

Financial result

First quarter 2016

April 28th 2016

Sparebanken
HEDMARK



Highlights – financial report first quarter 2016

Satisfactory Return on Equity

- Return on equity was 7.6 per cent.
- Return on equity adjusted for securities effects was 9.8 per cent.

Very well capitalized

- Very high solvency with a CET-1 capital ratio of 16.9 per cent for the Group.
- Equity ratio was 15.7 per cent for the Group.

Best earnings after loss ever

- Strengthened net interest margin – falling lending margins and considerably better deposit margins .
- Costs in parent bank decreased 2.2 per cent compared to the same period last year.
- The net effect of lower credit spreads on fixed income securities was negative in the amount of NOK 72 million.
- Larger customer activity and still high growth (9.7 and 8.4 per cent lending and deposit last 12 months , respectively)

No credit risk from oil-related activities and low losses

- Very low losses and reduction in the share of problem loans
- The bank`s direct exposure to the oil sector accounts for less than 0.1 per cent of gross loans.
- Stable economic development in the Inland region and lending within the corporate market dominated by loans to small and medium-sized enterprises and agriculture contribute to continued low losses

Good result - adjusted for changes in value of financial securities

-Return on equity of 9.8% excluding changes in the value of issued debt and fixed income investments

	Q1 2016*	Q1 2016	Q1 2015	2015
Net interest income	297	297	265	1105
Net commission income	110	110	110	461
Other income	50	50	61	190
Total operating expenses	253	253	258	1051
Result bank operation before losses	204	204	178	705
Losses on loans and guarantees	9	9	5	56
Result bank operation after losses	195	195	173	649
Dividends			7	8
Net profit from ownership interest	70	70	88	301
Net income from financial assets/liabilities	-	-63	26	205
Profit/loss before tax	265	202	294	1.164
Tax charge	49	33	54	234
Profit/loss after tax	216	169	240	930
Return on equity capital after tax	9,8 %	7,7 %	12,5 %	11,4 %
Total operating costs in relation to total income		54,5 %	46,3 %	46,3 %
Losses on loans as a percentage of gross loans		0,1 %	0,1 %	0,1 %

* Excluding changes in value of issued debt, fixed income investments and fixed-rate loans

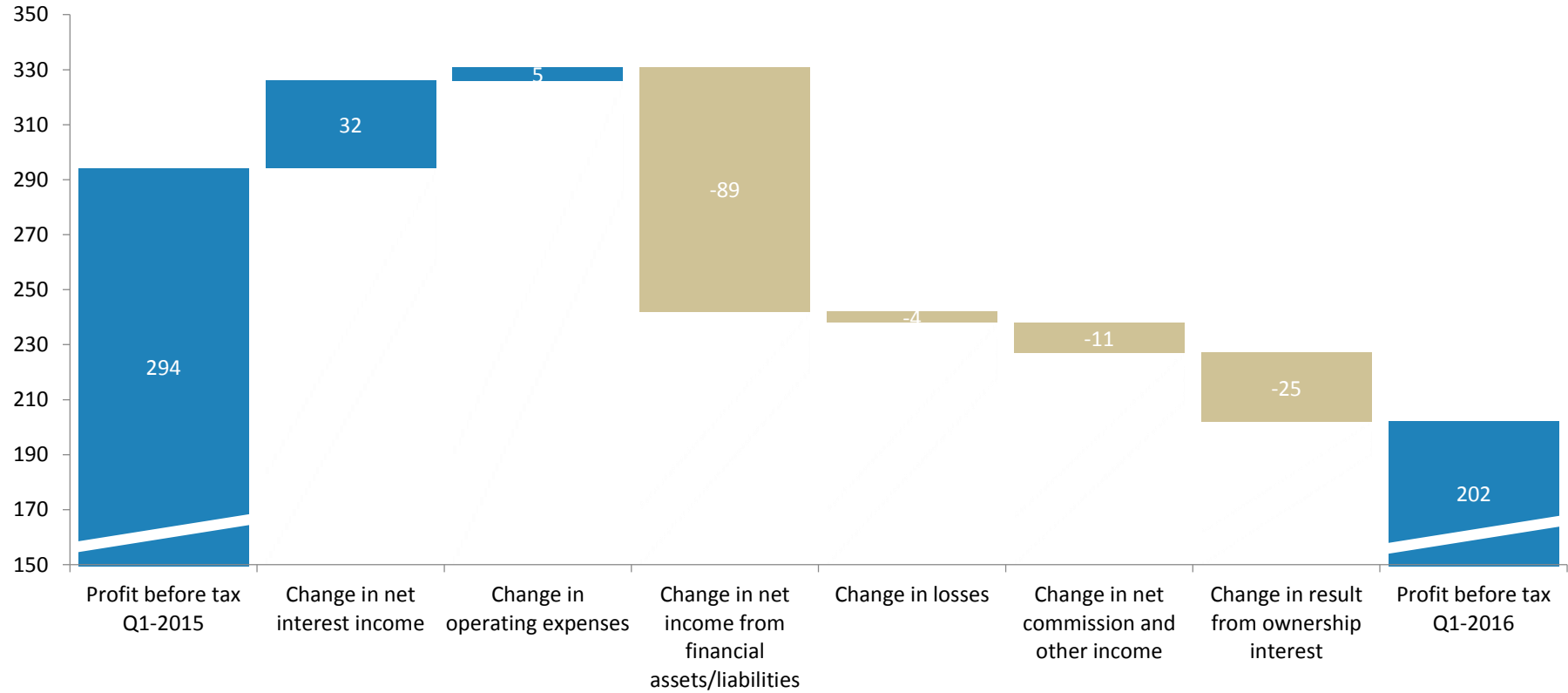
Diversified income

- Earnings from subsidiaries and joint ventures account for over 50 per cent of its consolidated profit

<i>(Nok million)</i>	Q1 2016	Q1 2015	2015
Parent Bank's profit after tax	158	218	796
Dividends received from subsidiaries and joint ventures	-80	-94	-259
Profit /loss attributable to:			
SpareBank 1 Gruppen AS	34	34	142
Bank 1 Oslo Akershus AS	23	31	103
SpareBank 1 Boligkreditt	12	22	46
EiendomsMegler 1 Hedmark Eiendom AS	1	1	5
SpareBank 1 Finans Østlandet AS	18	18	74
SpareBank 1 Regnskapshuset Østlandet AS	1	10	11
SpareBank 1 Kredittkort AS	3		
Other companies	-1		2
Consolidated profit after tax	169	240	930

Good results from operations

- Profit decline from Q1 2015 due to fixed income securities and ownership interest



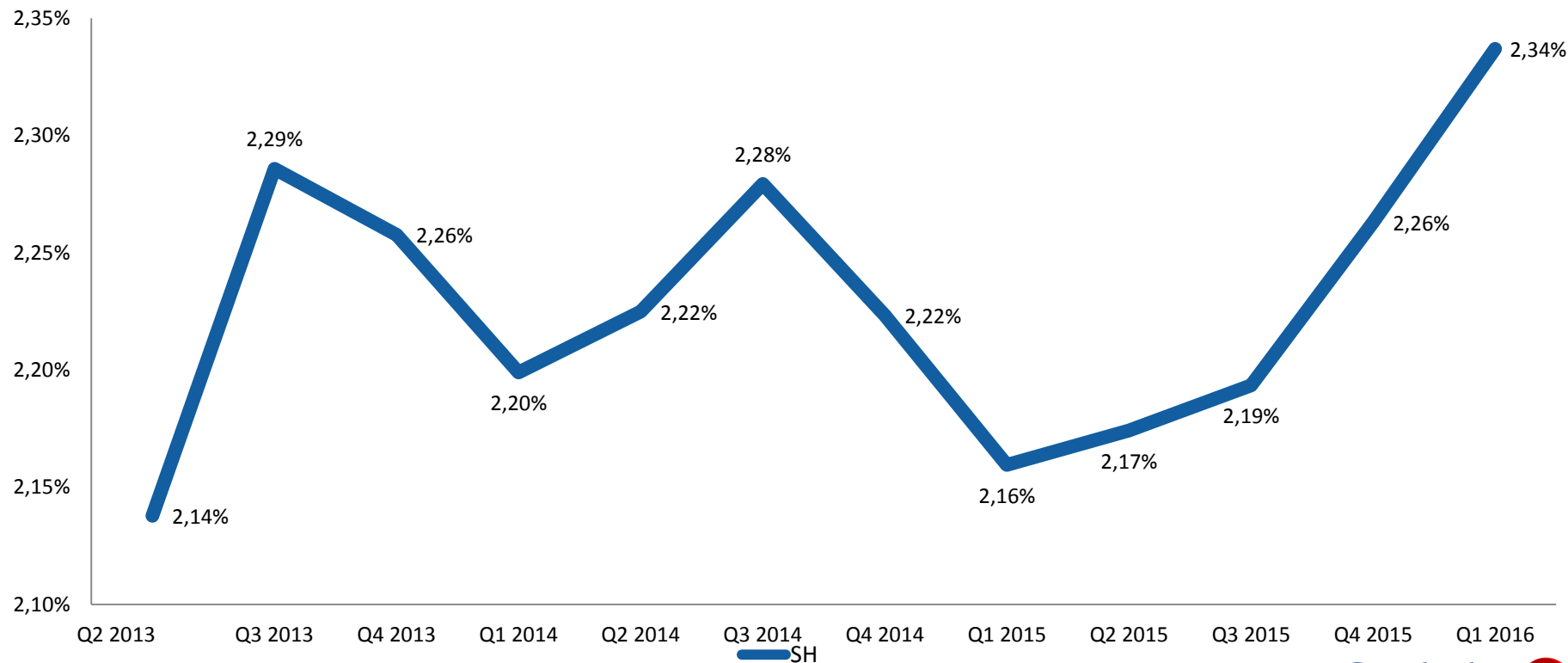
Very strong quarter profit from banking operations

- Growth in net interest income and capitalized interest margin in the first quarter

	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net interest income	297	289	280	271	265	272	272	259	240
Net commission income	110	115	118	118	110	104	104	109	130
Other income	50	44	37	48	61	54	51	57	56
Total operating expenses	253	292	248	251	258	263	237	239	242
Result bankoperation before losses	204	156	187	186	178	167	190	185	184
Losses on loans and guarantees	9	18	-2	35	5	24	9	21	12
Result bankoperation after losses	195	138	189	151	173	143	181	164	172
Dividends				1	7	1	1	0	12
Net profit from ownership interest	70	70	67	76	88	97	103	81	114
Net income from financial assets/liabilities	-63	33	141	5	26	29	173	-4	-33
Profit/loss before tax	202	241	397	234	294	270	458	241	265
Tax charge	33	48	89	43	54	56	54	45	38
Profit/loss after tax	169	194	307	190	240	214	403	197	227

