
Profit /loss attributable to:			
SpareBank 1 Gruppen AS	142	202	-60
Bank 1 Oslo Akershus AS	103	183	-80
SpareBank 1 Boligkreditt	46	24	22
EiendomsMegler 1 Hedmark Eiendom AS	5	8	-3
SpareBank 1 Finans Østlandet AS	74	73	1
SpareBank 1 Regnskapshuset Østlandet AS	11	4	7
SpareBank 1 Kredittkort AS	10		
Other companies	2	5	-3
Consolidated profit after tax	930	1.040	-110

Group

Growth in net interest and strengthened interest margin in the fourth quarter

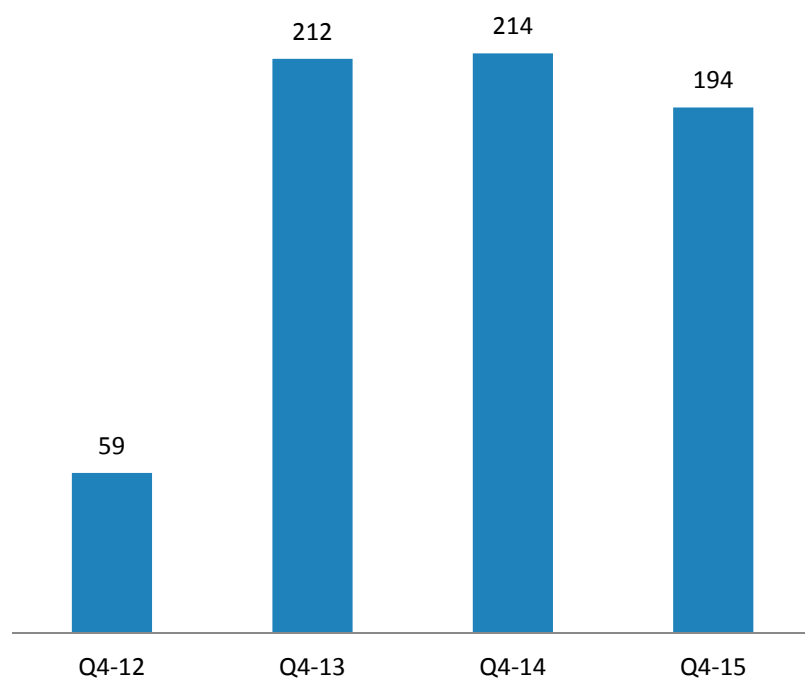
Reduced contributions from joint ventures and increased costs

	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Netto renteinntekter	289	280	271	265	272	272	259	240	266
Netto provisjonsinntekter	115	118	118	110	104	104	109	130	104
Andre driftsinntekter	44	37	48	61	54	51	57	56	49
Sum driftskostnader	292	248	251	258	263	237	239	242	223
Resultat fra ordinær drift før tap	156	187	186	178	167	190	185	184	196
Netto tap og nedskrivninger	18	-2	35	5	24	9	21	12	4
Resultat fra ordinær drift etter tap og nedskrivninger	138	189	151	173	143	181	164	172	192
Utbytte			1	7	1	1		12	
Netto resultat fra eierinteresser	70	67	76	88	97	103	81	114	98
Netto resultat fra finansielle eiendeler og forpliktelser	33	141	5	26	29	173	-4	-33	-19
Resultat før skatt	241	397	234	294	269	457	241	265	271
Skatt	48	89	43	54	56	54	45	38	49
Resultat etter skatt	193	307	190	240	214	403	197	227	212