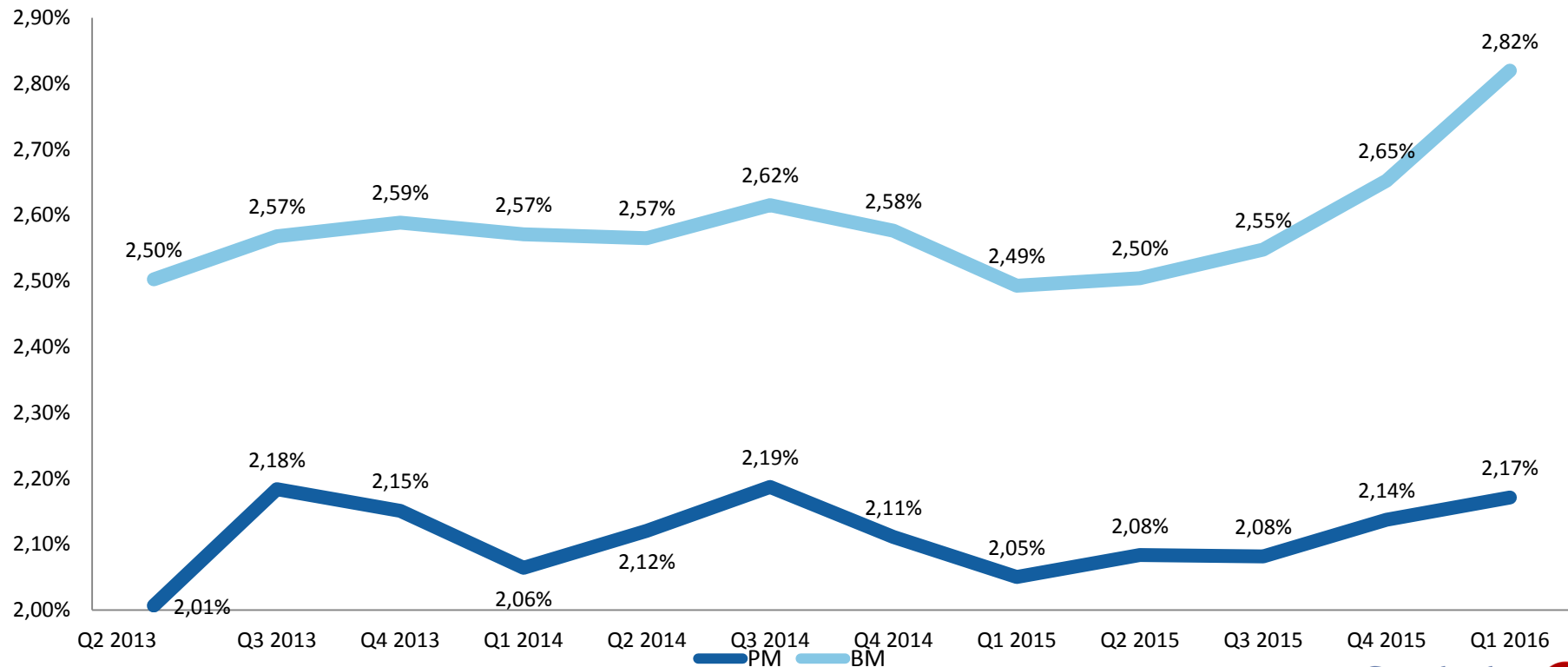
Positive trend in the interest margin

Interest margin for Parent bank, incl. commission from Boligkreditt

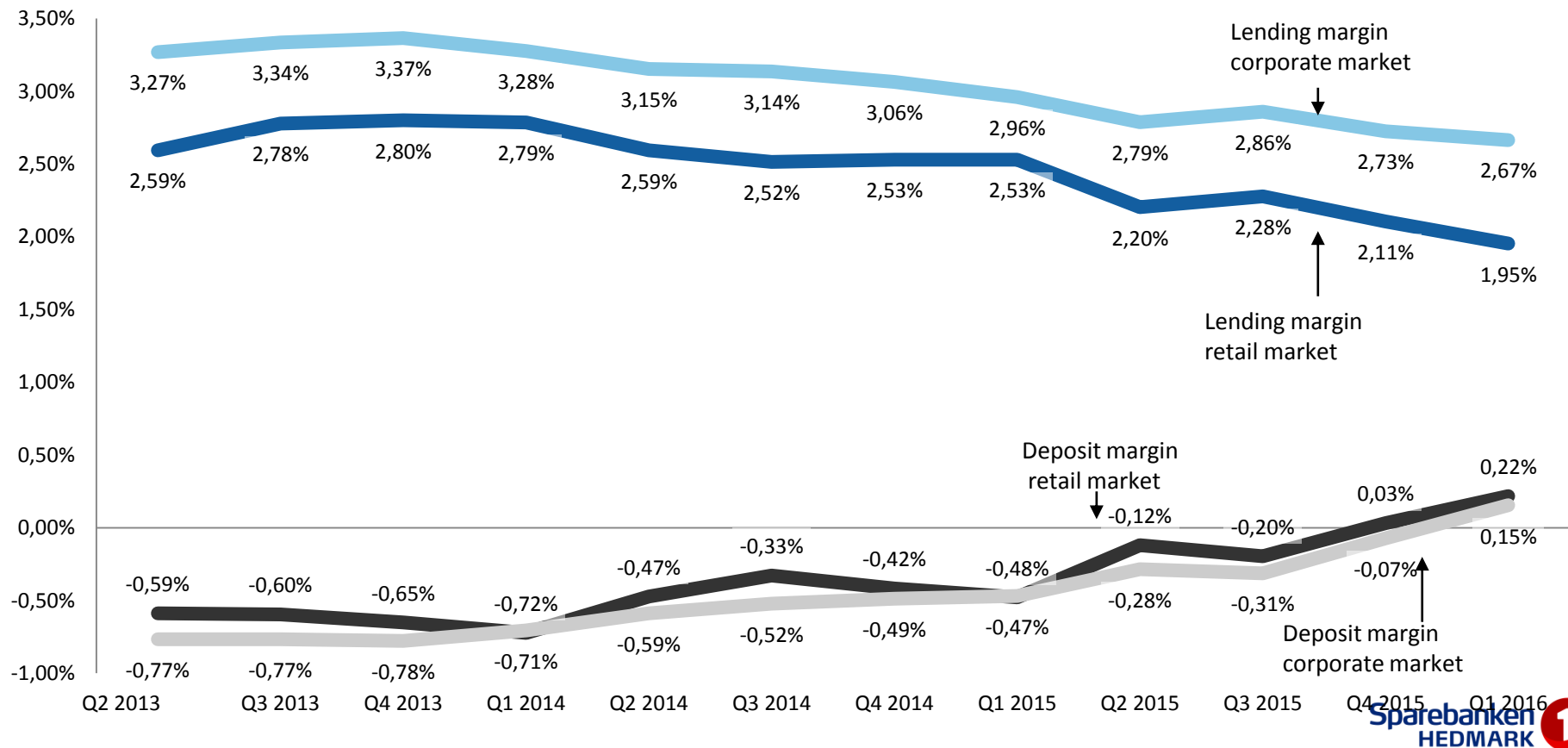


Improved margins in corporate market and in retail market

Retail market (PM) and Corporate market (BM) incl. commission from Boligkreditt

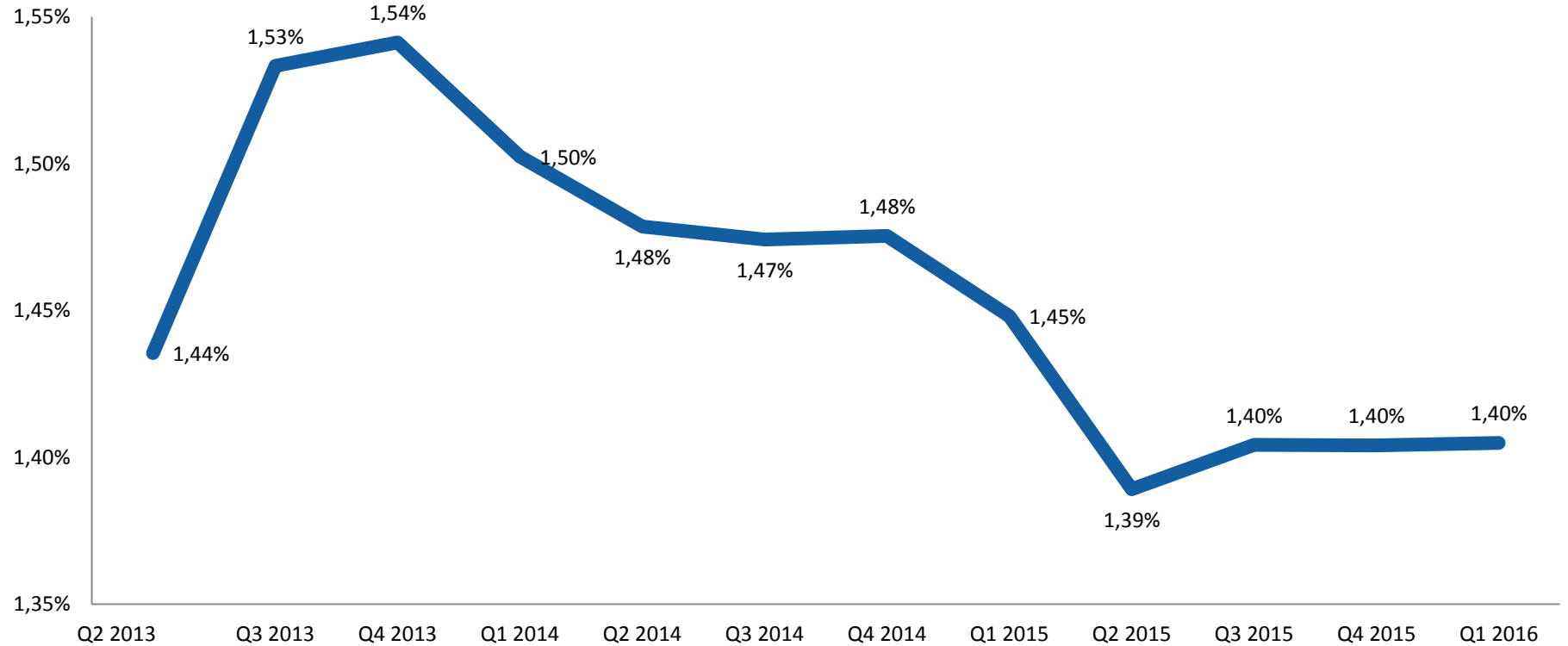


Decline in lending margins and improvement in deposits margins



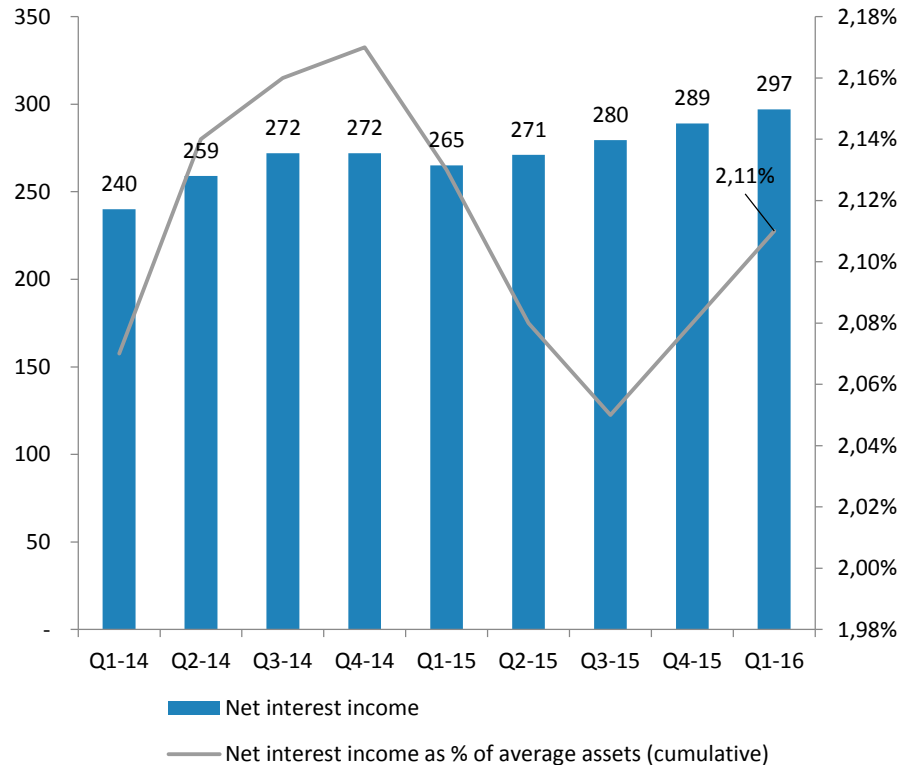
Unchanged volume weighted interest margin

- Despite significant decline in interest rates

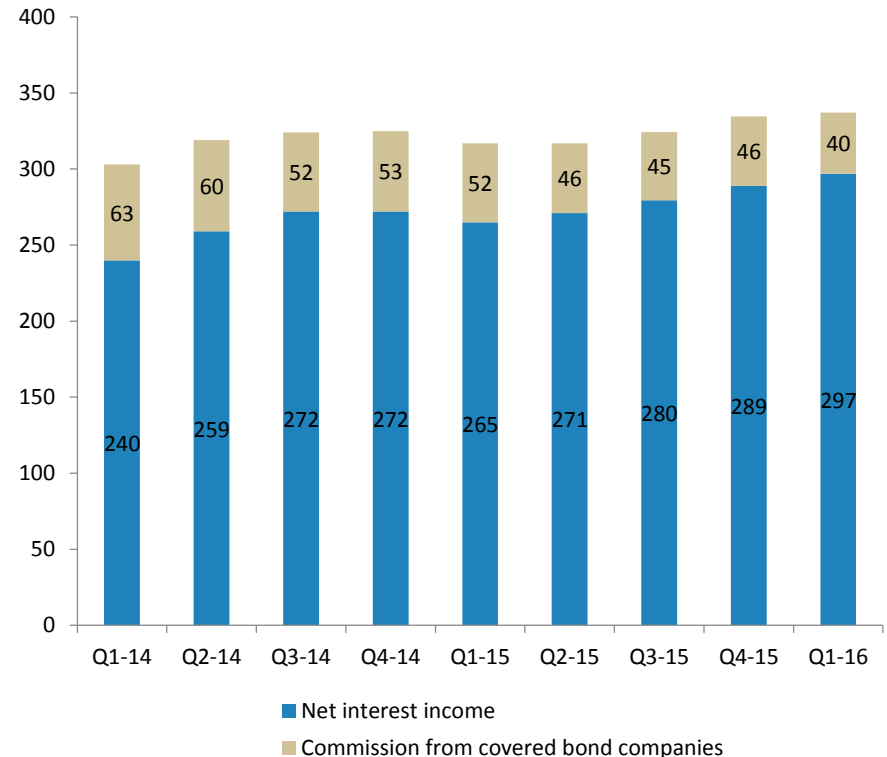


Positive trend in interest income in first quarter

Interest income excl. commission from covered bond companies*



Interest income incl. commission from covered bond companies

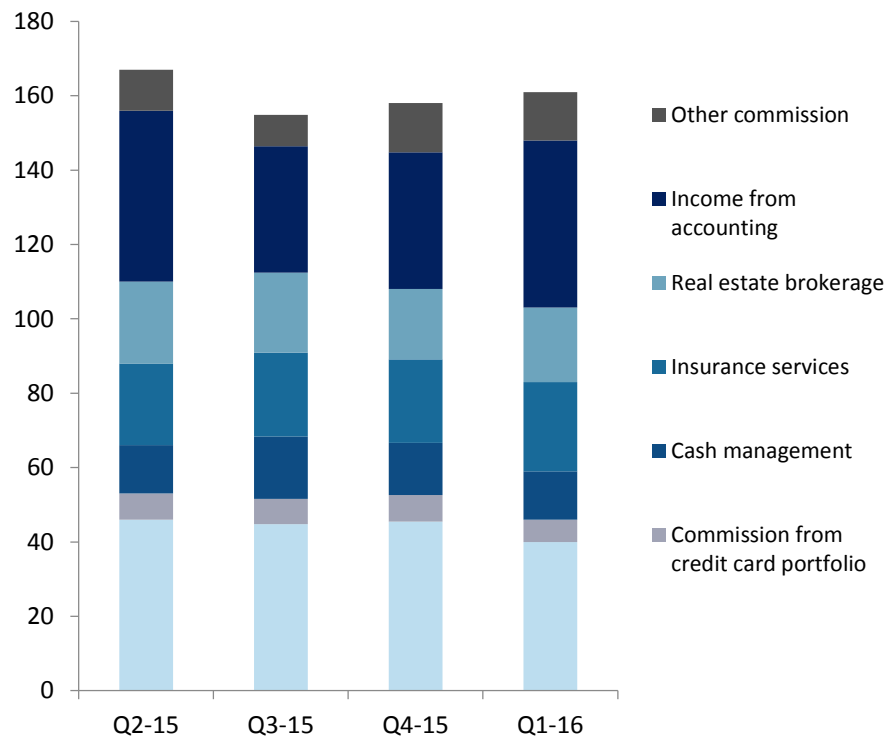


*Sales of Mastercard portfolio in Q1 2014 contributed to reduced reported net interest income. Recognized after Q1-2014 as commissions.

Group

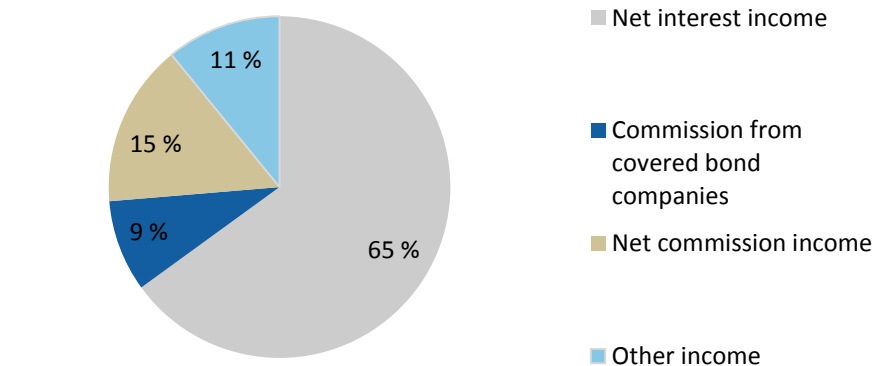
Net commission and other income

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 and funds
 - Cash management
 - Real estate brokerage
- Other operating income consist of:
 - Income from accounting
 - Other commission

Net income from financial assets and liabilities

- Decline by 20 bp on own funding contributed to unrealized losses of NOK 72 million

- The total net change in market value of fixed-income securities amounted to minus NOK 72 (-3)
- Change in value for fixed-rate products for customers was NOK 8 (26) million
- Other items amounted to NOK 1 (3) million.

	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015
Dividends				1	7	8
Net profit from ownership interest	70	71	66	76	88	300
Net income from other financial assets and liabilities	-63	33	142	5	26	206
Net income from financial assets and liabilities	7	104	208	82	121	514

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

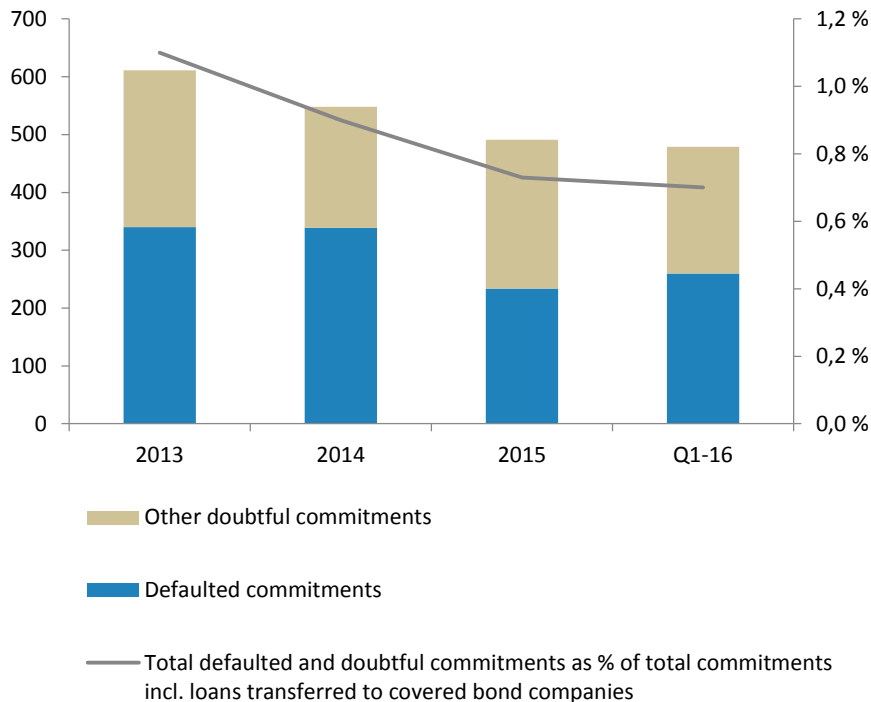
Satisfactory development in operating expenses

- Parent bank shows a decline in costs of 2.2 per cent against Q1-2015

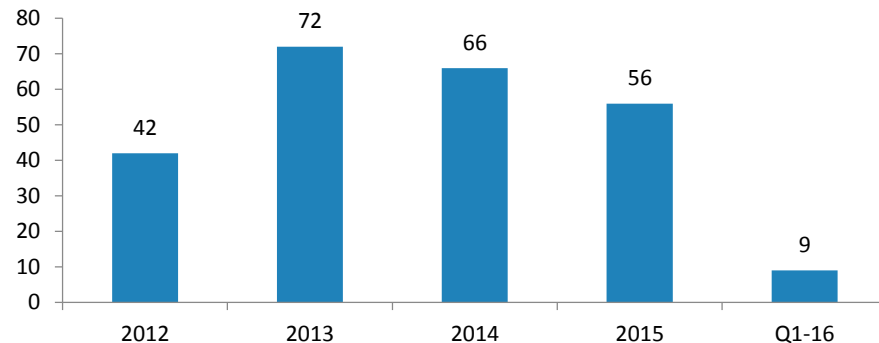
	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015
Payroll	116	115	108	108	109	440
Pension costs	8	12	14	14	14	54
Social security expenses	24	29	23	21	24	97
Total personnel expenses	148	156	145	143	147	590
Operating expenses and other expenses	68	96	72	77	71	317
Total personnel and operating expenses	216	252	217	220	218	907
Depreciation	11	13	11	11	11	46
Other operating costs	25	29	20	20	29	98
Total expenses	253	292	248	251	258	1.051

Low losses and stable development in problem loans

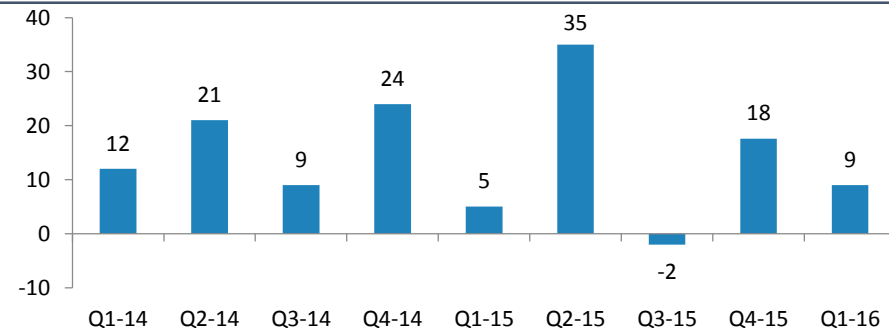
Problem loans



Annual losses

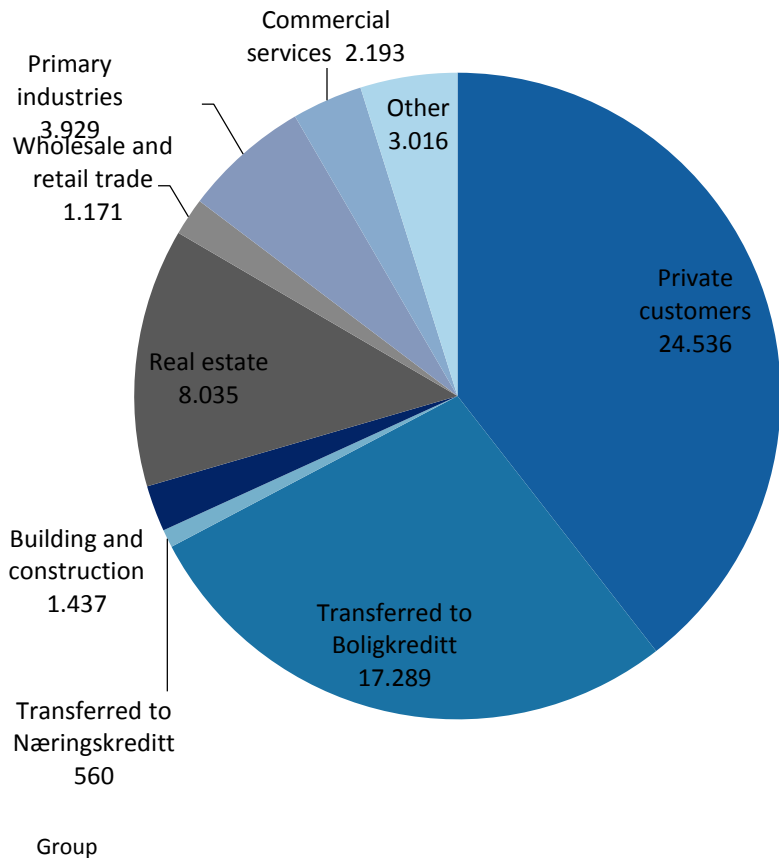


Quarterly losses

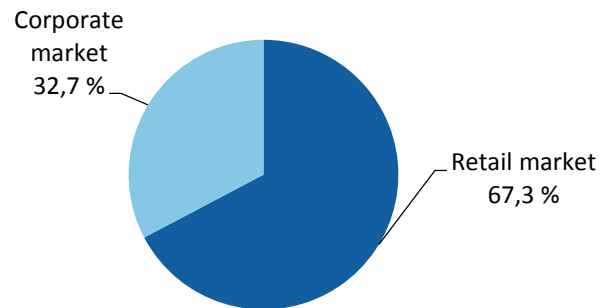


Composition of loans and receivables

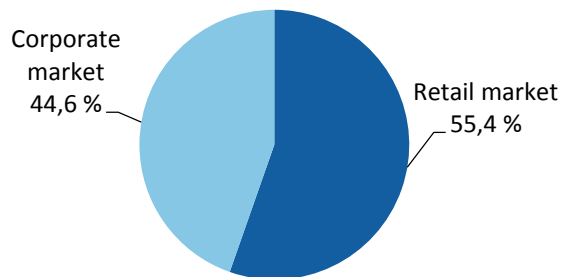
Composition of loans incl. covered bond companies



Composition of loans incl. covered bond companies

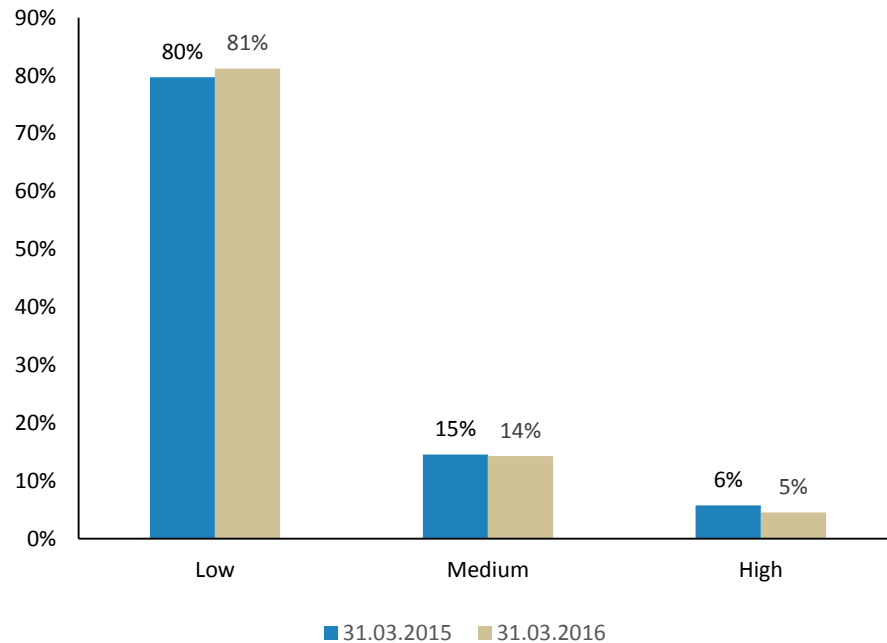


Composition of loans excl. covered bond companies

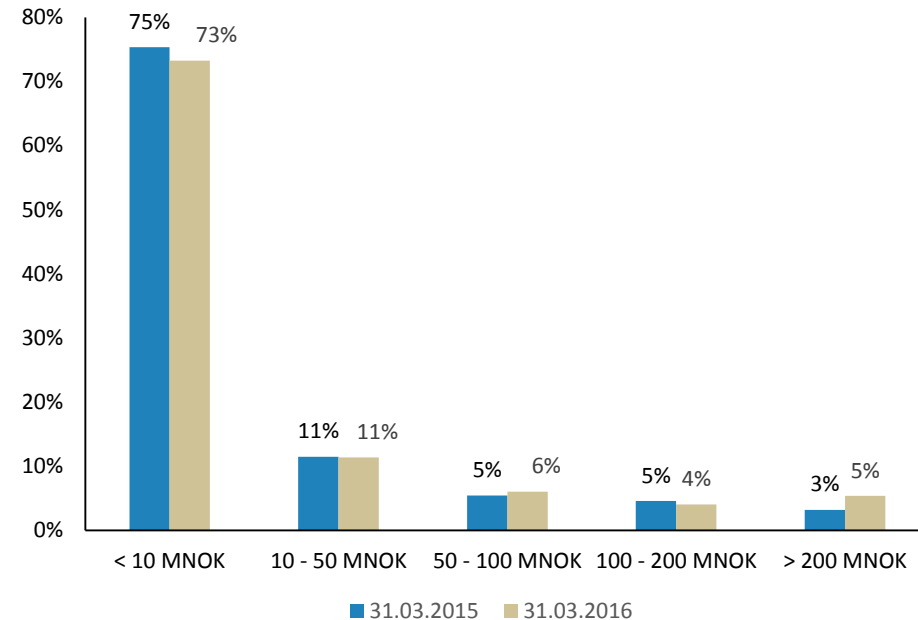


Risk in the loan portfolio (excl. boligkreditt)