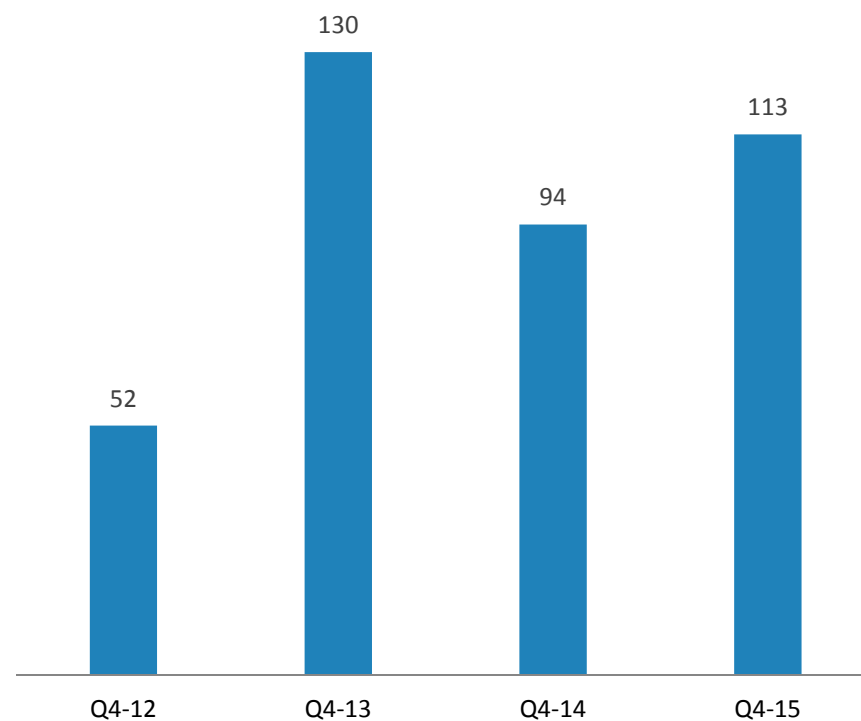
Group

Stable earnings for the Group

Profit/loss after tax - Group

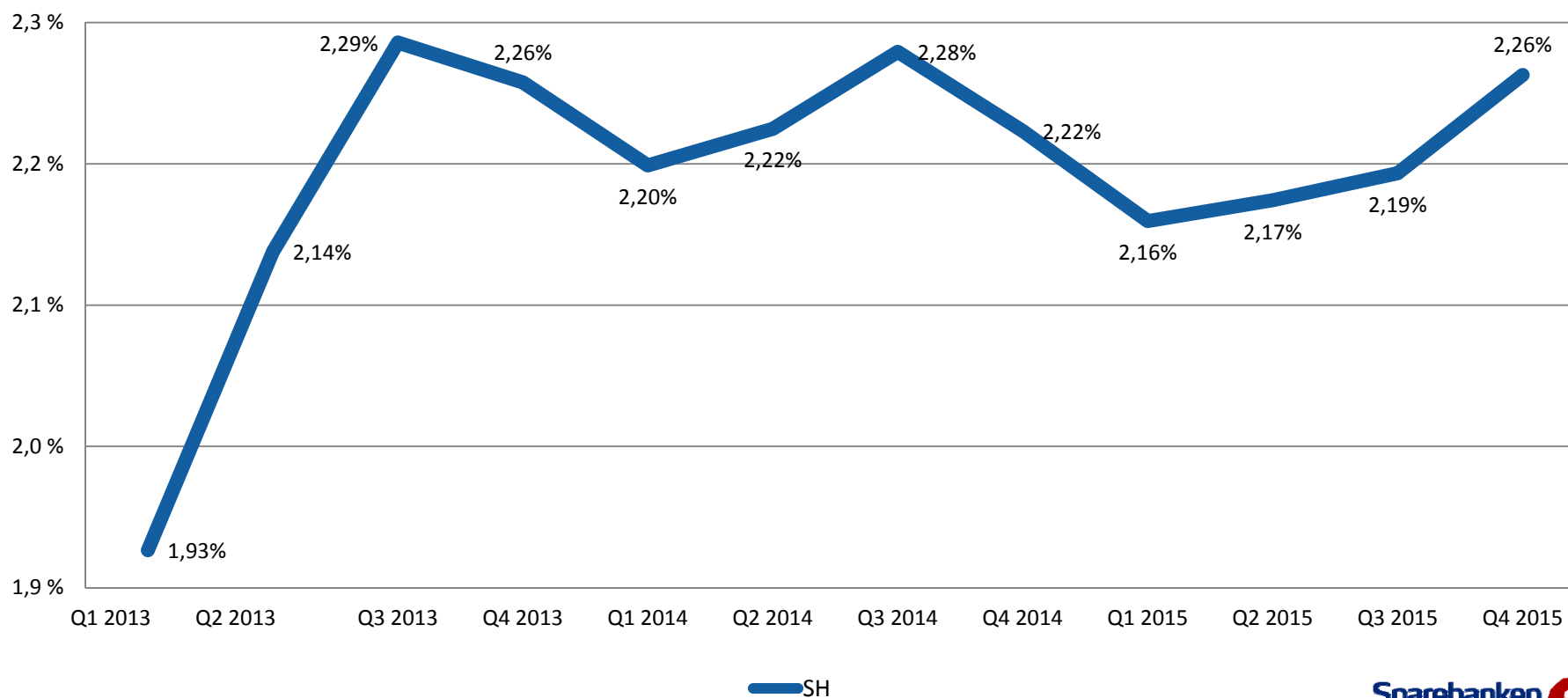


Profit/loss after tax – Parent bank



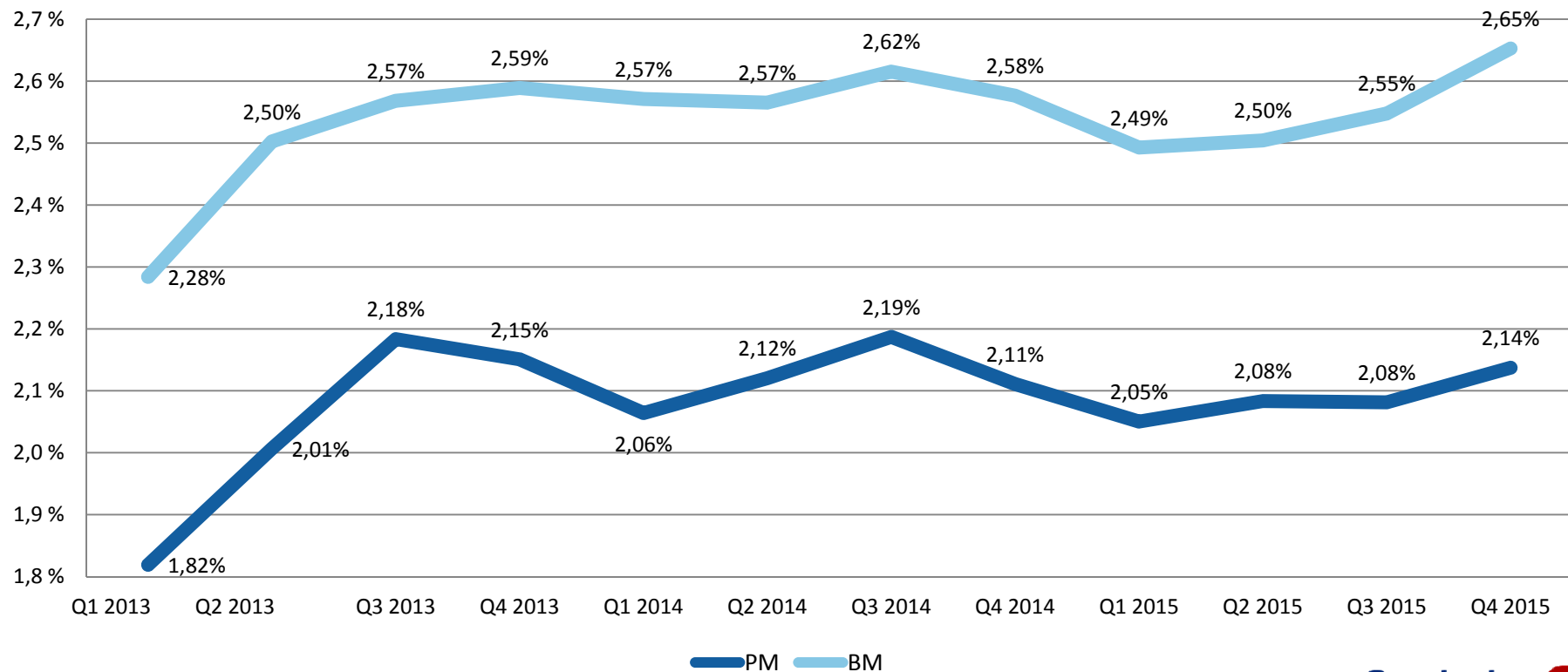
Positive trend in the interest margin

Interest margin for Parent bank, incl. commission from covered bond companies

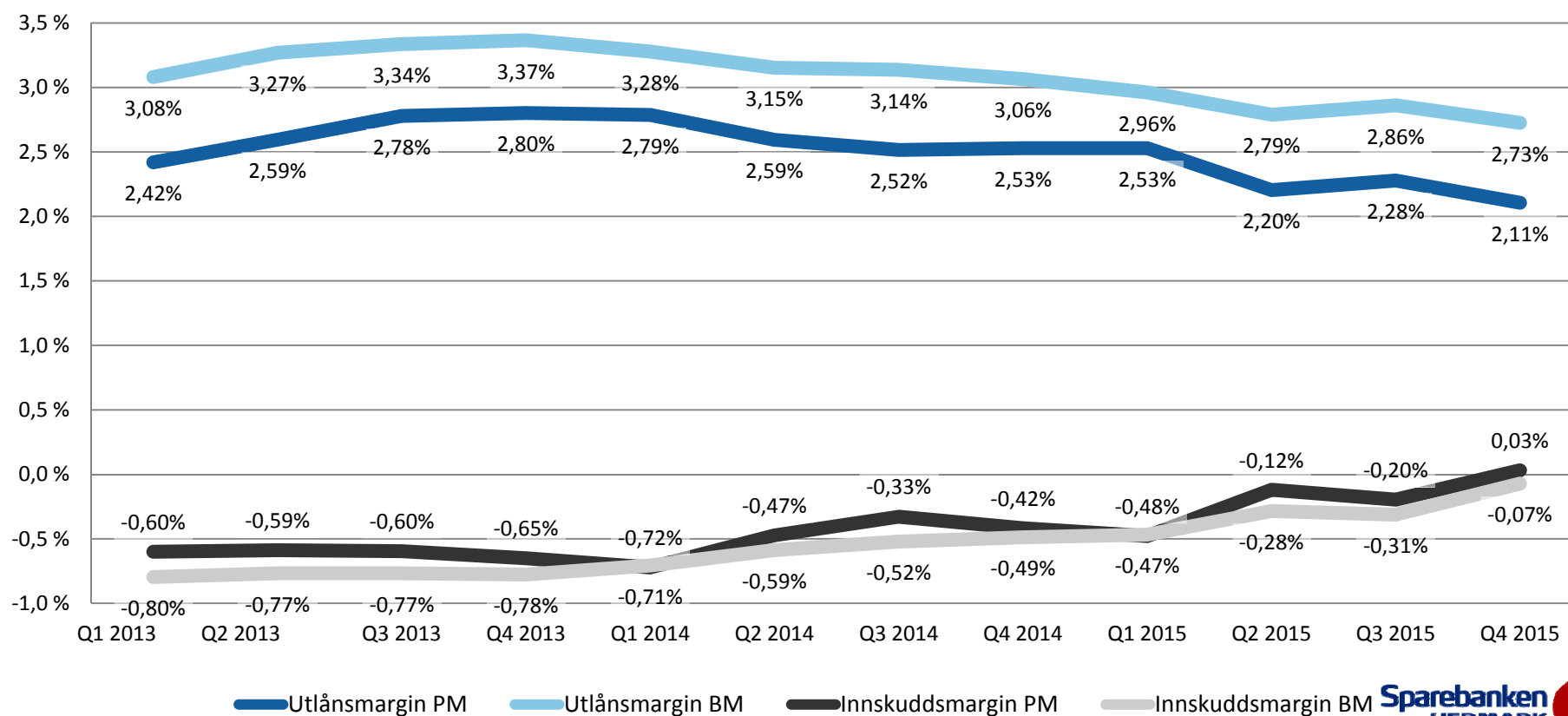


Improved margins in corporate market and in retail market

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

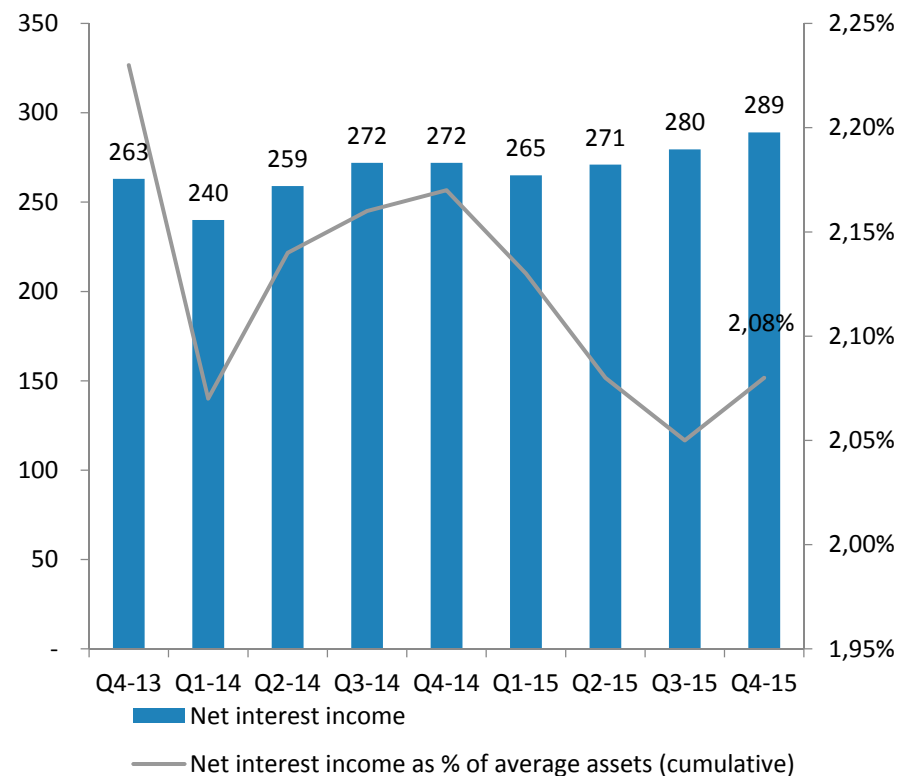


Decline in lending margins and improvement in deposits margins - both in Retail market (PM) and Corporate market (BM)

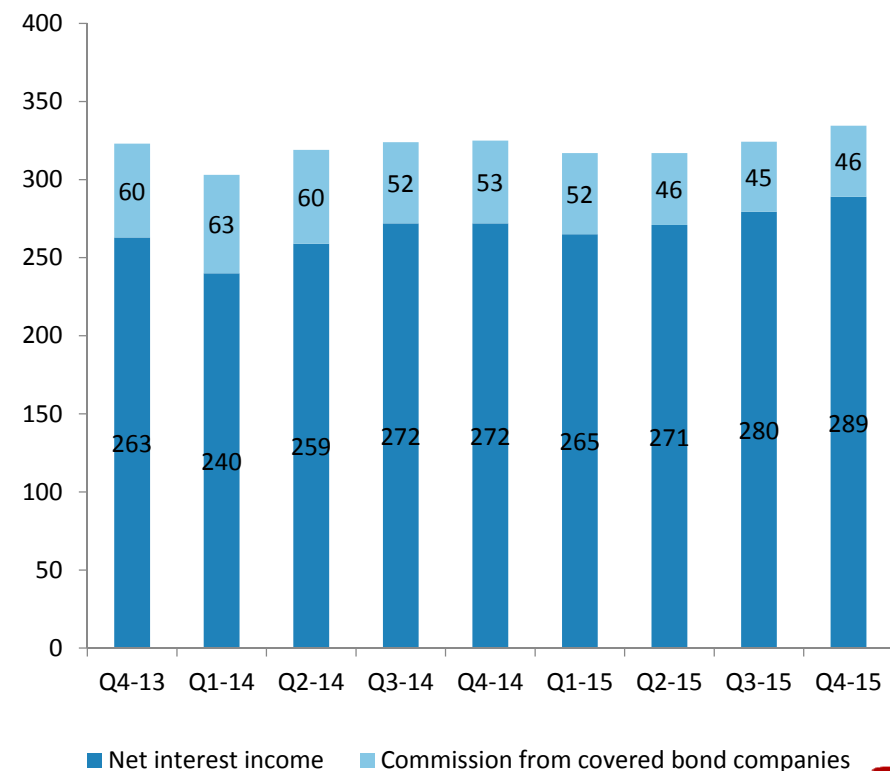


Higher net interest income in Q4

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

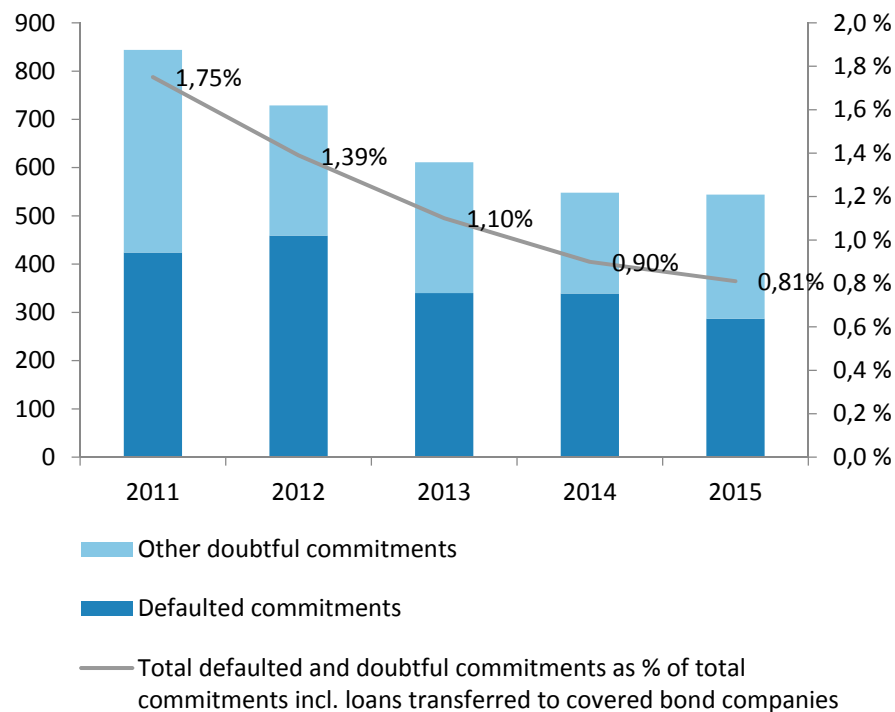
Increased activity in subsidiaries affects costs

	2015	2014	Change
Payroll	440	397	-43
Pension costs	54	54	0
Social security expenses	97	92	-5
Total personnel expenses	590	543	-47
Operating expenses and other expenses	317	294	-23
Total personnel and operating expenses	907	837	-70
Depreciation	46	42	-4
Other operating costs	98	102	4
Total expenses	1.051	980	-71

Group

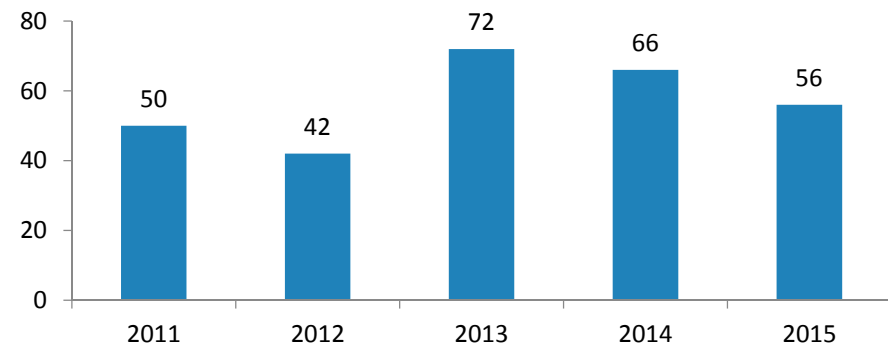
Low losses and stable development in problem loans