Lending by risk category as a percentage of EAD

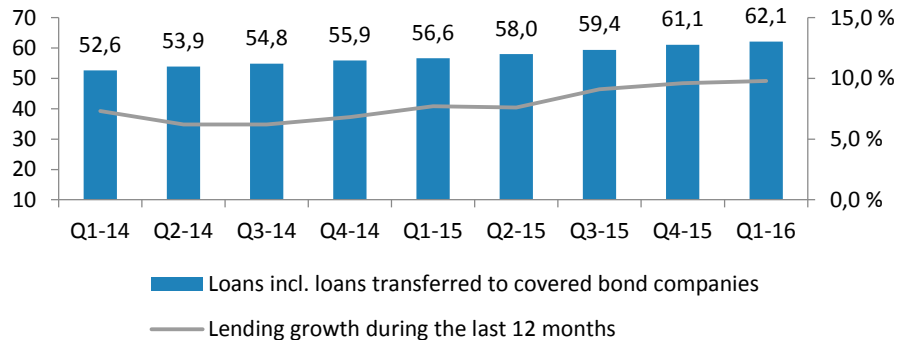


Lending by exposure size as a percentage of EAD

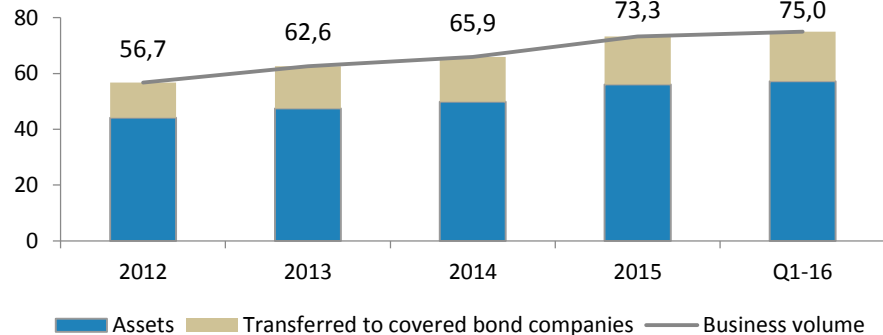


Higher lending growth and further strengthened solvency

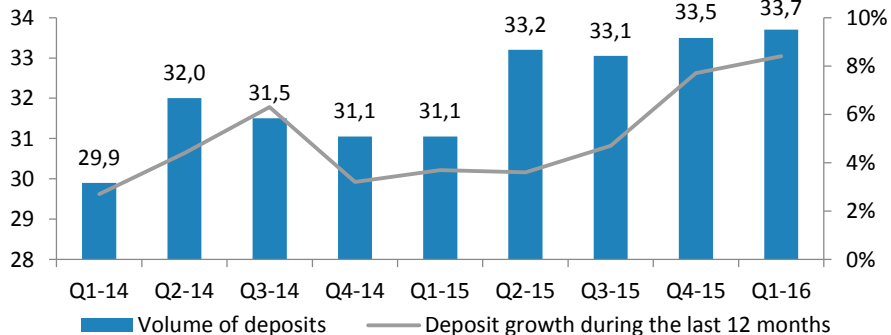
Gross loans incl. loans transferred to covered bond companies (NOK billion)



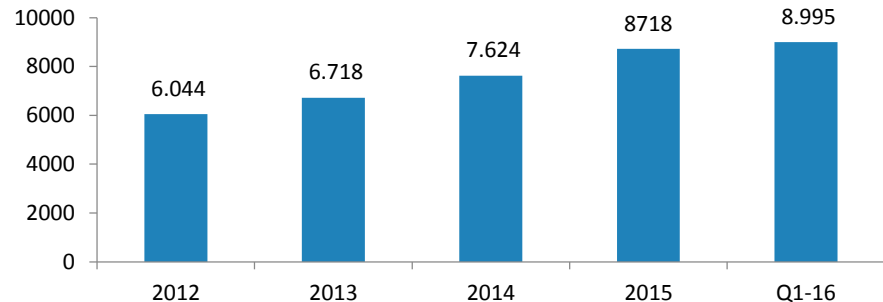
Development in assets and business volume (NOK billion)



Deposits (NOK billion)



Development equity (NOK million)

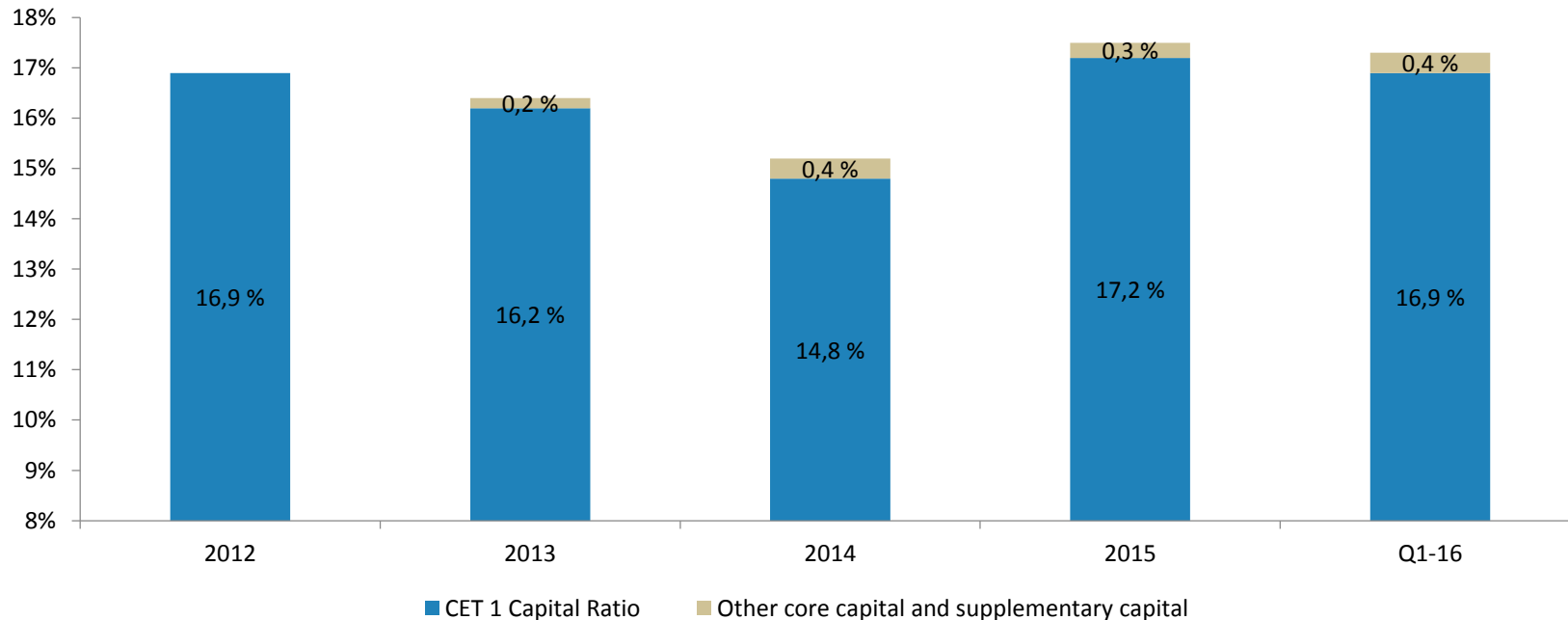


The most solid regional savings bank

- Target of common equity Tier 1 ratio of 16 per cent

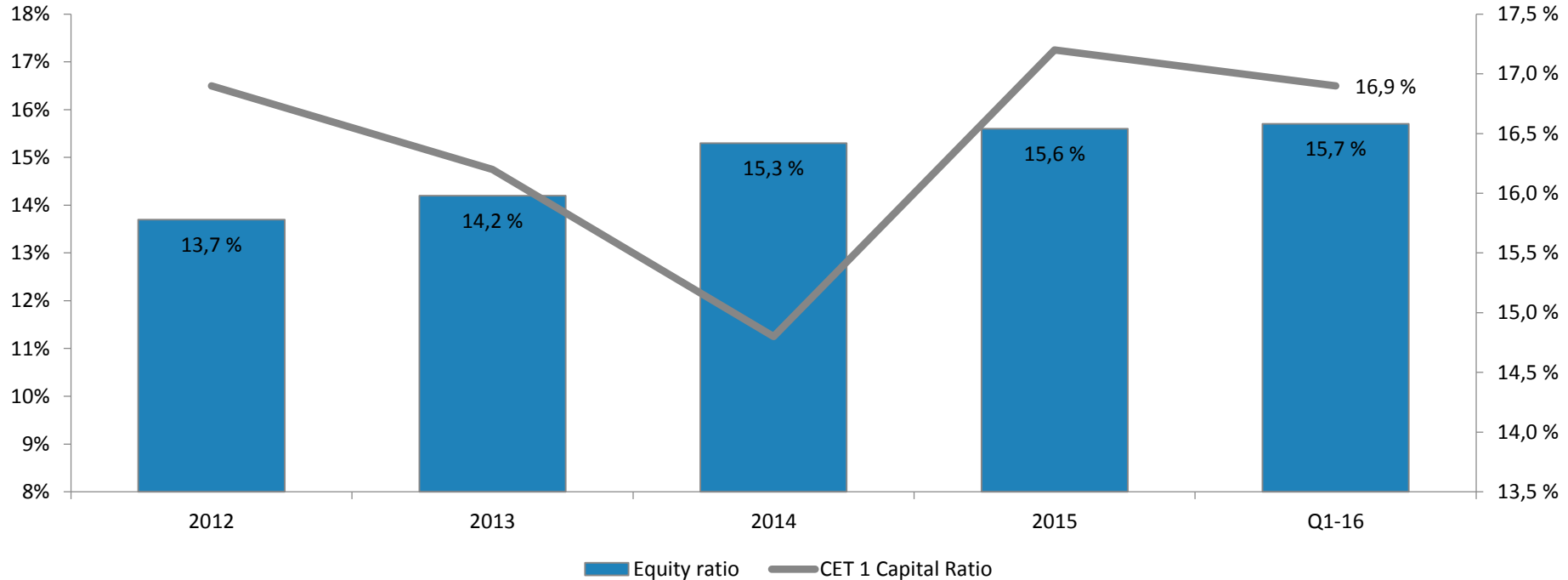
- Capital adequacy ratio group as at 31.03.16: 18.8 %
- CET-1 Capital ratio parent bank as at 31.03.16: 23.5 %

(Profit for the quarter is not included in the calculation)



High solvency, with equity ratio of 15.6 per cent

- Group's reported leverage ratio by the end of 2015 of 9.2 (8,5) per cent.



Summary Q1-2016

- Strengthened capital and low losses

	Q1 2016	Q1 2015	2015
Profitability			
Return on equity capital after tax	7,7 %	12,5 %	14,3 %
From the balance sheet			
Assets	57.185	51.101	55.971
Business volume	75.033	67.236	73.332
Lending growth last 12 months incl. loans transferred to covered bond companies	9,8 %	7,7 %	9,3 %
Deposit growth during the last 12 months	8,4 %	3,7 %	7,7 %
Deposits from customers in relation to gross loans to customers	76,0 %	76,7 %	76,4 %
Financial strength			
Common Equity Tier 1 capital ratio	16,9 %	15,3 %	17,2 %
Tier 1 capital ratio	16,9 %	15,8 %	17,5 %
Total capital ratio	18,8 %	17,6 %	19,1 %
Other key figures			
Total operating costs in relation to total income	54,5 %	46,3 %	46,3 %
Gross doubtful commitments as a percentage of total commitments	0,5 %	0,7 %	0,6 %

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

Most solide regional saving bank

NOK 8.9 billion in equity.

NOK 57.1 billion in total assets.

NOK 75.0 billion in total adjusted assets (incl. loans to Covered bond companies).

700 employees, 188 000 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).

Strategic owner in Bank1 and SB1 Group

Owns 40,5 per cent of Bank 1 Oslo Akershus AS and agreed to buy the remaining shares.

Owns 11 per cent of SpareBank 1 Group AS.

High rating

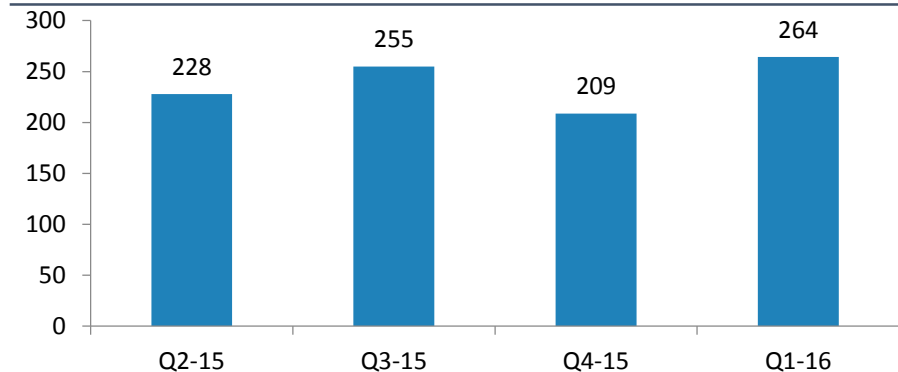
Moody's gives the bank the highest individual rating (before adjustments) of all Norwegian savings banks

Issuer rating of Moody's: A2

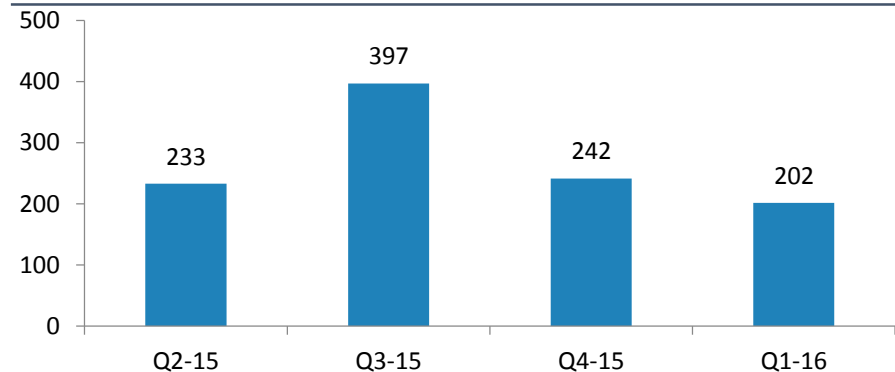


Financial results by quarter

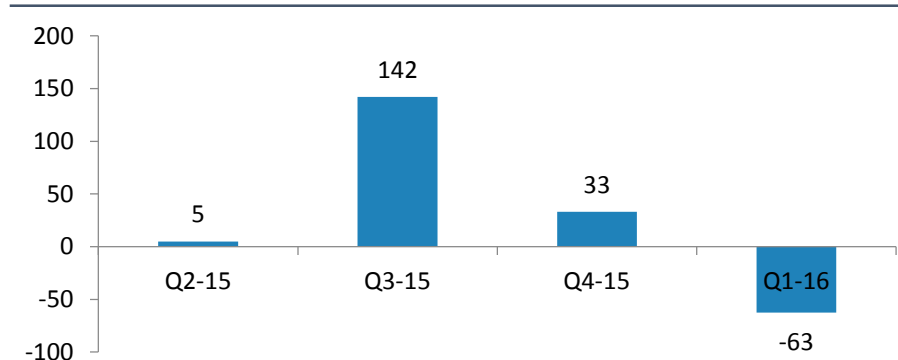
Profit/loss before tax excl. profit from other financial assets and liabilities



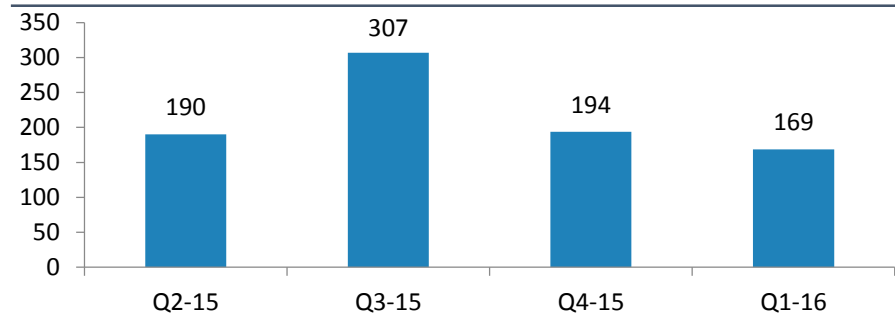
Profit/loss before tax



Net result from other financial assets and liabilities



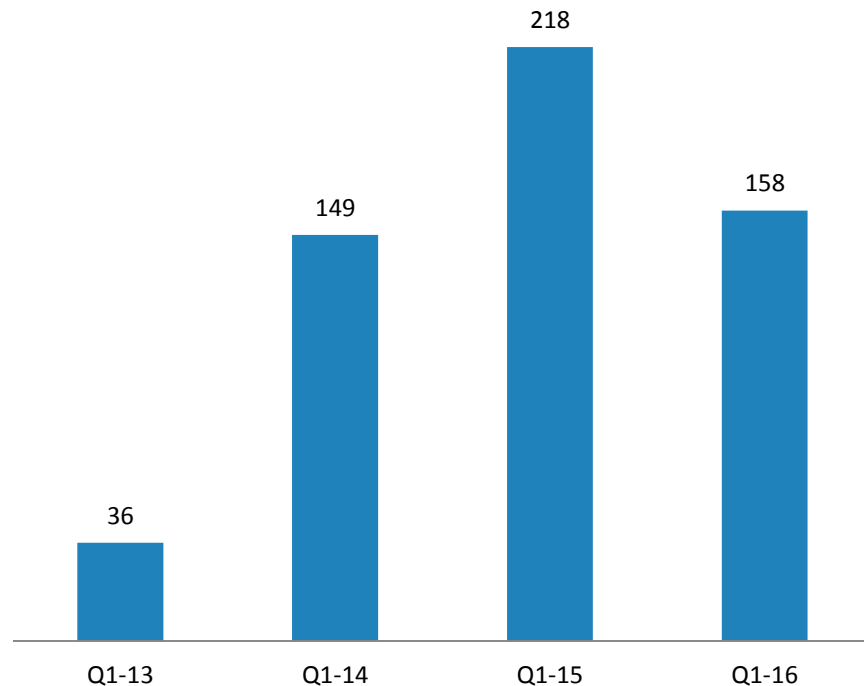
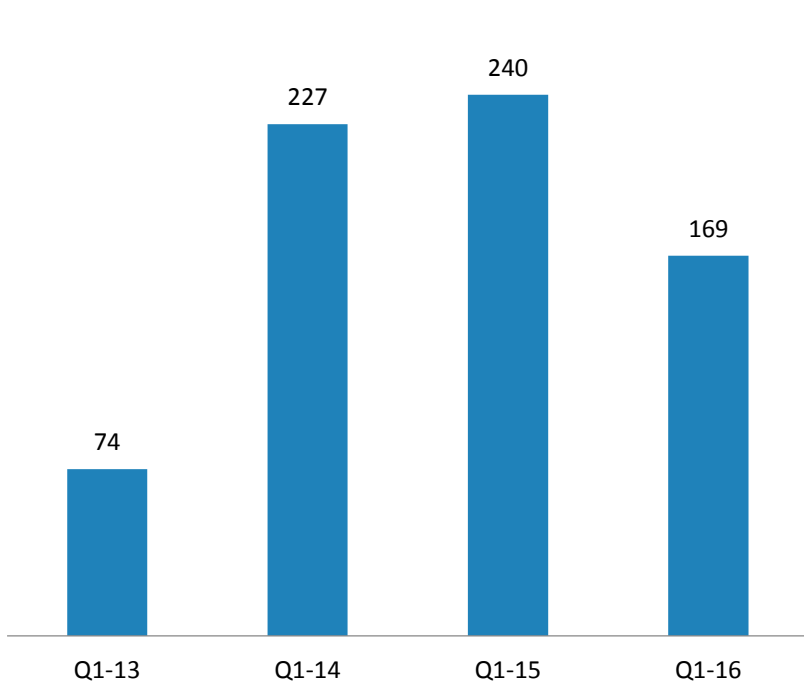
Result after tax



Stable development in result for the group

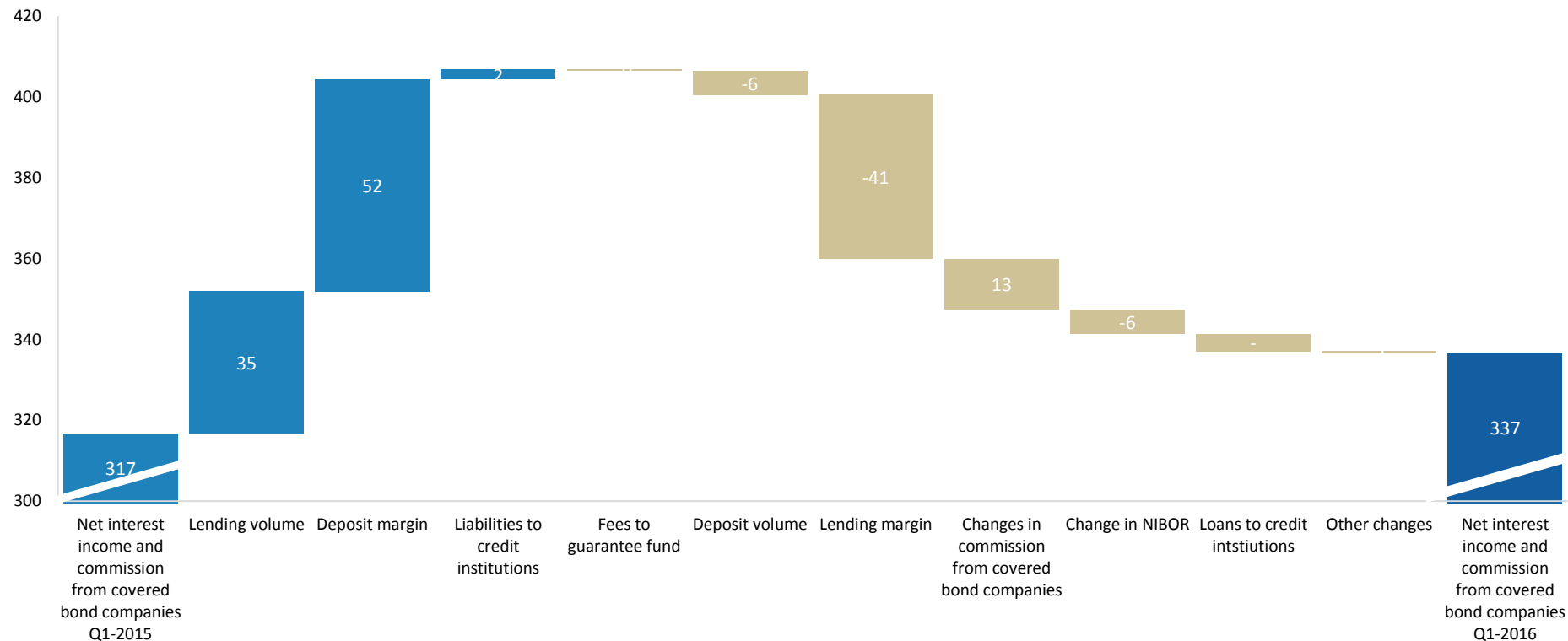
Result after tax - Group

Result after tax – Parent bank



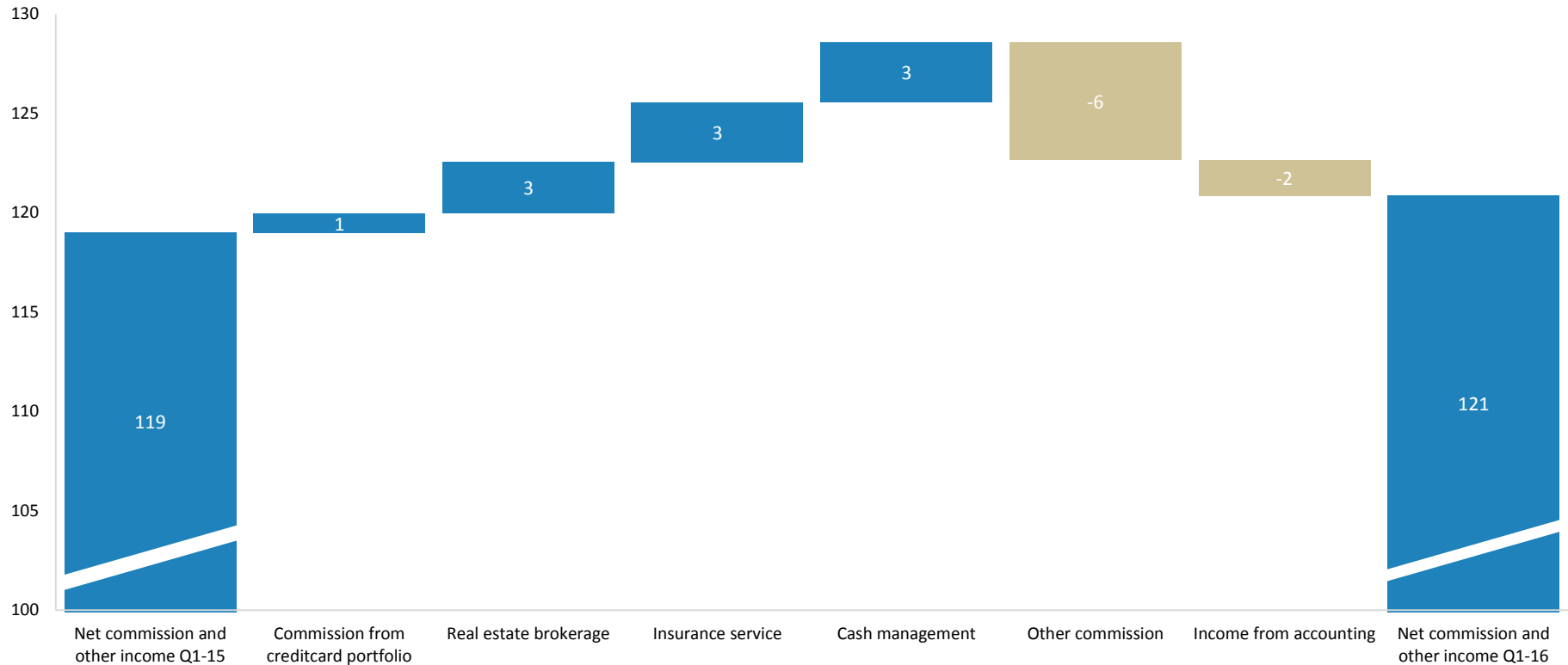
Changes in net interest income Q1-15 to Q1-16

Incl. commission from covered bond companies



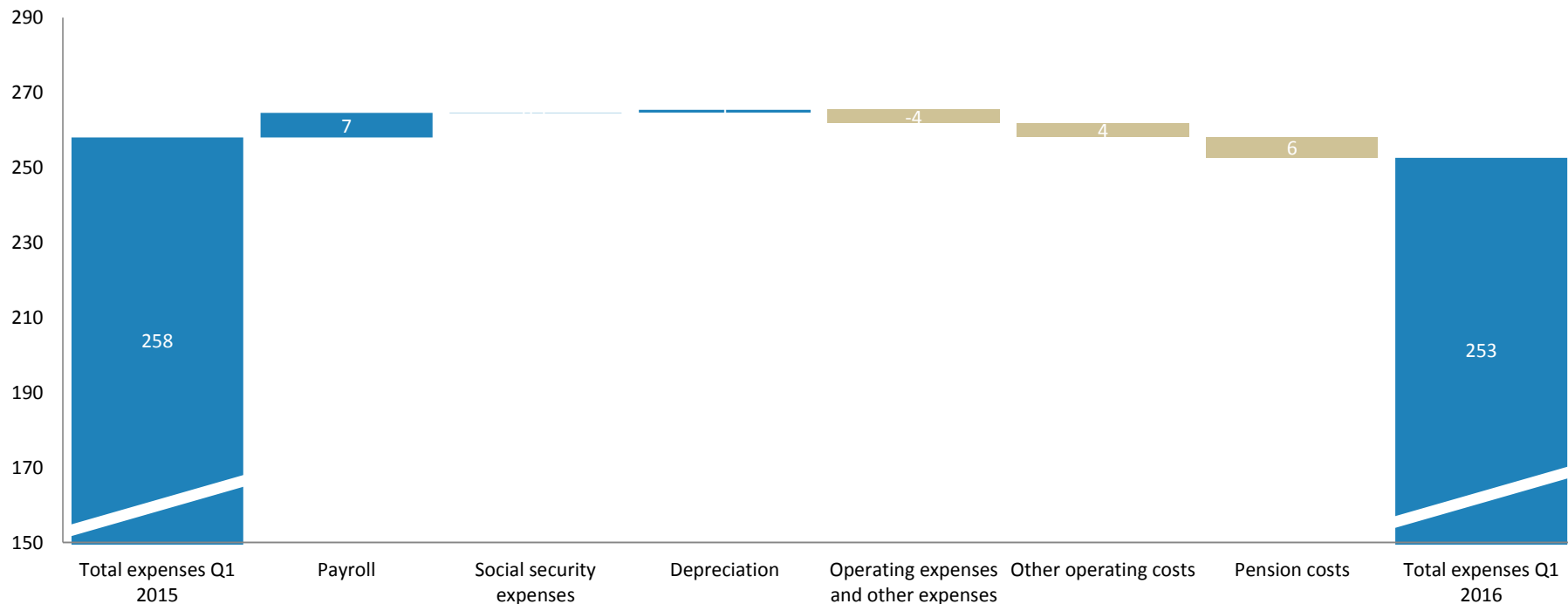
Changes in net commission and other income Q1-15 to Q1-16