Problem loans

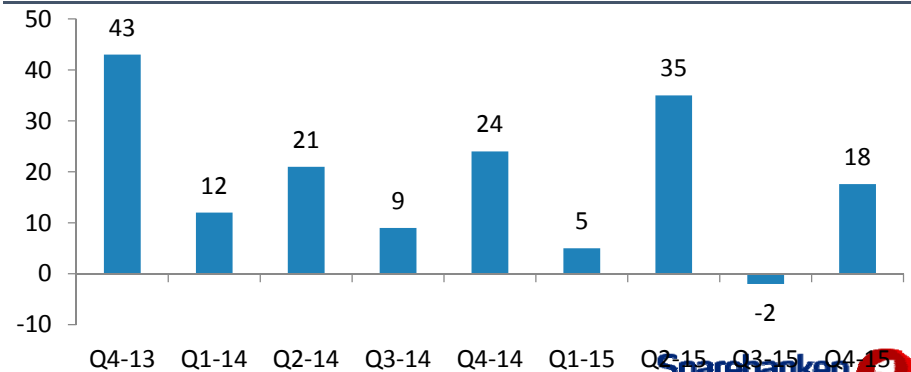


Group

Yearly losses

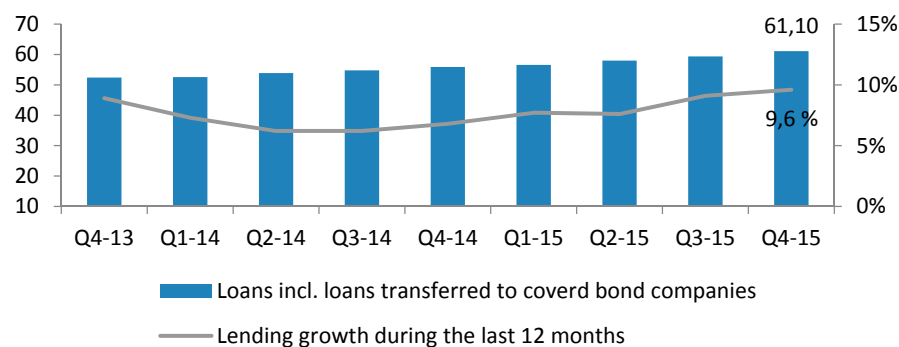


Quarterly losses

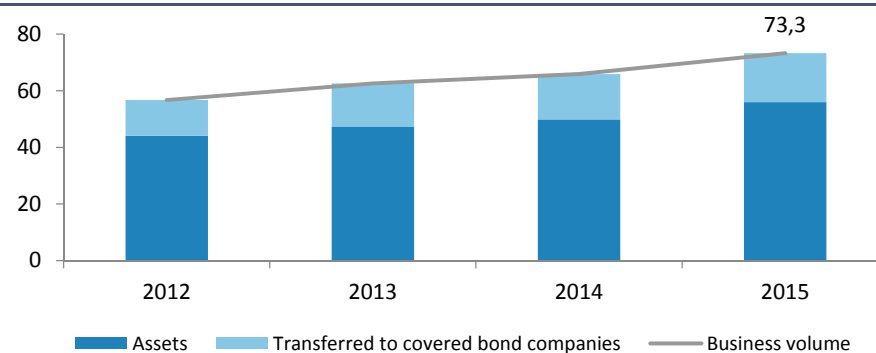


Higher lending growth and further strengthened solvency

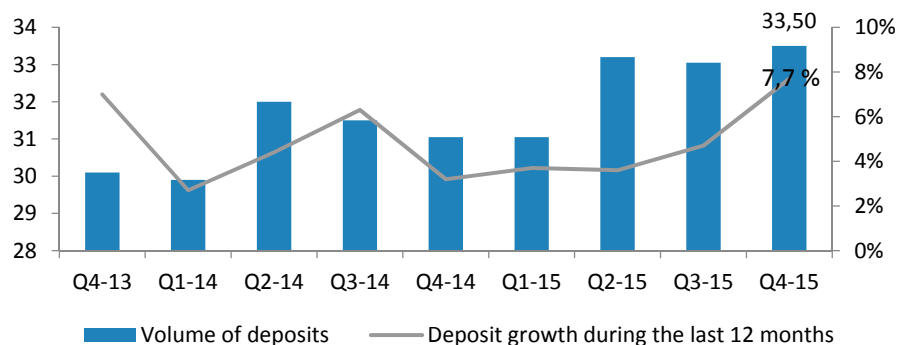
Gross loans incl. Loans transferred to covered bond companies (NOK billion)



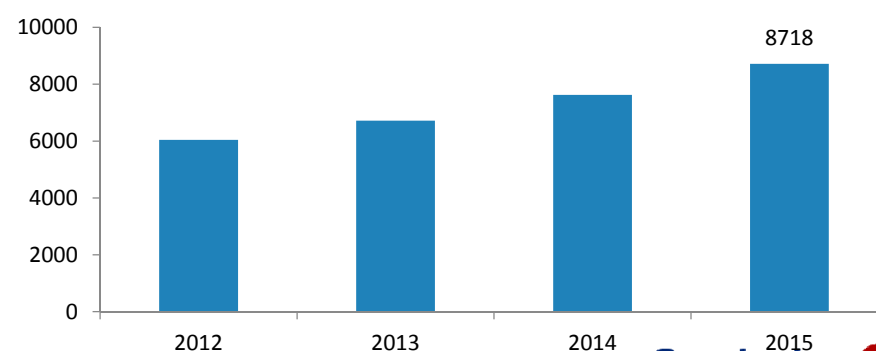
Development in assets and business volume (NOK billion)



Deposits (NOK billion)

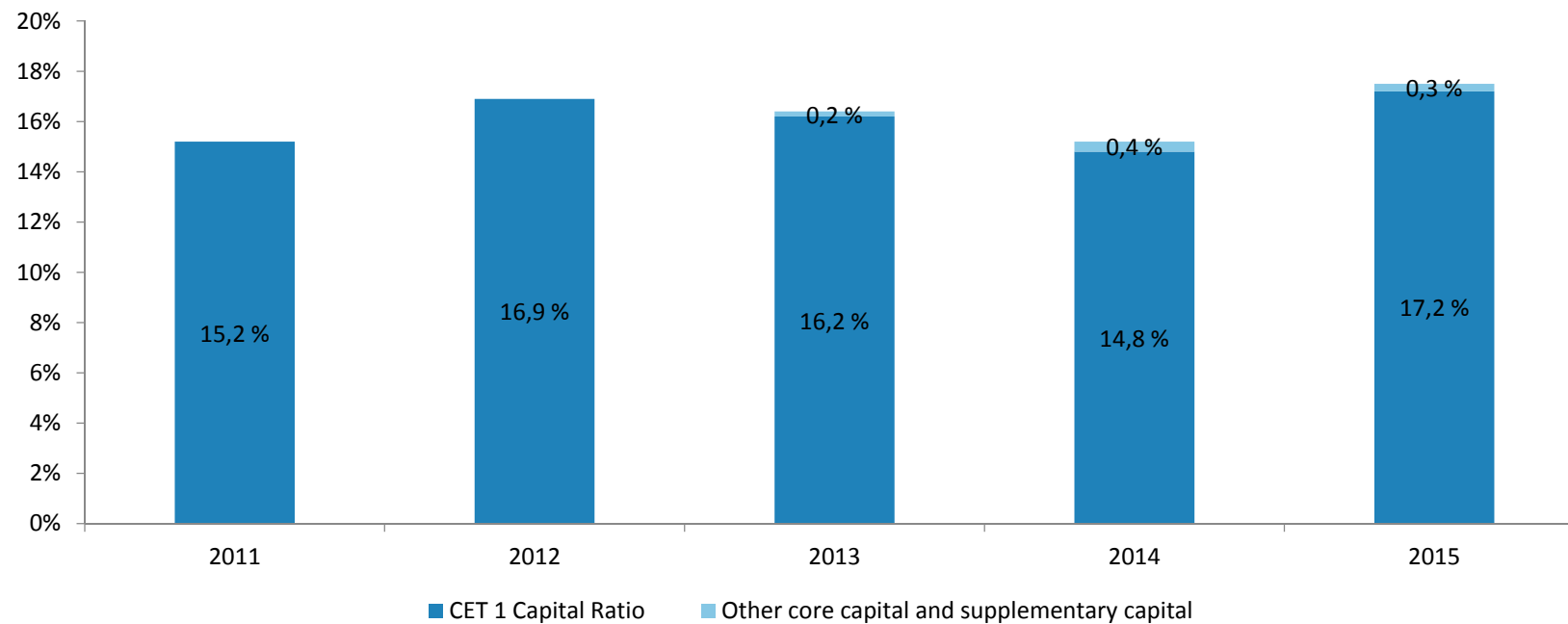


Development equity (NOK million)



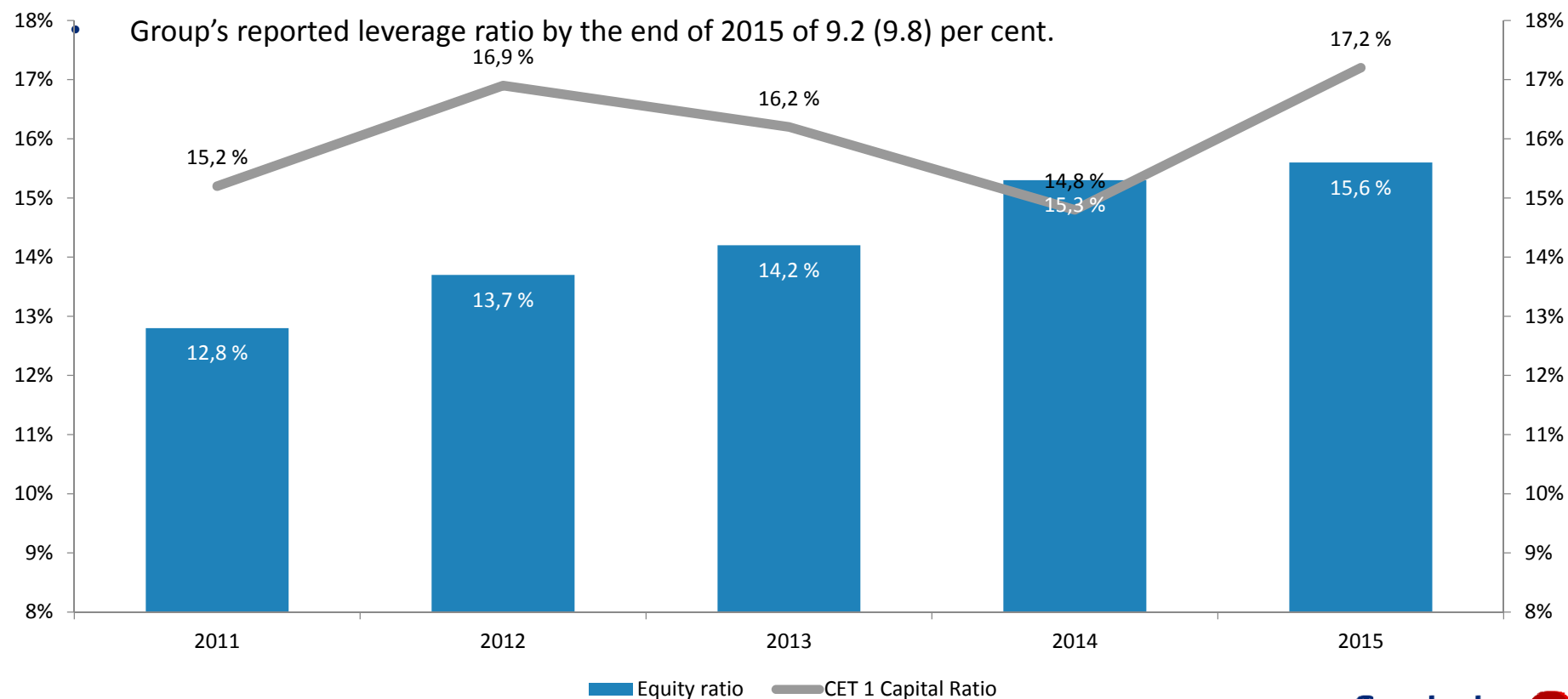
Strengthened CET1 capital ratio

- Capital adequacy ratio group as at 31.12.15: 19.1 %
- Tier 1 Capital ratio parent bank as at 31.12.15: 24.1 %



Group

Equity ratio of 15.6 per cent



Group

Summary 2015

- Strengthened capital – satisfactory result

	2015	2014
Profitability		
Return on equity capital after tax	11,4 %	14,4 %
From the balance sheet		
Assets	55.966	49.934
Business volume	73.327	65.928
Lending growth last 12 months incl. loans transferred to covered bond companies	9,3 %	6,8 %
Deposit growth during the last 12 months	7,7 %	3,2 %
Deposits from customers in relation to gross loans to customers	76,4 %	77,8 %
Financial strength		
Common Equity Tier 1 capital ratio	17,2 %	14,8 %
Tier 1 capital ratio	17,5 %	15,2 %
Total capital ratio	19,1 %	17,1 %
Other key figures		
Total operating costs in relation to total income	46,3 %	43,0 %
Gross doubtful commitments as a percentage of total commitments	0,6 %	0,9 %

Subsidiaries

SpareBank 1 Finans Østlandet

- Result after tax MNOK 74,14 (73,39)
- Return on equity capital 1 10,41 % (13,07 %)
- Losses MNOK 20,6 (13,9)
- Number of employees: 56

SpareBank 1 Regnskapshuset

- Result before tax MNOK 16,8 (5,7)
- Revenues from operations MNOK 163,5 (126,5)
- Personnel costs 71 % (71 %)
- Number of employees : 170 (157)

EiendomsMegler 1 Hedmark Eiendom

- Result after tax MNOK 5,3 (8,4)
- Number of employees 49 (47)

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 8.7 billion in equity.

NOK 56.0 billion in total assets.

NOK 73.3 billion in commercial volume (incl. loans to Covered bond companies)

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).

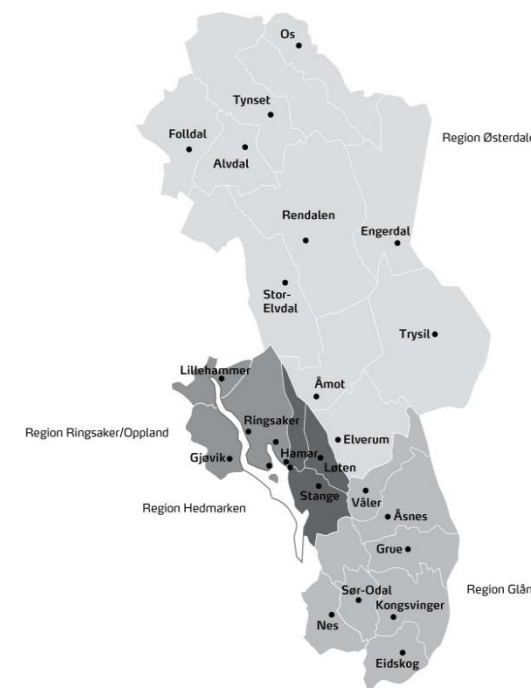
Accounting and consultancy chain (SpareBank 1 Regnskapshuset Østlandet AS).