Excl. Commission from covered bond companies



Group

Change in operating expenses Q1-15 to Q1-16



Operating expenses last year and so far this year

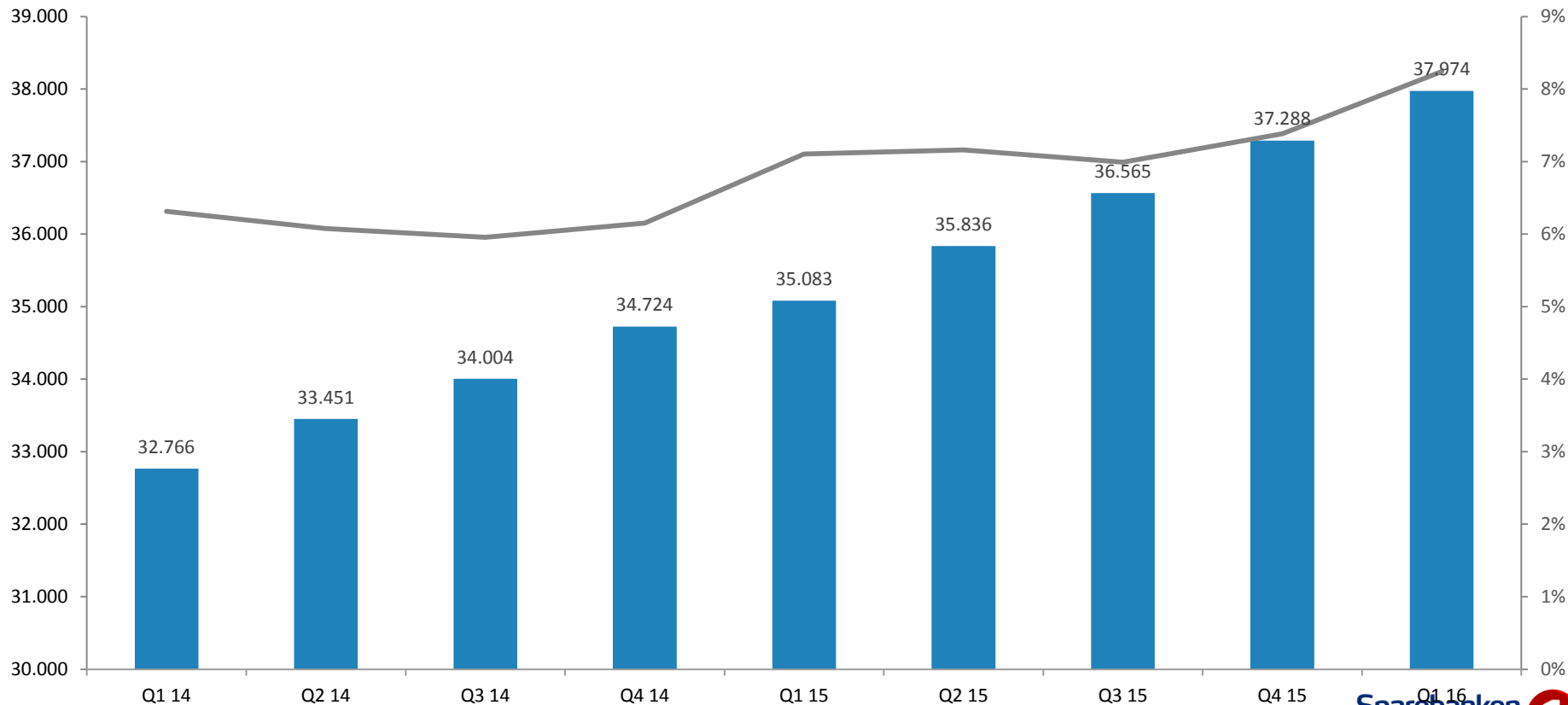
	Q1 2016	Q1 2015	2015
Payroll	116	109	440
Pension costs	8	14	54
Social security expenses	24	24	97
Total personnel expenses	148	147	590
Operating expenses and other expenses	68	71	317
Total personell- and operating expenses	216	218	907
Depreciation	11	11	46
Other operating costs	25	29	98
Total expenses	180	258	1051

Balance sheet

	31.03.2016	31.03.2015	31.12.2015
ASSETS			
Cash and deposits with central banks	544	490	264
Loans to and receivables from credit institutions	888	659	864
Loans to and receivables from customers	44.060	40.242	43.526
Financial papers	7.082	5.526	6.882
Investments in subsidiaries, associates and joint ventures	3.530	3.157	3.386
Other assets	1.050	1.027	1.049
Total assets	57.155	51.102	55.970
LIABILITIES			
Deposits from and liabilities to credit institutions	1.250	659	660
Deposits from and liabilities to customers	33.684	31.054	33.458
Liabilities arising from issuance of securities and financial derivatives	12.055	10.155	11.896
Other debt and liabilities recognised in the balance sheet	677	839	741
Subordinated loan capital	491	505	496
Total liabilities	48.157	43.212	47.252
EQUITY CAPITAL			
Equity certificates	3.897	0	3.897
Earned equity capital	5.101	7.889	4.821
Total equity capital	8.998	7.889	8.718
Total liabilities and equity capital	57.155	51.101	55.970

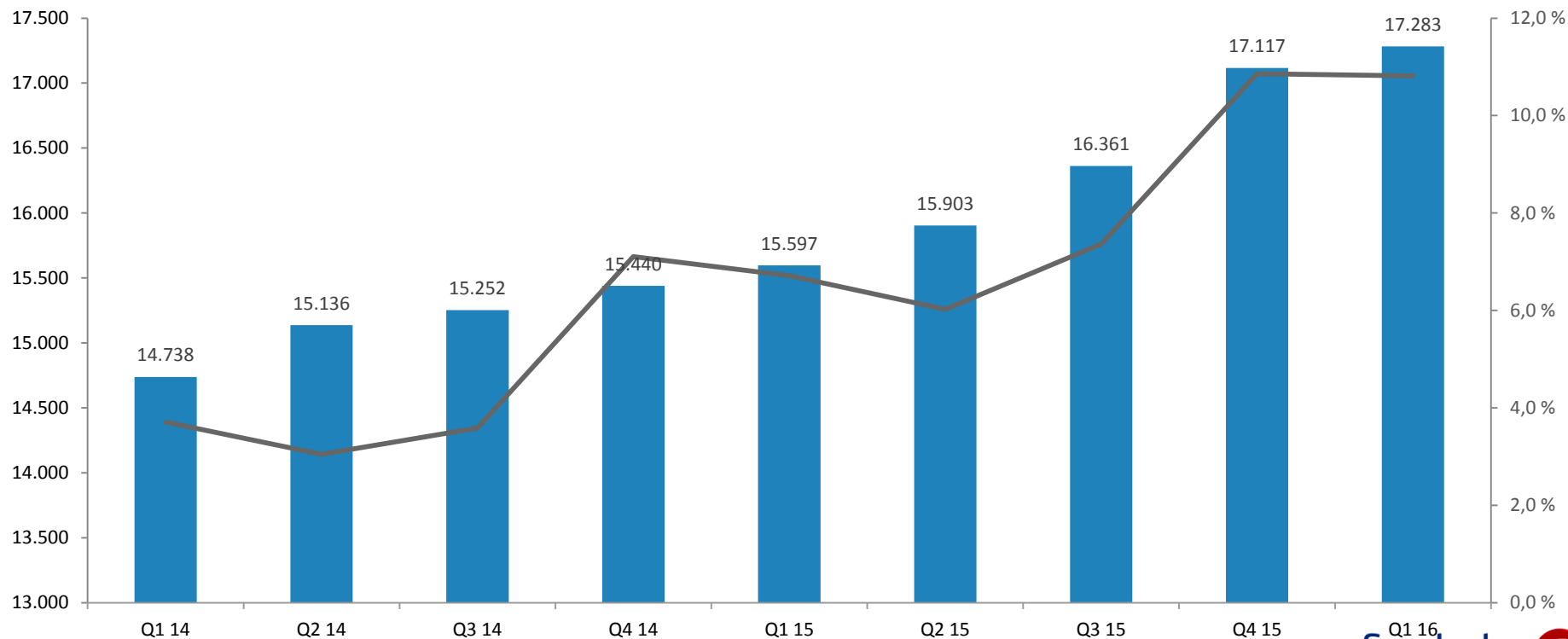
Lending volume and lending growth last 12 months

Retail market (incl. covered bond companies)



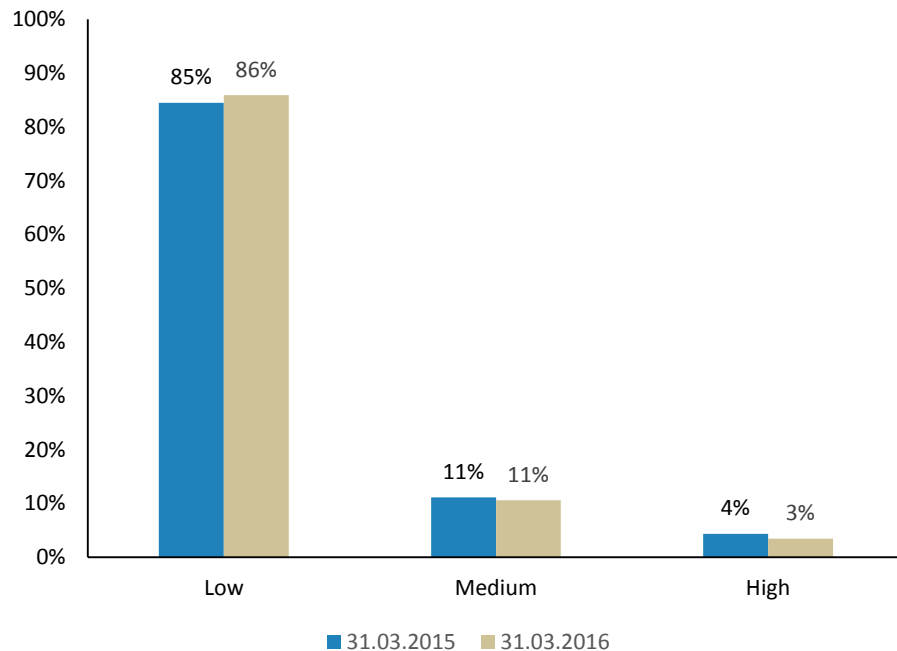
Lending volume and lending growth last 12 months

Corporate market (incl. covered bond companies)

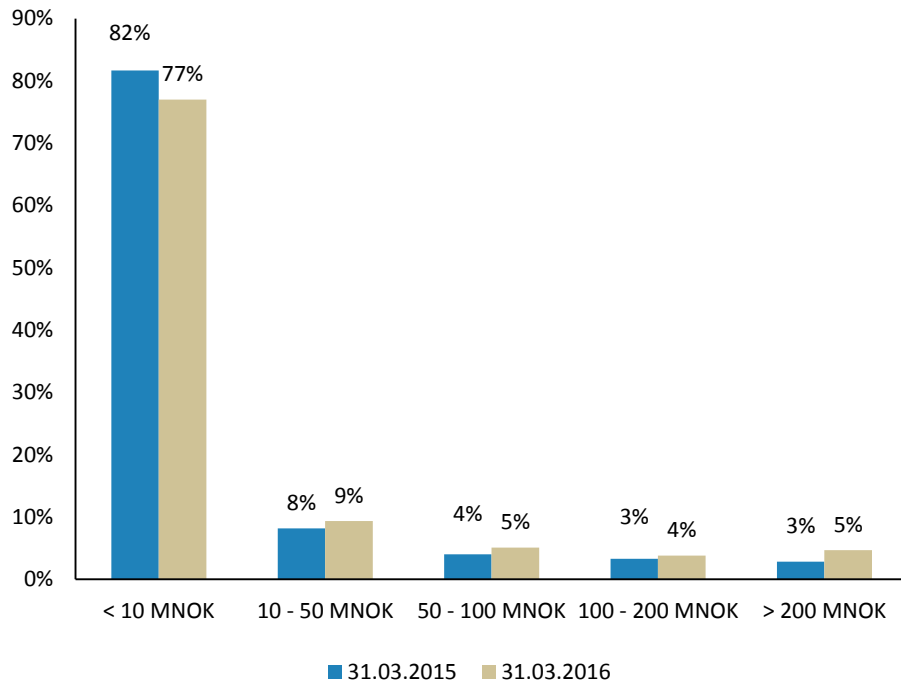


Risk in the loan portfolio (incl. covered bond companies)

Lending by risk category as a percentage of EAD



Lending by exposure size as a percentage of EAD



Profit/loss Parent bank

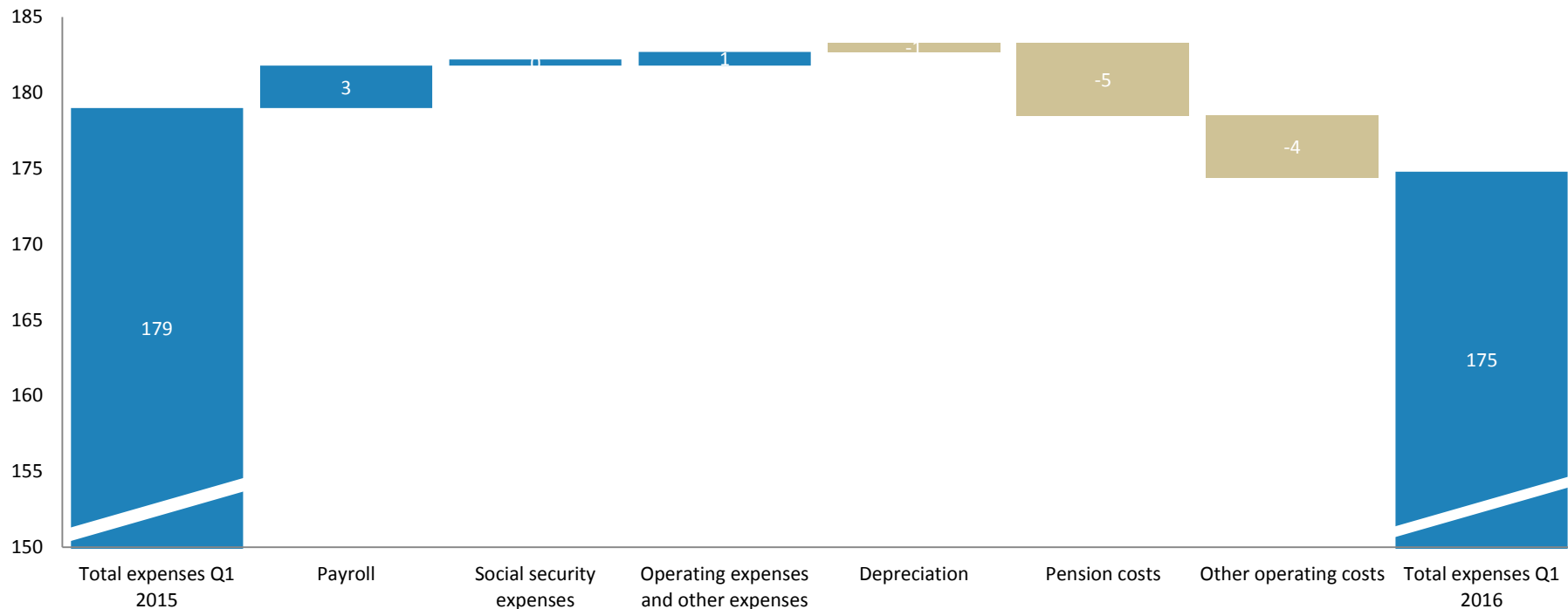
	Q1 2016	Q1 2015	2015
Net interest income	244	206	880
Net commission income	97	98	408
Other income	5	7	21
Total operating expenses	175	179	743
Result bank operation before losses	171	132	566
Losses on loans and guarantees	4	-2	35
Result bank operation after losses	167	134	531
Dividends	0	7	8
Net profit from ownership interest	80	94	260
Net income from financial assets/liabilities	-63	26	205
Profit/loss before tax	184	261	1002
Tax charge	26	43	207
Profit/loss after tax	158	218	795

Operating expenses

- 2.2 per cent decrease in operating expenses compared to Q1-15

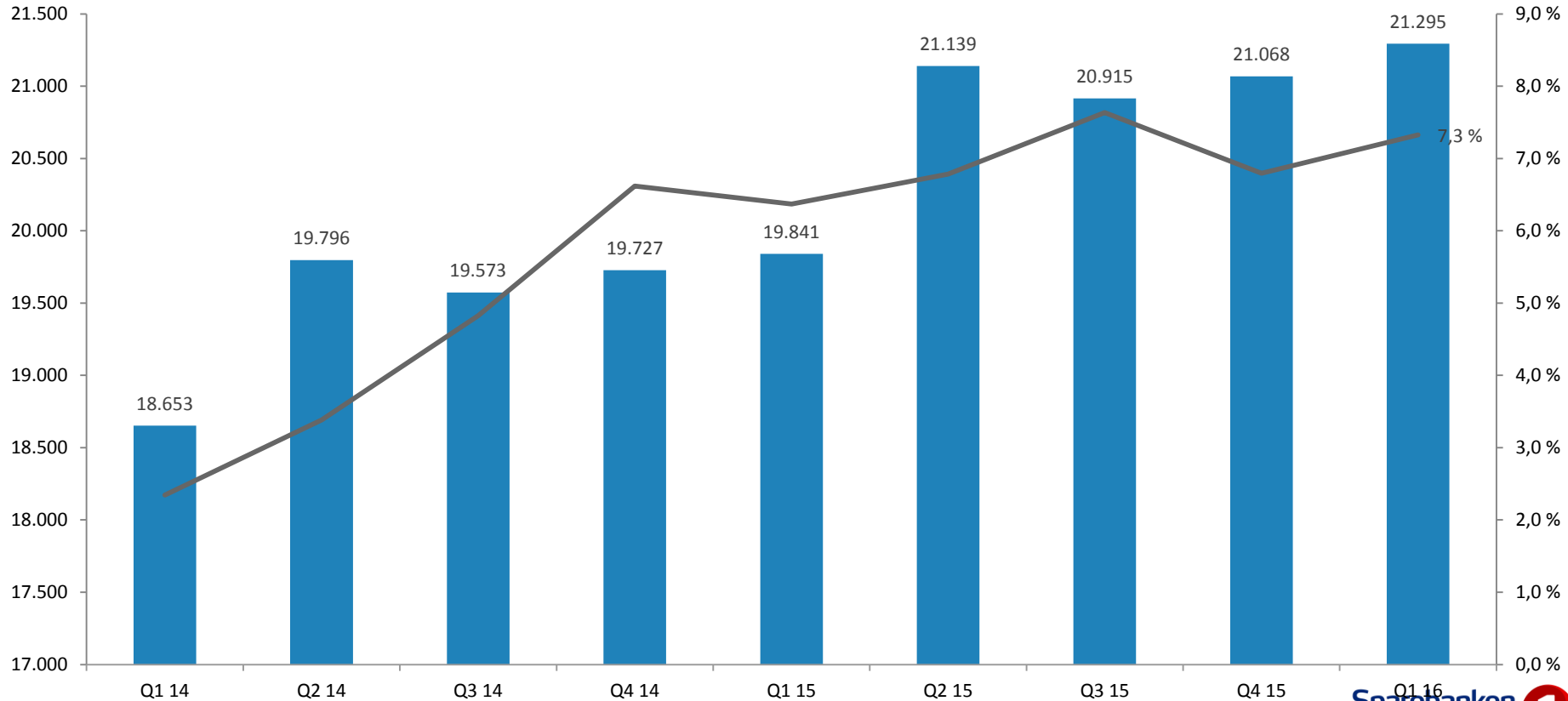
	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015
Payroll	70	66	70	69	67	271
Pension costs	7	11	12	12	11	45
Social security expenses	15	20	14	15	14	64
Total personnel expenses	91	97	96	96	92	380
Operating expenses and other expenses	60	83	60	66	59	268
Total personnel and operating expenses	151	180	155	162	151	648
Depreciation	9	9	9	9	8	36
Other operating costs	15	17	11	12	19	59
Total expenses	175	206	176	182	179	743

Change in operating expenses, Q1-15 to Q1-16



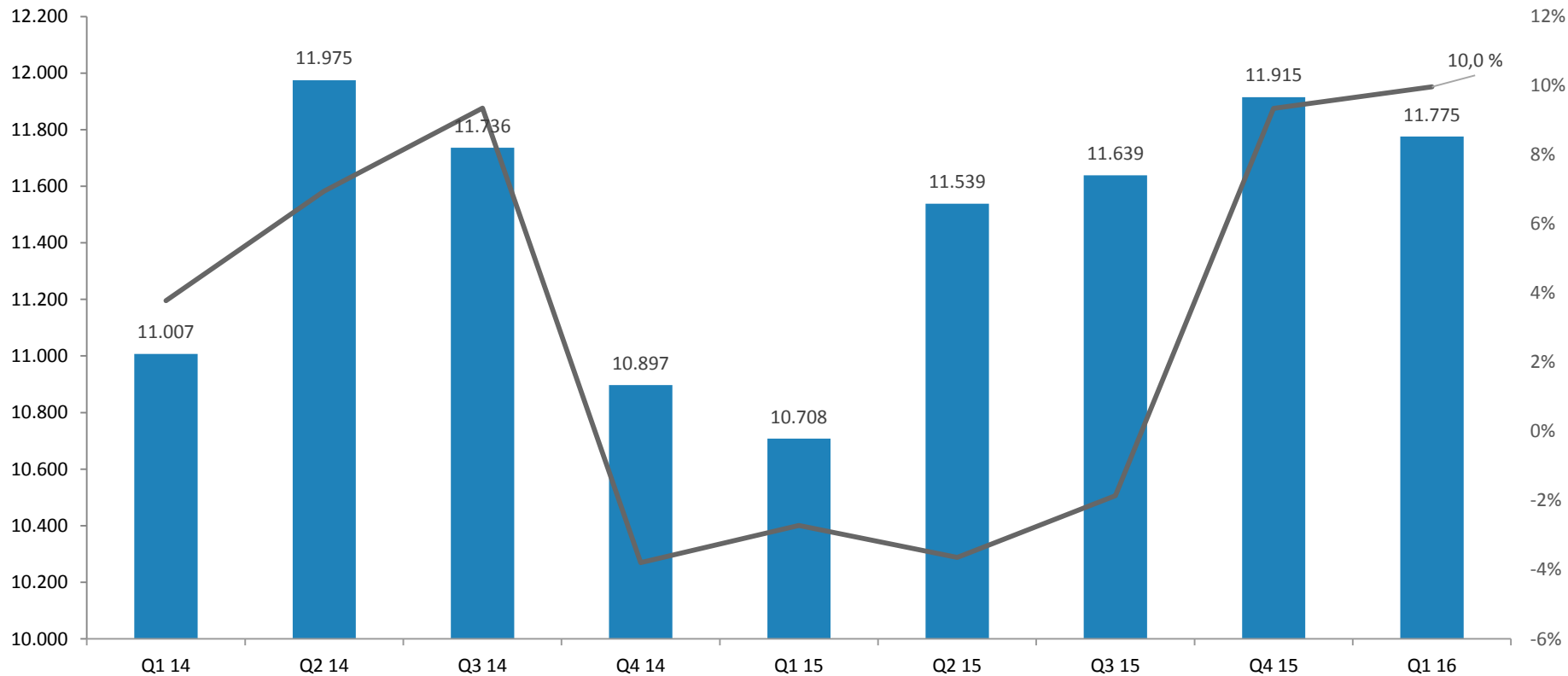
Deposit volume and deposit growth during the last 12 months

Retail market



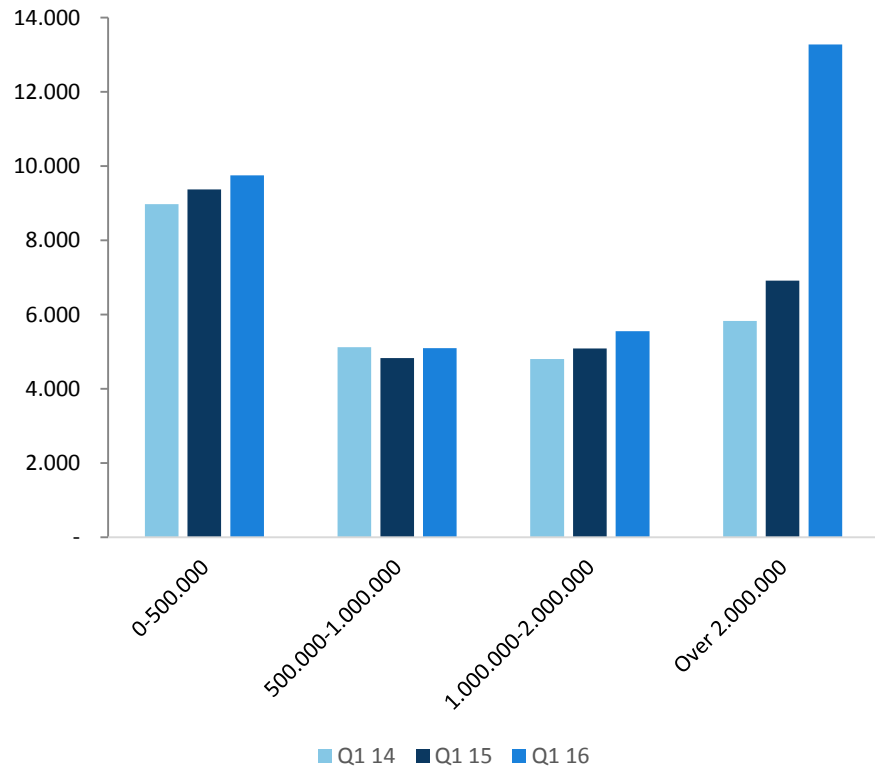
Deposit volume and deposit growth during the last 12 months