Associated companies

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

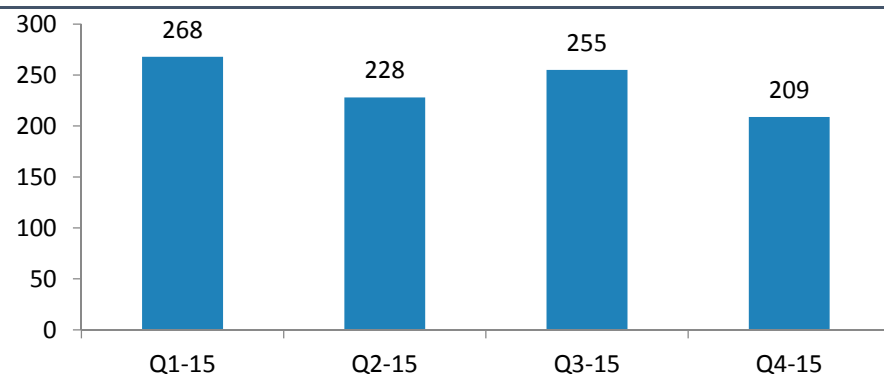
Rating

Rated by Moody`s: A2

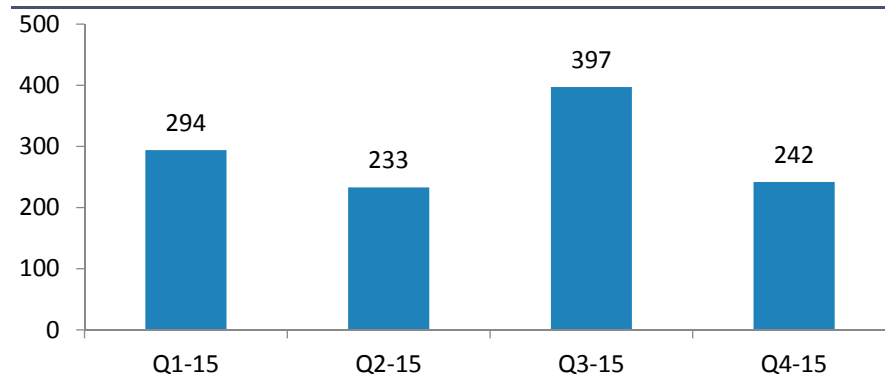


Financial results by quarter

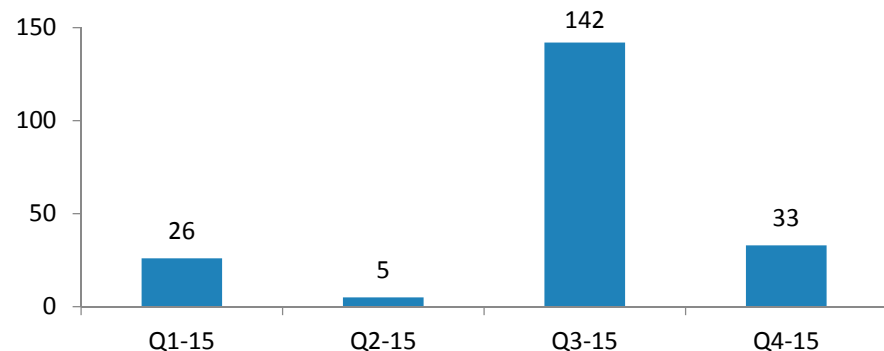
Profit/loss before tax excl. profit from other financial assets and liabilities



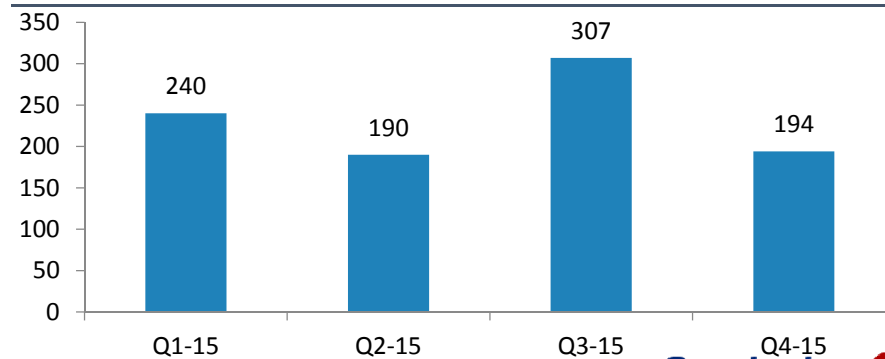
Profit/loss before tax



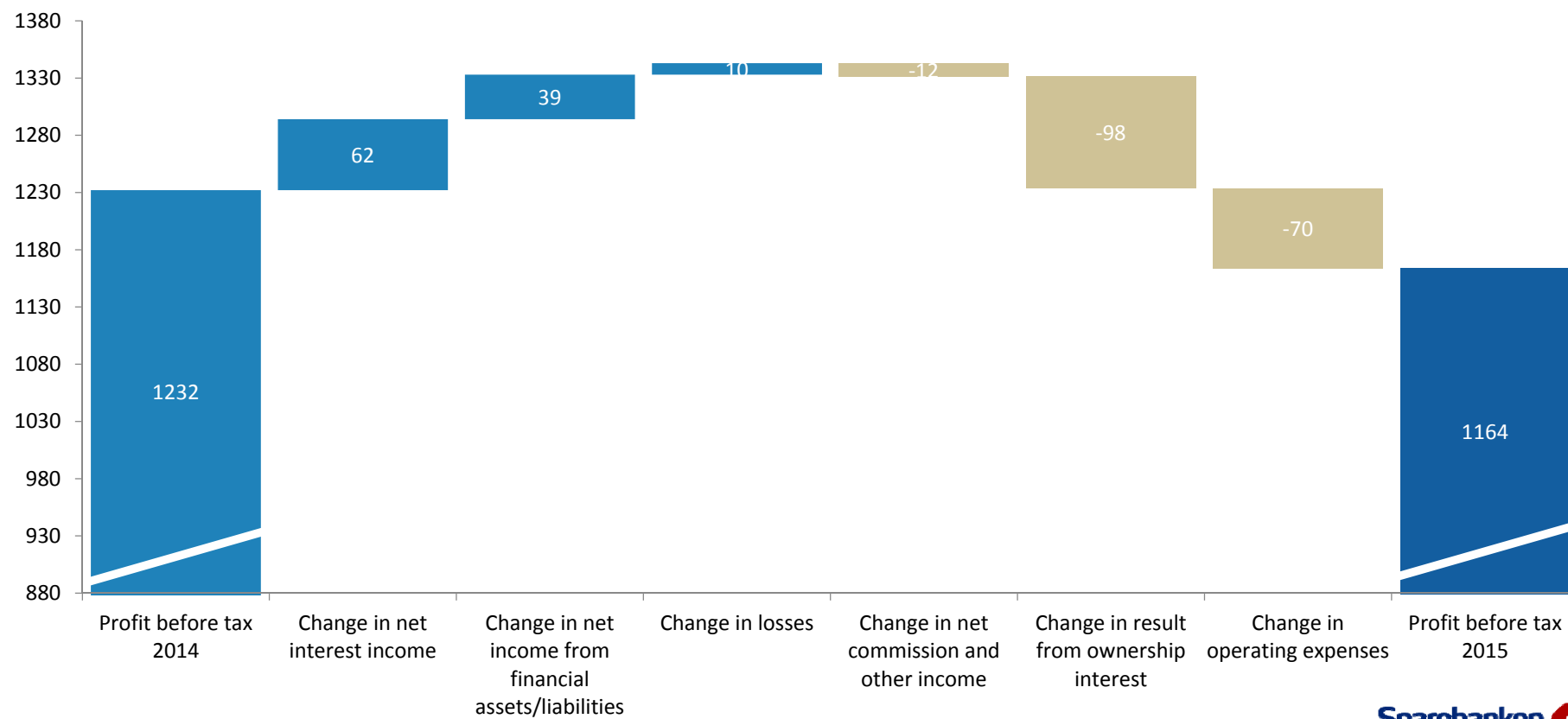
Net result from other financial assets and liabilities



Result after tax



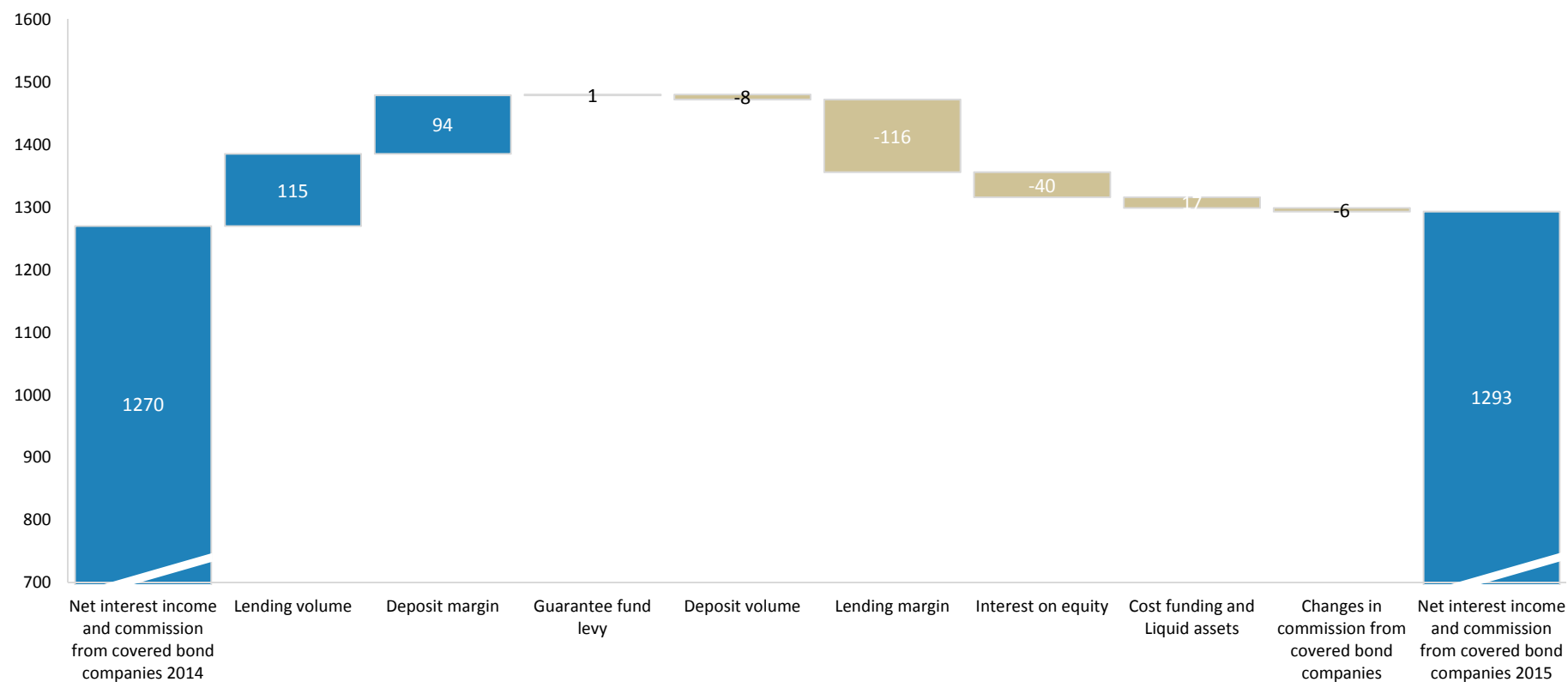
Change in profit before tax 2014 to 2015



Group

Changes in net interest income

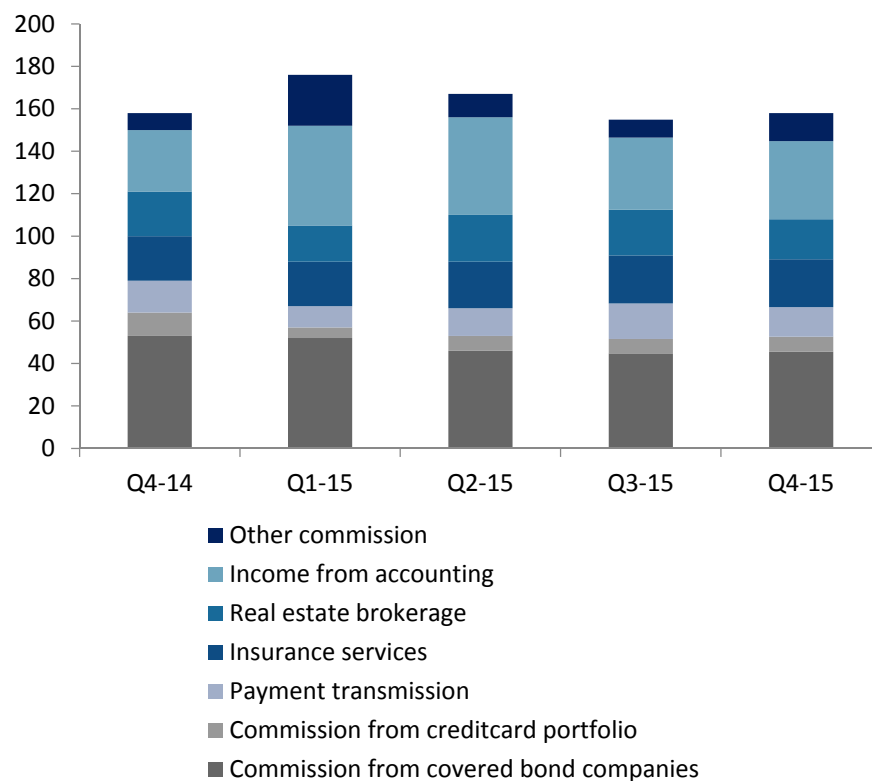
Incl. Commission from covered bond companies
2014 to 2015



Group

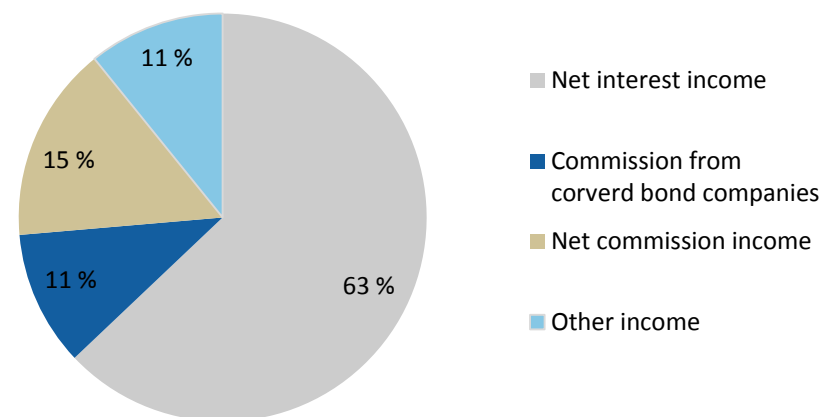
Net commission and other income

Net commission and other income



Group

Composition of total income from banking operations

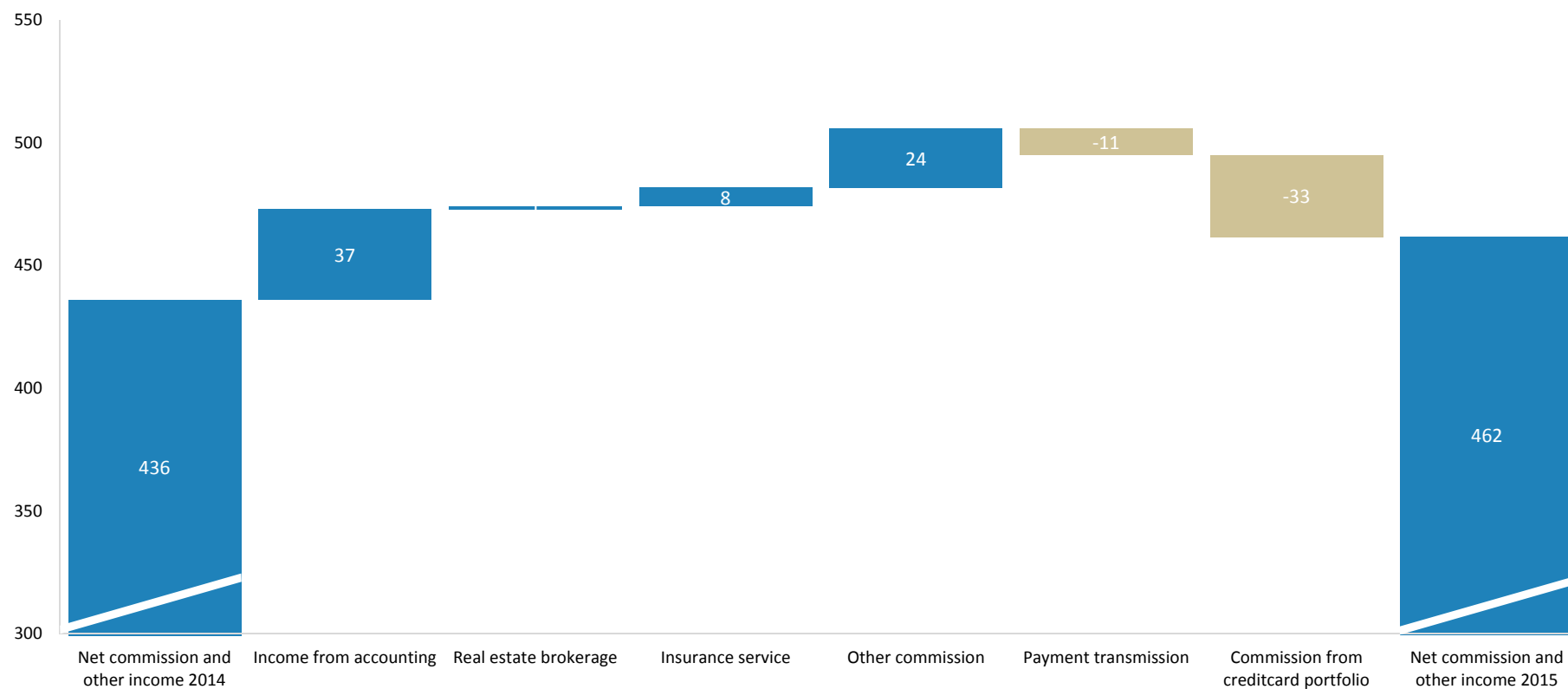


- Net commission income consists of:
 - Commission from credit card portfolio
 - Insurance services
 - Payment transmission
 - Real estate brokerage
- Other operating income consist of:
 - Income from accounting
 - Other commission

Changes in net commission and other income year

Excl. Commission from covered bond companies

From 2014 to 2015



Group

Net income from financial assets and liabilities

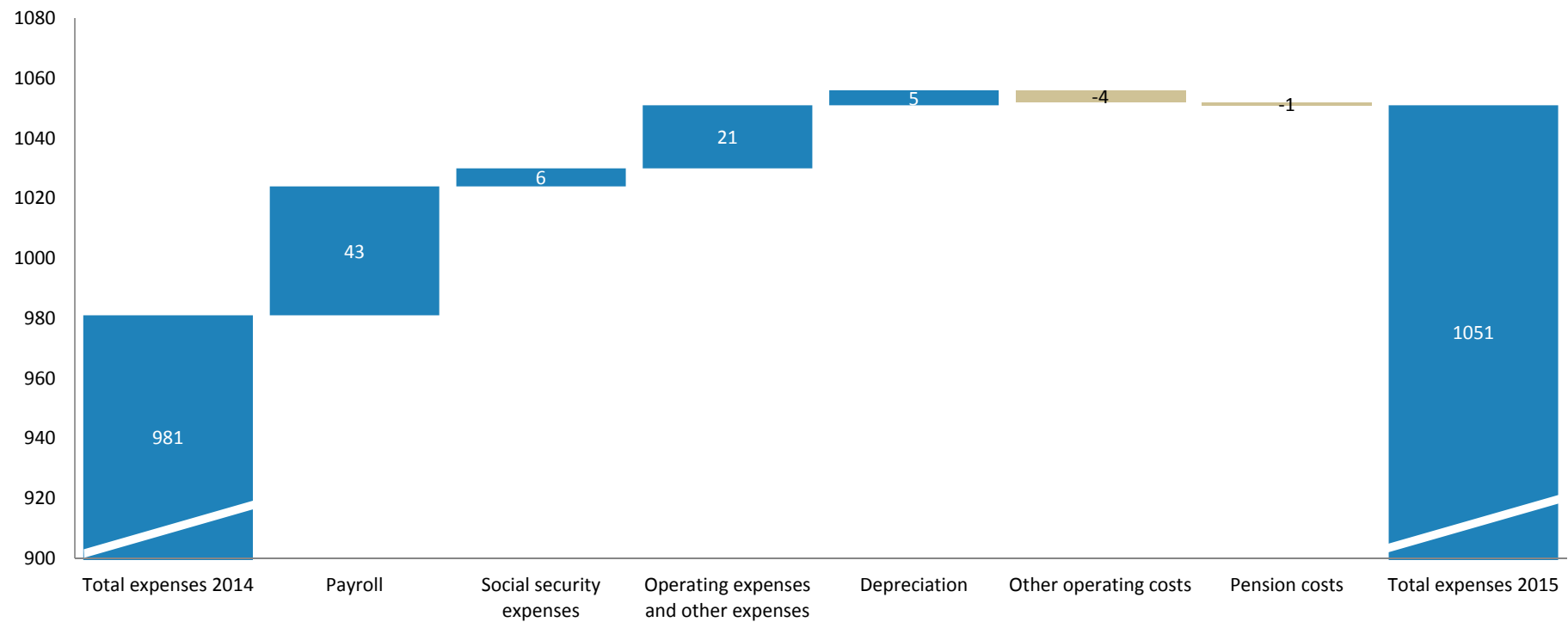
	2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Dividends	8			1	7	1	1		12
Net profit from ownership interest	300	70	66	76	88	97	103	80	114
Net income from other financial assets and liabilities	206	33	142	5	26	29	173	-3	-33
Net income from financial assets and liabilities	514	103	208	82	121	126	276	77	93

Group

Operating expenses

	2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	2014
Payroll	440	115	108	108	109	102	98	95	102	397
Pension costs	54	12	14	14	14	13	14	14	13	54
Social security expenses	97	29	23	21	24	31	20	20	21	92
Total personnel expenses	590	156	145	143	147	146	132	129	136	543
Operating expenses and other expenses	317	96	72	77	71	81	70	74	69	294
Total personnel and operating expenses	907	252	217	220	218	227	202	203	205	837
Depreciation	46	13	11	11	11	11	11	10	10	42
Other operating costs	98	29	20	20	29	26	23	26	27	102
Total expenses	1 051	292	248	251	258	263	236	239	242	980

Change in operating expenses 2014 to 2015



Group

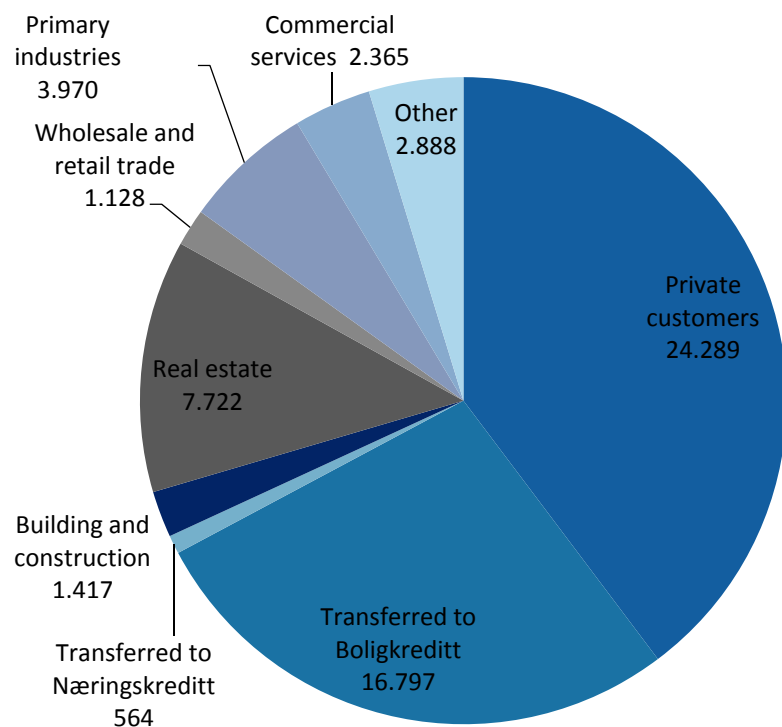
Balance sheet

	31.12.2015	31.12.2014	Change
ASSETS			
Cash and deposits with central banks	264	748	-484
Loans to and receivables from credit institutions	864	675	189
Loans to and receivables from customers	43 526	39 691	3 835
Financial papers	6 882	4 787	2 095
Investments in subsidiaries, associates and joint ventures	3 386	3 073	313
Other assets	1 049	960	89
Total assets	55 970	49 934	6 036
LIABILITIES			
Deposits from and liabilities to credit institutions	660	665	5
Deposits from and liabilities to customers	33 458	31 070	-2 388
Liabilities arising from issuance of securities and financial derivatives	11 896	9 281	-2 615
Other debt and liabilities recognised in the balance sheet	741	789	48
Subordinated loan capital	496	505	9
Total liabilities	47 252	42 310	-4 941
EQUITY CAPITAL			
Ecs	3 897		3 897
Earned equity capital	4 821	7 624	-2 803
Total equity capital	8 718	7 624	-1 094
Total liabilities and equity capital	55 970	49 934	-6 035

Group

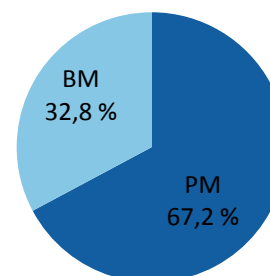
Composition of loans and receivables from customers (Group)