Corporate market

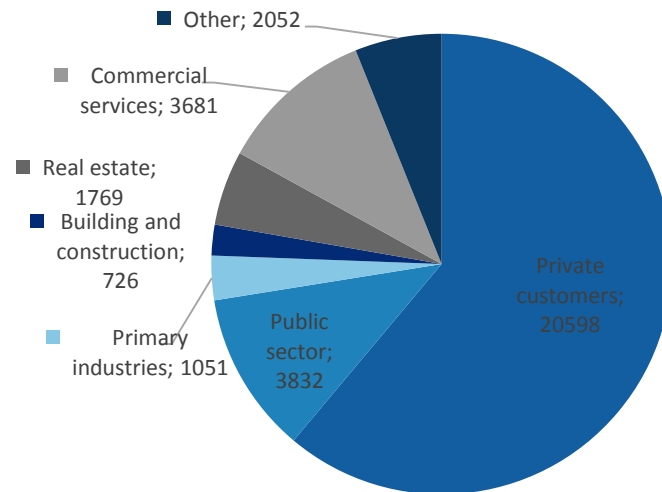


Distribution of deposits

Distributed on deposit size

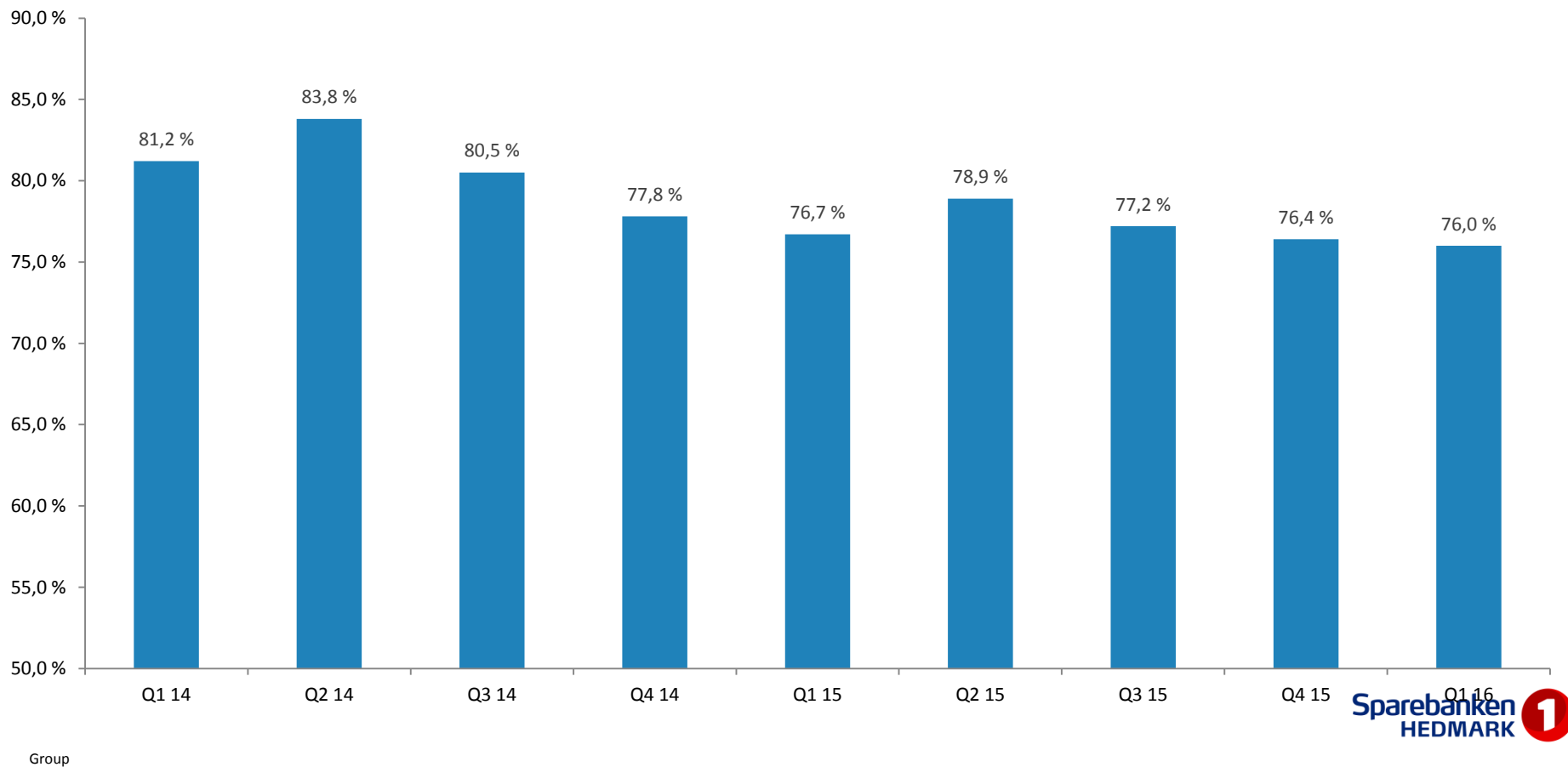


Composition of deposits

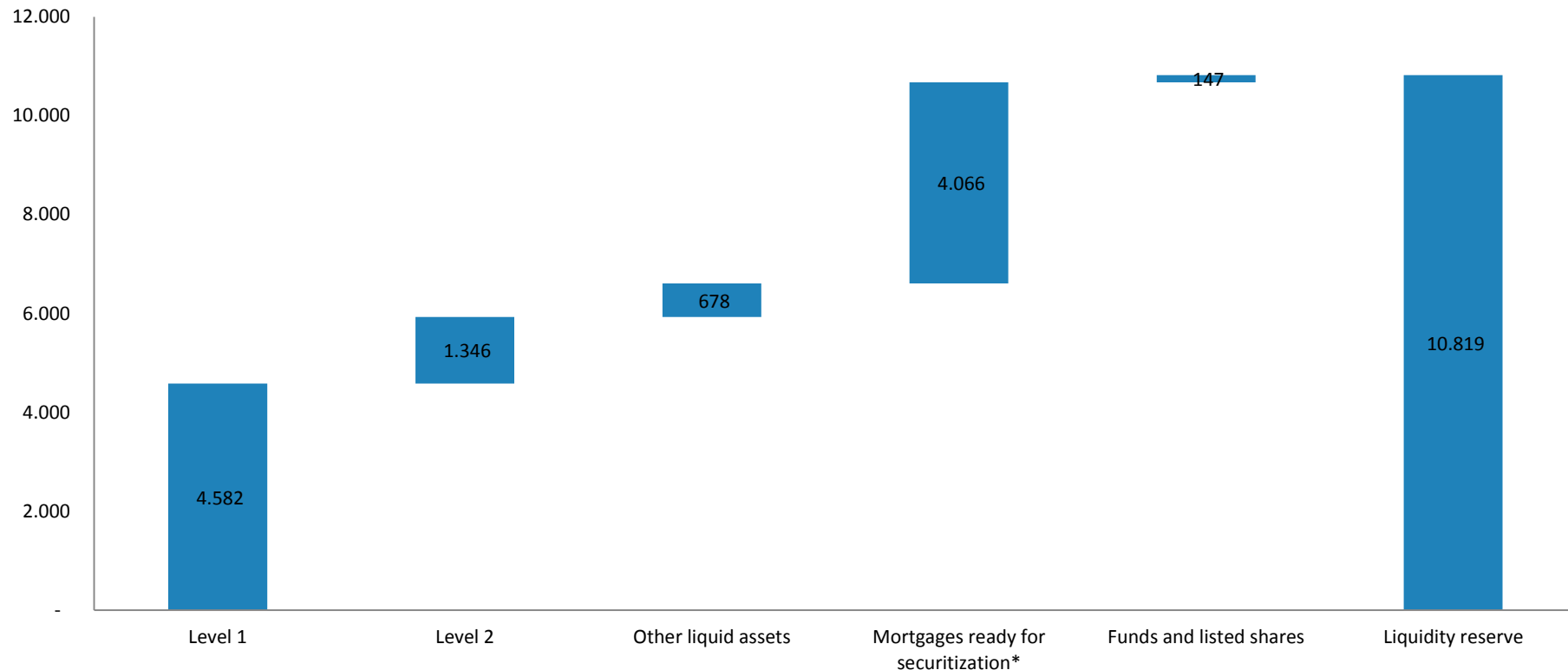


Deposit-to-loan ratio

Isolated quarters, accumulated deposit-to-loan ratio as at 31.03.16: 76.0 %



Liquidity reserves as at 31.03.2016 NOK 10 819 mill

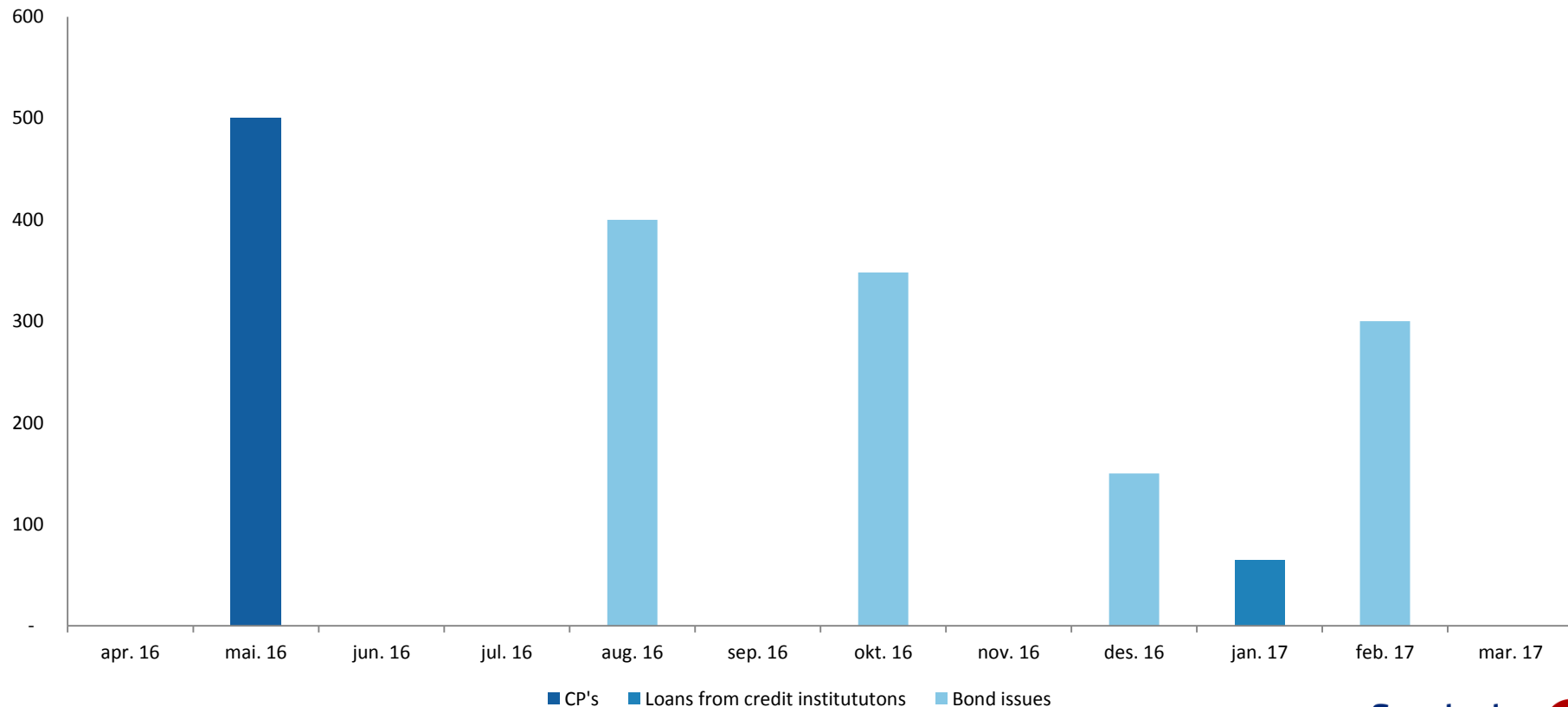


*Prepared loans for sale to Boligkreditt after a 30% fall in house prices

Parent bank

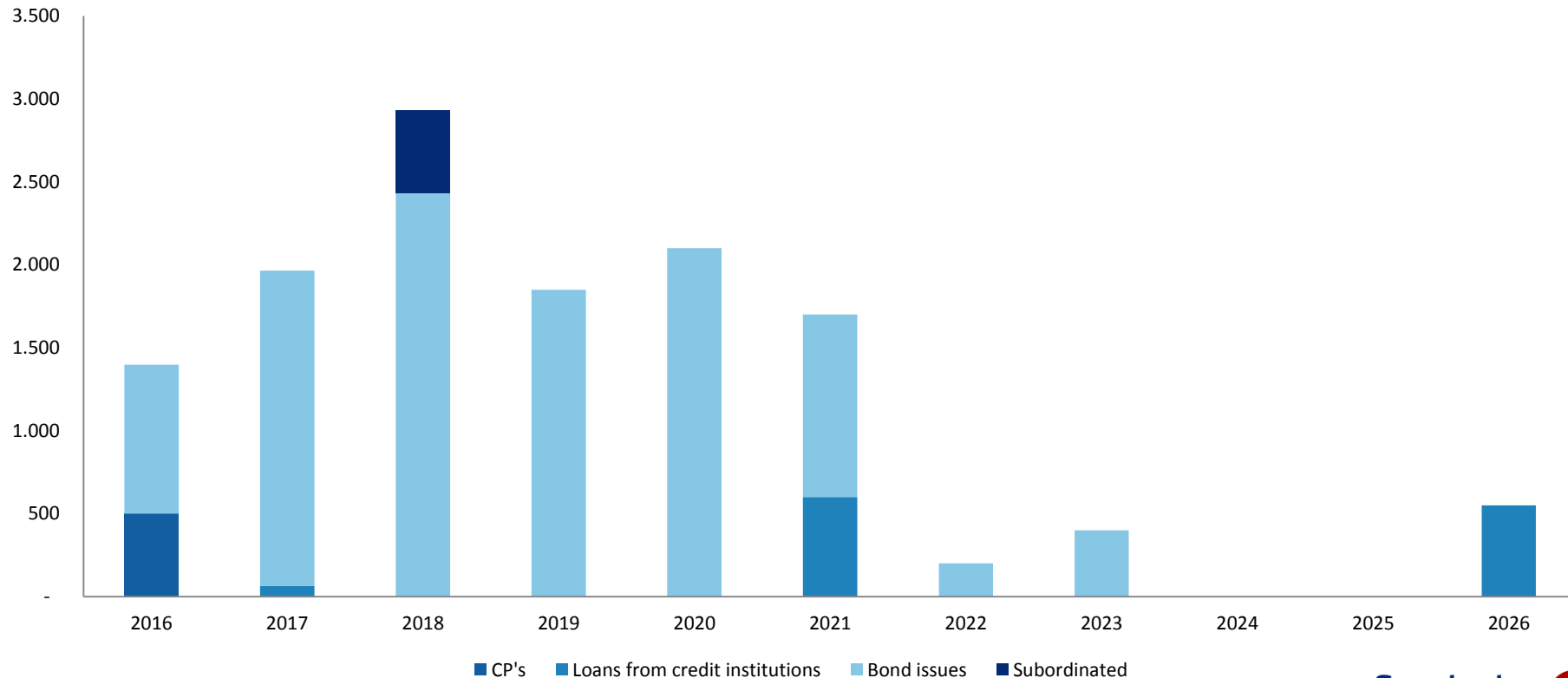
Funding maturities next 12 months

Total due MNOK 1 763



Annual maturities

Total due MNOK 13 093



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