Composition of loans incl. covered bond companies

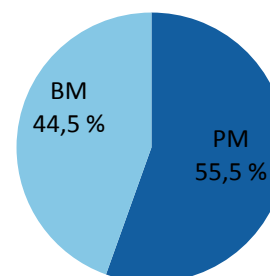


Group

Composition of loans incl. covered bond companies

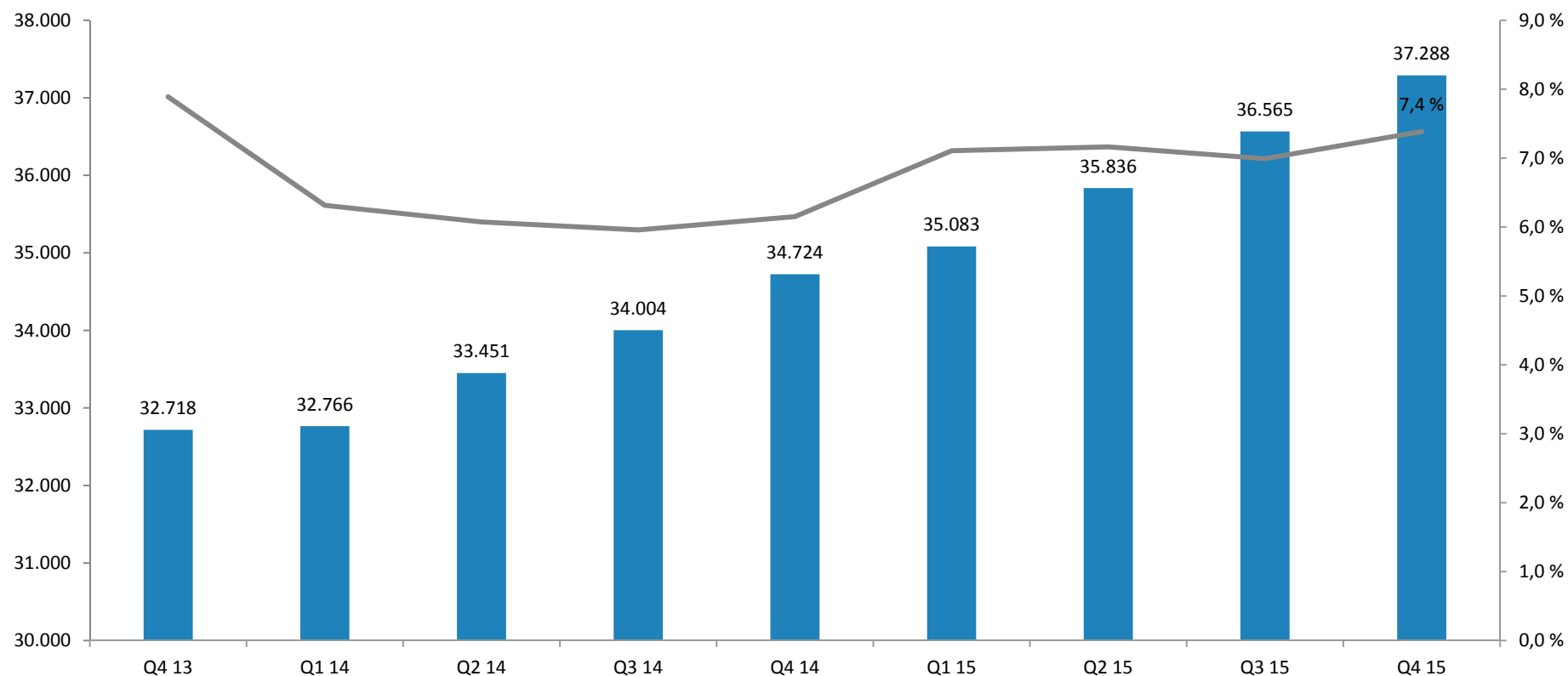


Composition of loans excl. covered bond companies



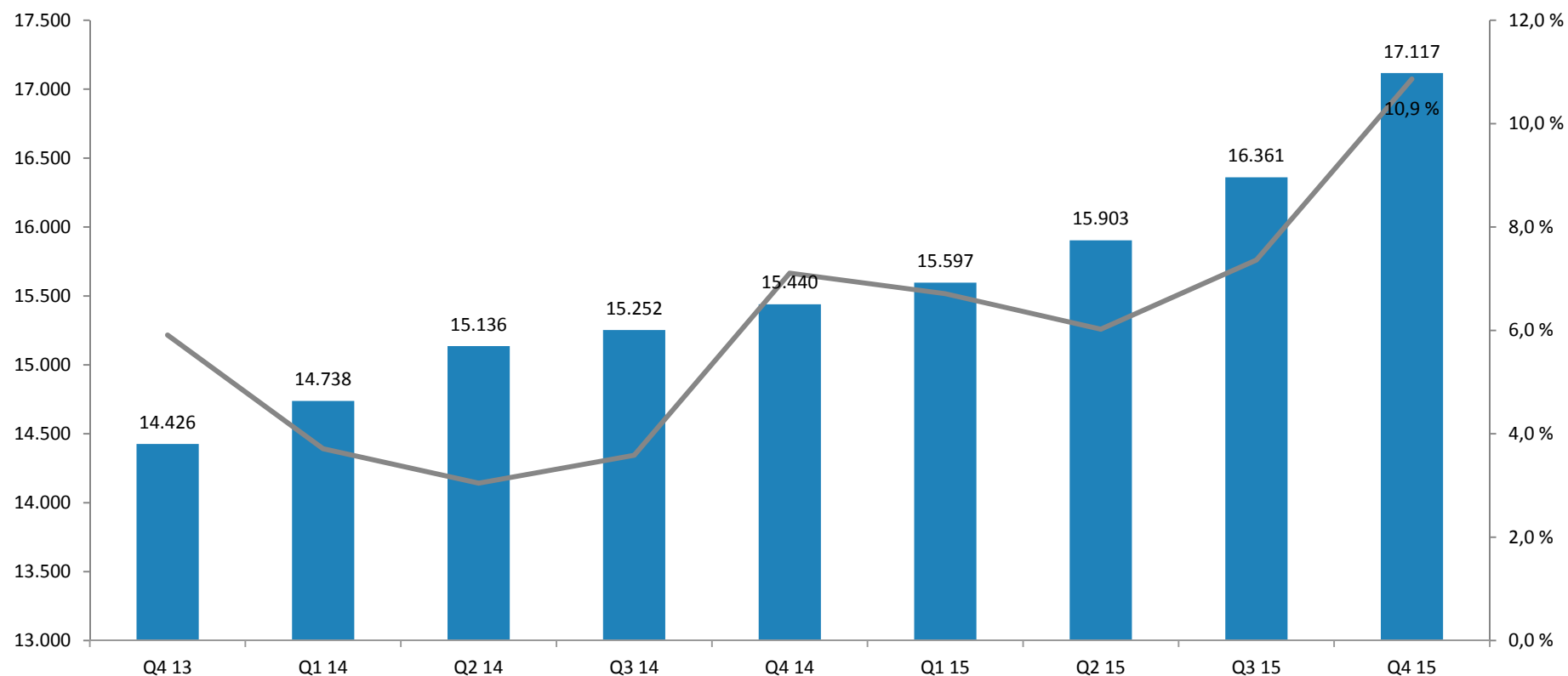
Lending volume and lending growth last 12 months

Retail market (incl. covered bond companies)



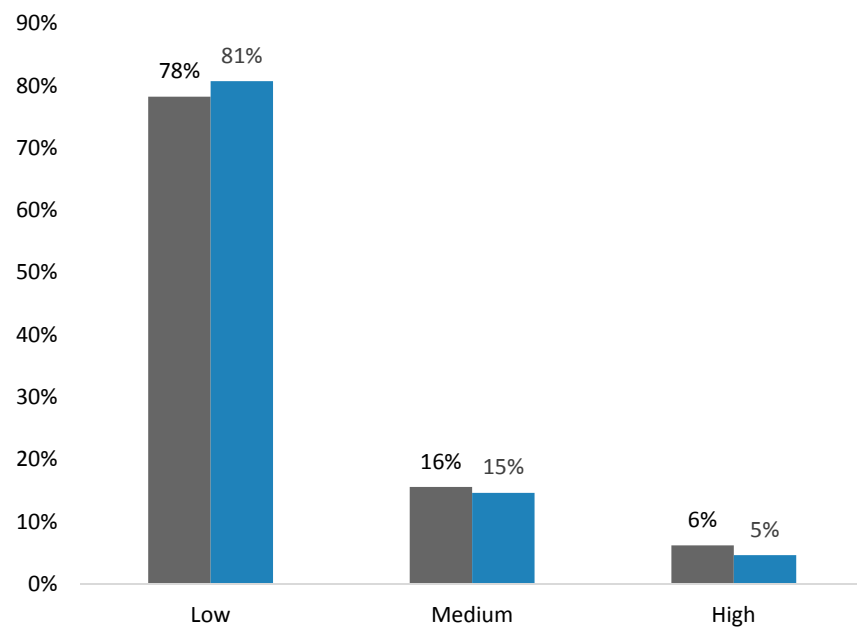
Lending volume and lending growth last 12 months

Corporate market (incl. covered bond companies)



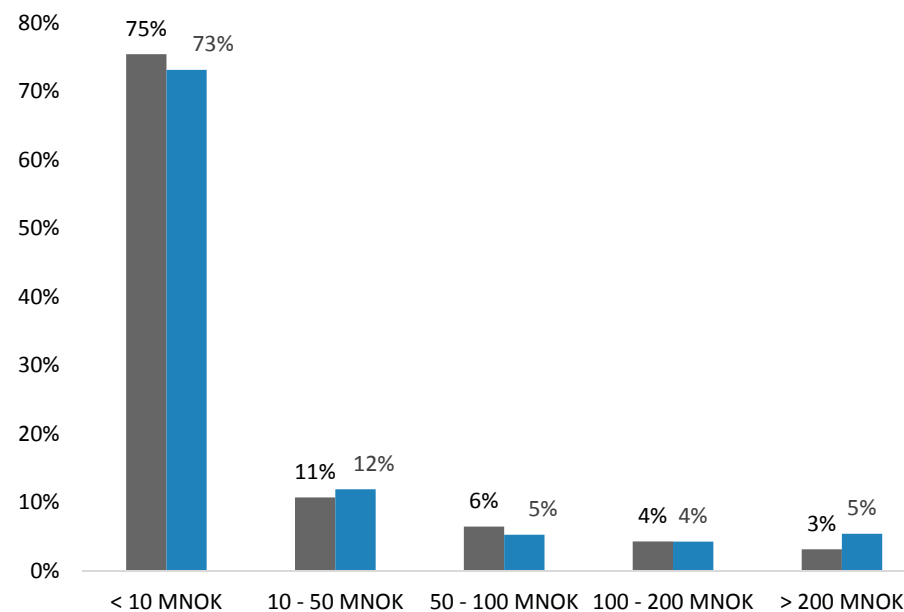
Risk in the loan portfolio (excl. Covered bond companies)

Lending by risk category as a percentage of EAD



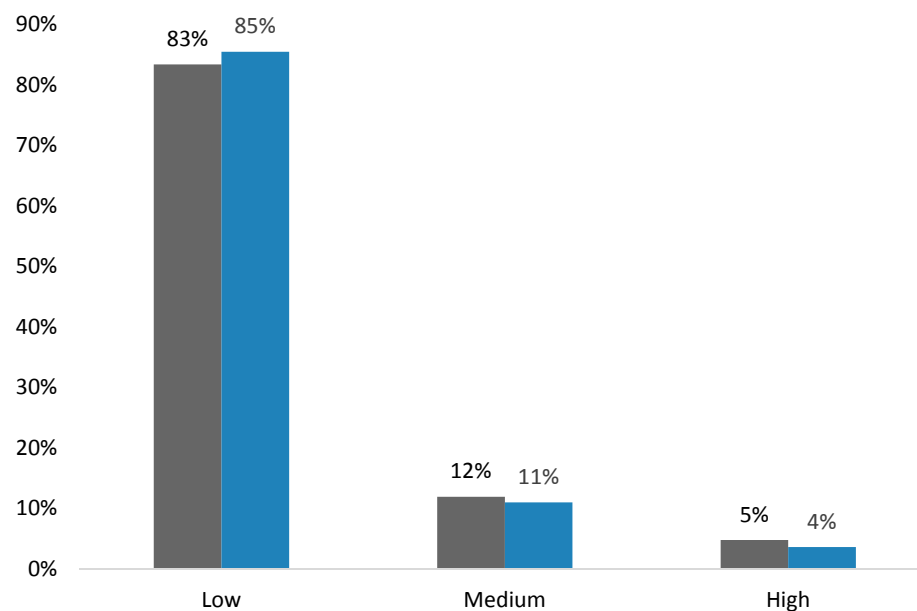
Parent bank

Lending by exposure size as a percentage of EAD

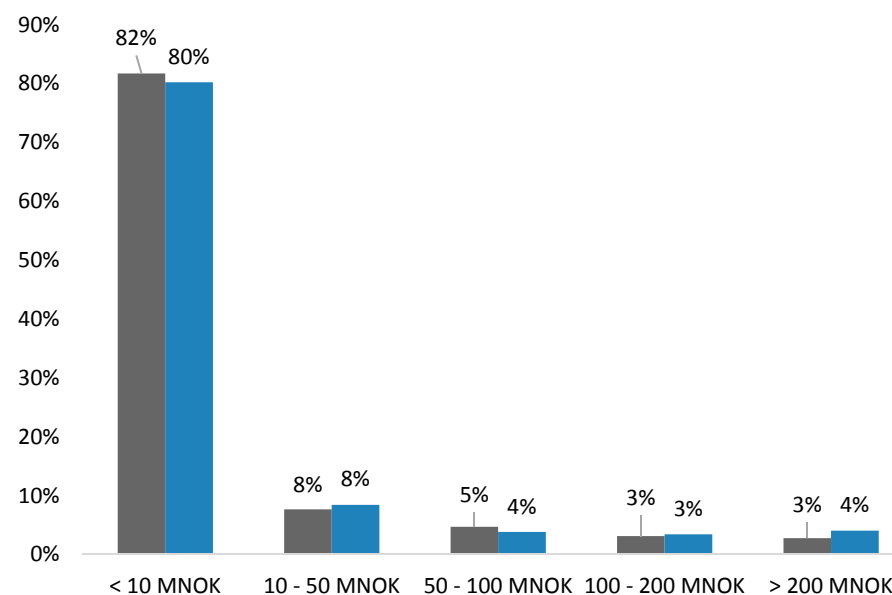


Risk in the loan portfolio (incl. Covered bond companies)

Lending by risk category as a percentage of EAD



Lending by exposure size as a percentage of EAD



Parent bank

Profit/loss Parent bank

	2015	2014	Change
Net interest income	880	835	45
Net commission income	408	466	-58
Other income	21	16	5
Total operating expenses	743	726	-17
Result bank operation before losses	566	591	-25
Losses on loans and guarantees	35	52	17
Result bank operation after losses	531	539	-8
Dividends	8	13	-6
Net profit from ownership interest	260	117	143
Net income from financial assets/liabilities	205	166	39
Profit/loss before tax	1.003	835	168
Tax charge	207	159	-48
Profit/loss after tax	796	676	120



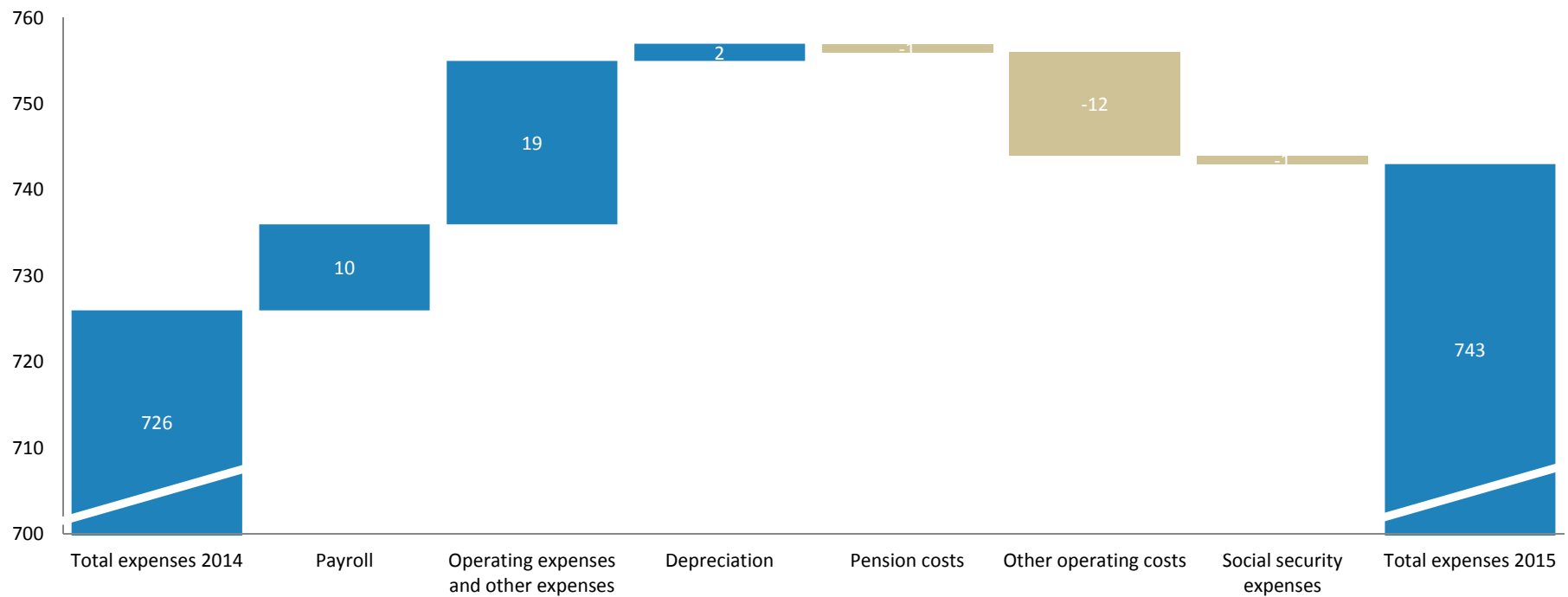
Parent bank

Operating expenses

	2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	2014
Payroll	271	66	70	69	67	62	66	66	66	261
Pension costs	45	11	12	12	11	12	12	12	12	47
Social security expenses	64	20	14	15	14	23	13	15	14	65
Total personnel expenses	380	97	96	96	92	97	91	93	92	374
Operating expenses and other expenses	268	83	60	66	59	67	59	64	59	249
Total personnel and operating expenses	648	180	155	162	151	164	150	157	151	623
Depreciation	36	9	9	9	8	9	9	8	8	33
Other operating costs	59	17	11	12	19	19	16	16	18	70
Total expenses	743	206	176	182	179	192	175	181	178	726

Parent bank

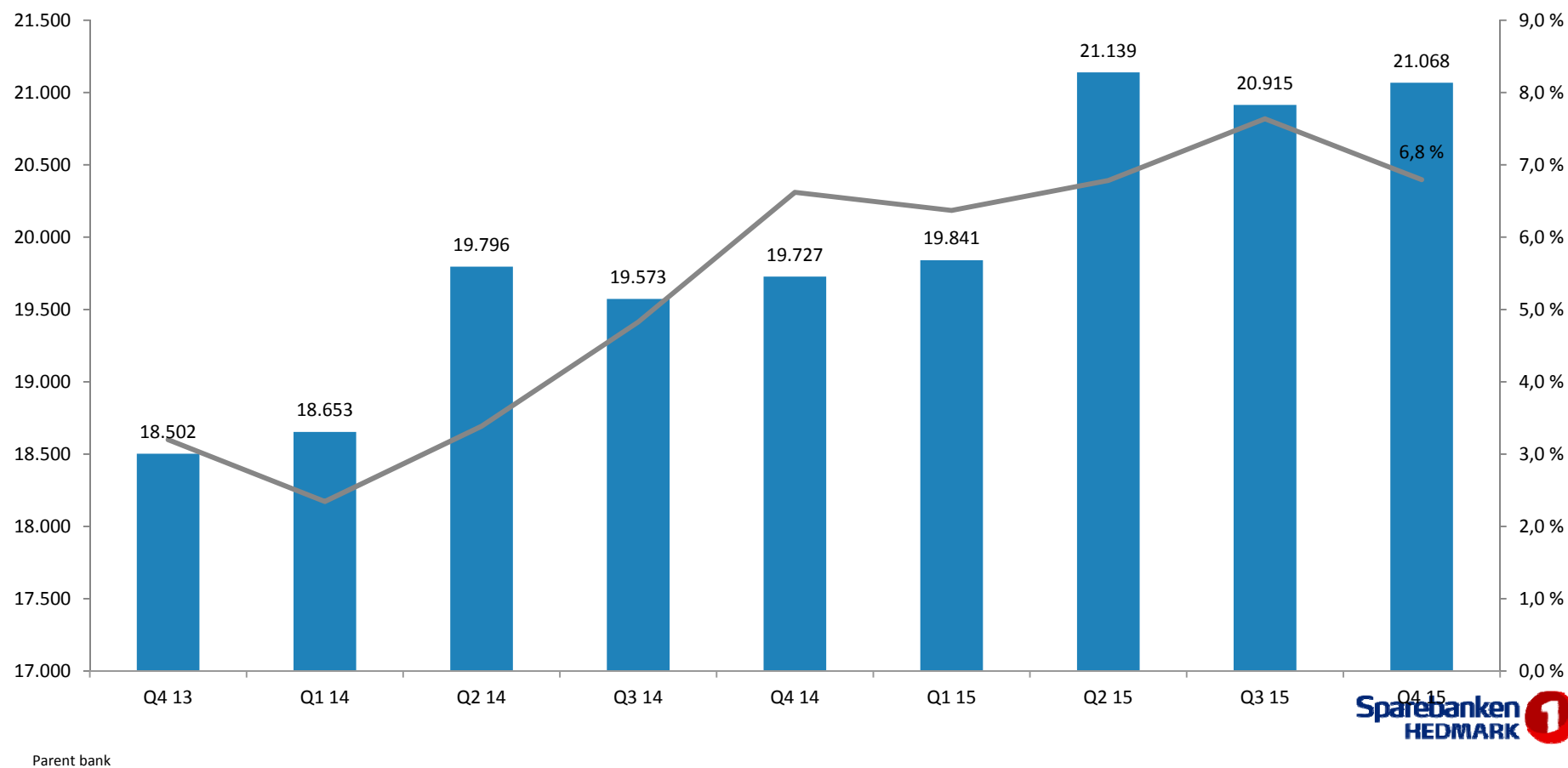
Change in operating expenses



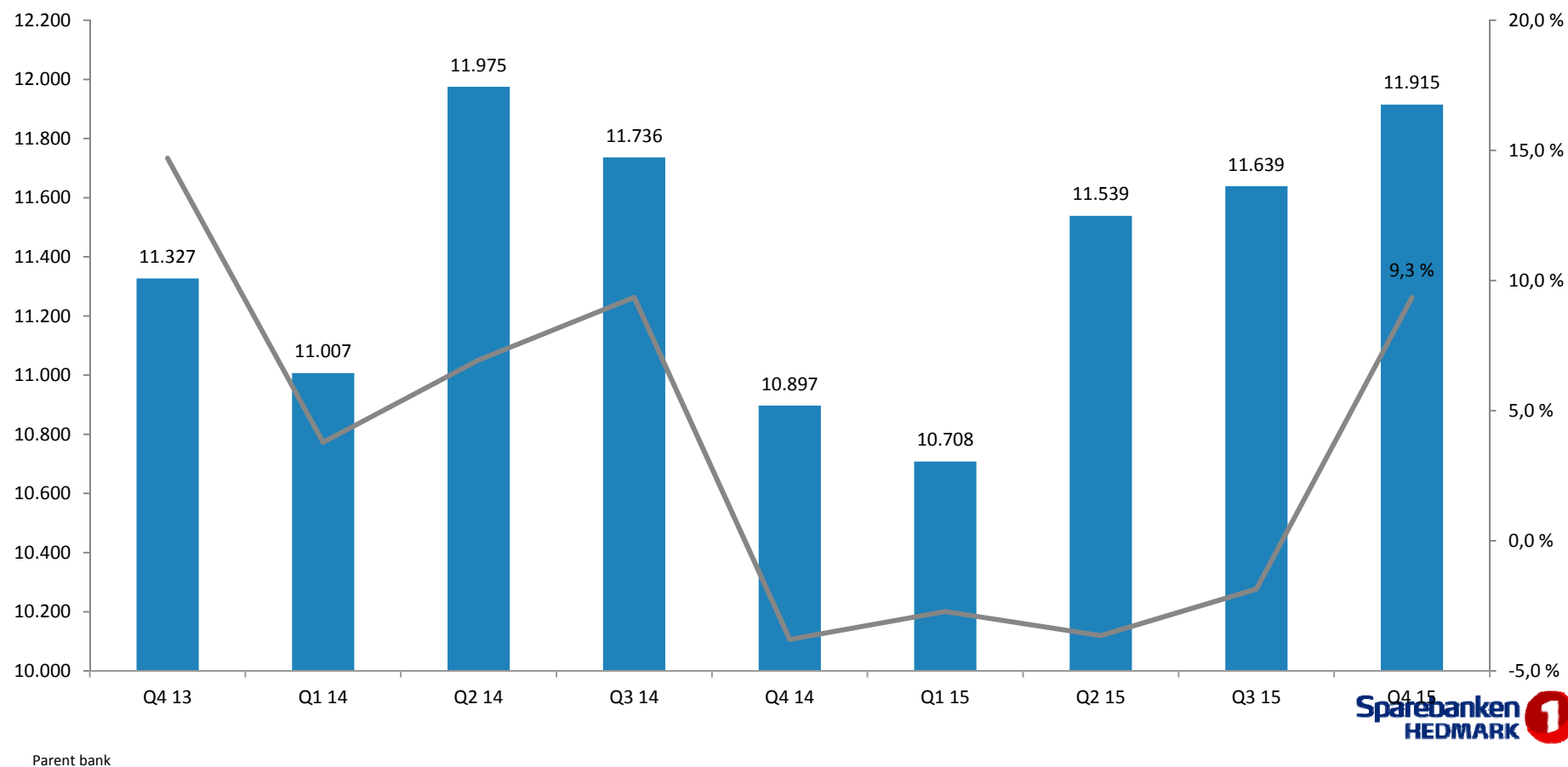
Parent bank

Deposit volume and Deposit growth during the last 12 months

Retail market

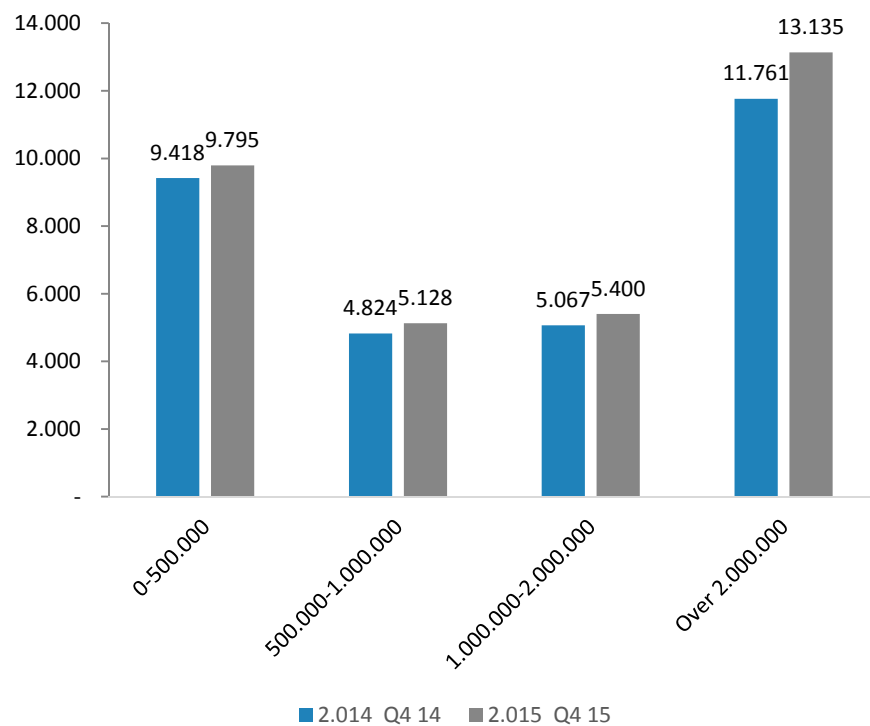


Deposit volume and Deposit growth during the last 12 months Corporate market

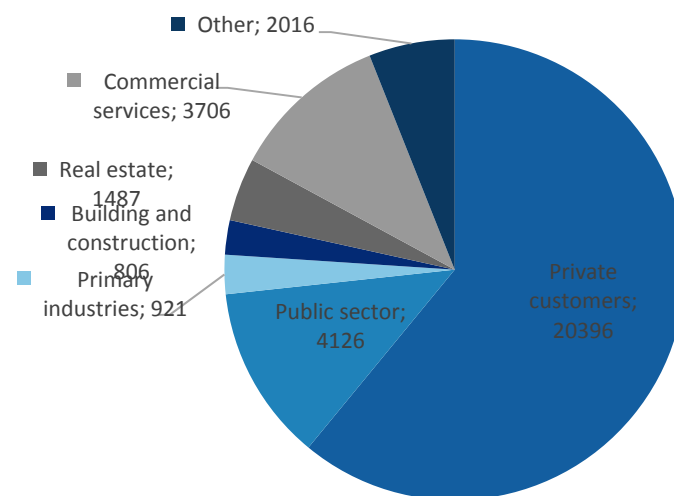


Distribution of deposits

Distributed on deposit size

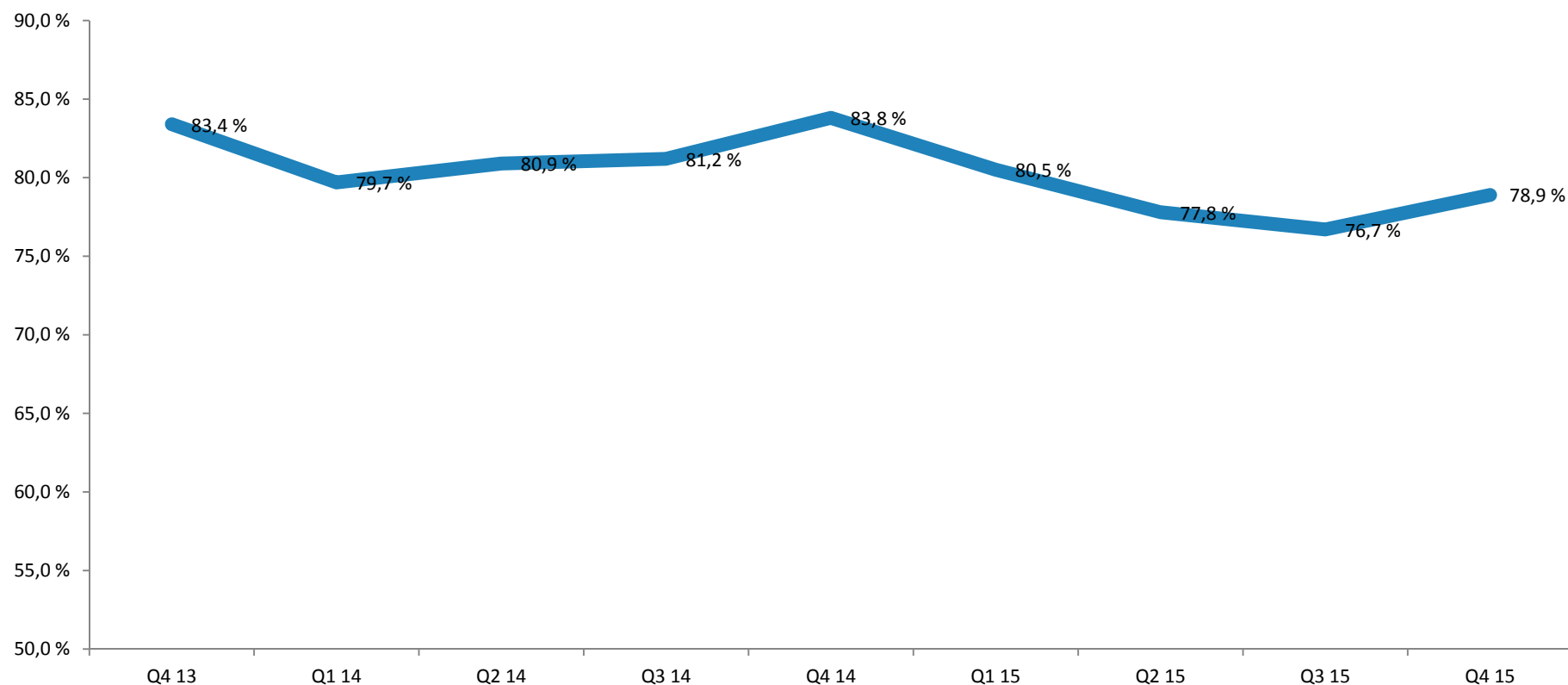


Composition of deposits



Deposit-to-loan ratio *

Isolated quarters, accumulated deposit-to-loan ratio as at 31.12.15: 76,4 %



* Deposit from customers as a percentage of gross loans to customers (excl. loans transferred to covered bond companies)

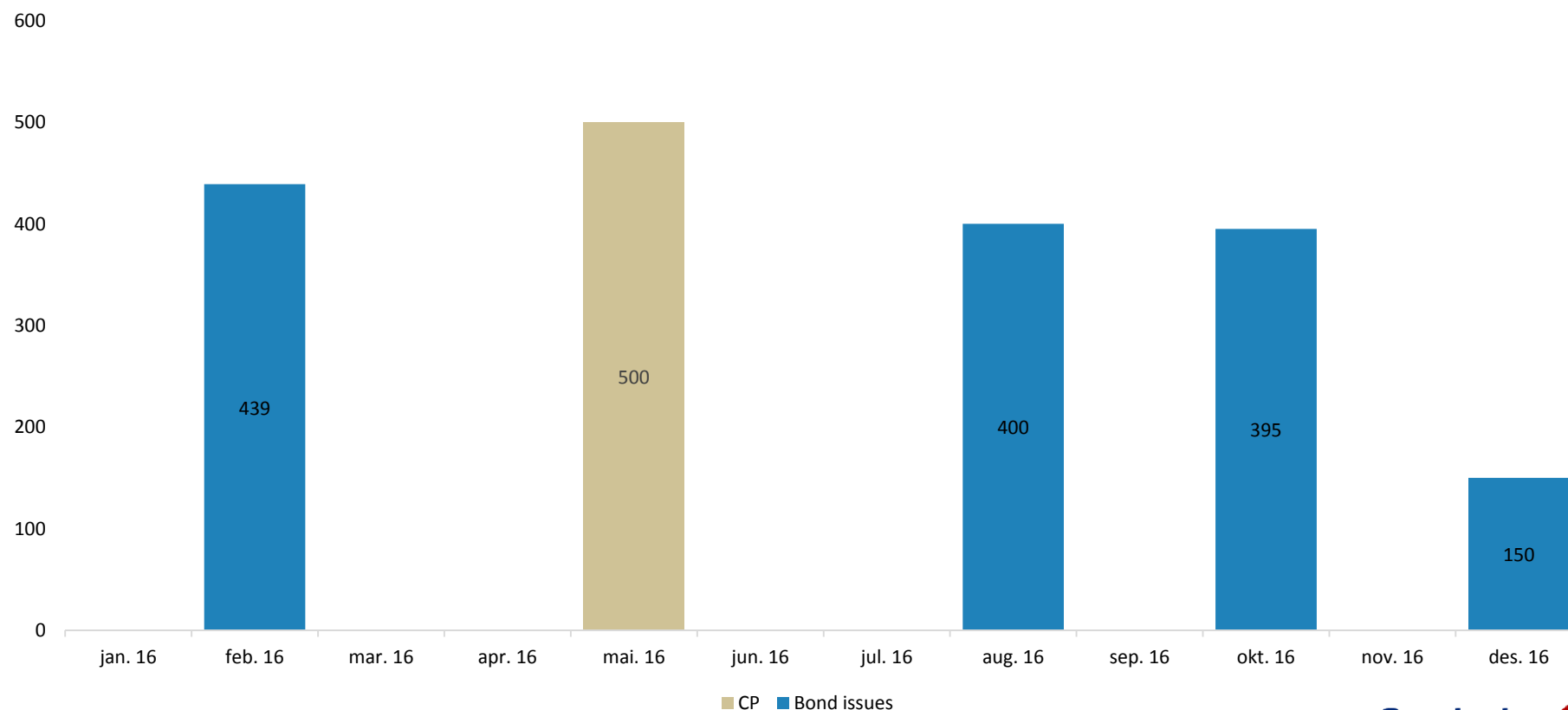
Liquidity reserves as at 31.12.2015 NOK 9 710 mill



Parent bank

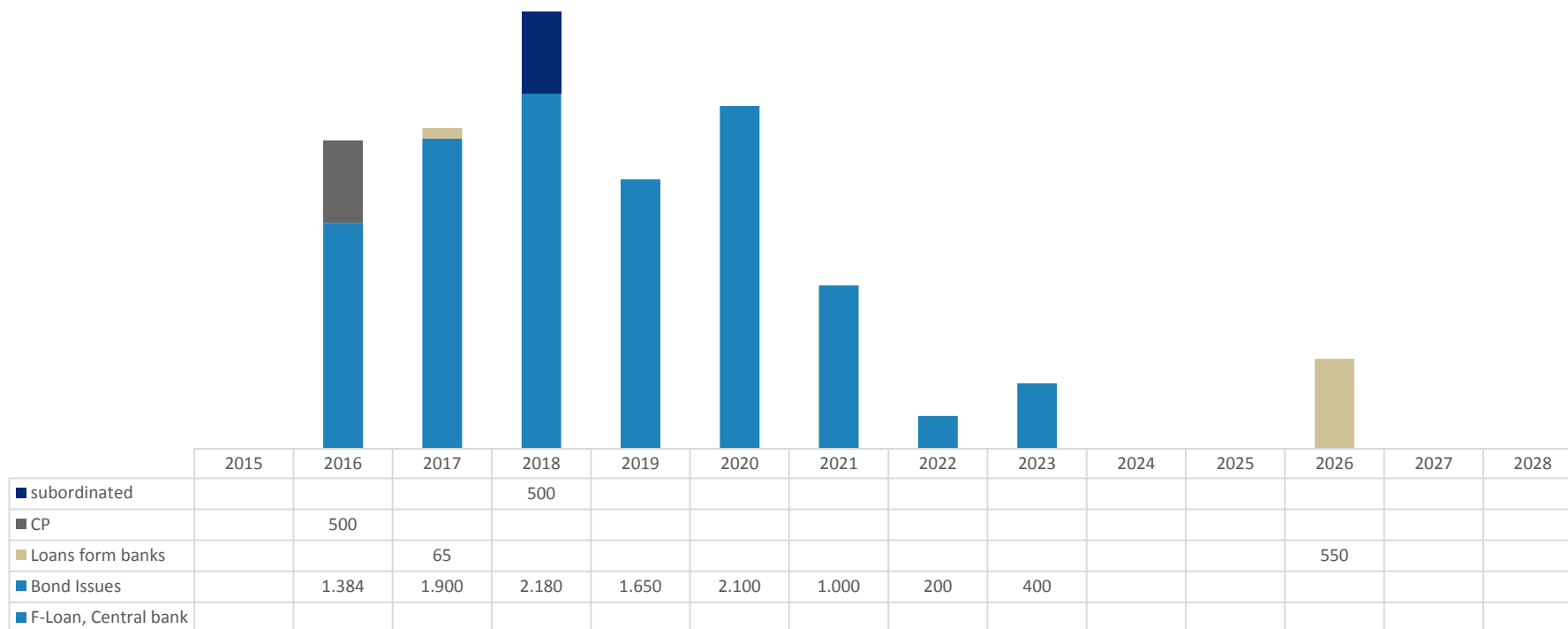
Funding maturities next 12 months

Total due MNOK 1 884



Annual maturities

Total due MNOK 12 429



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