Annual report 2002

This is a translation of the Bank's Norwegian annual report.
In the case of any internal inconsistency between the Norwegian version and the English version, the Norwegian version of the annual report shall prevail.

Sparebanken HEDMARK

A good result for Sparebanken Hedmark despite difficult times

The downturn in the global economy continued in 2002. In the last two years, many of the world's leading stock exchange indexes have slumped by more than 50 %. The total index at Oslo Stock Exchange dropped by 31 % in 2002 and is now back to its 1996 level. In 2001, the index fell by 16 %.

In addition to the adverse economic development which is reflected by plummeting prices on the world's stock exchanges, Norway is currently facing its own difficult challenges. Large revenues from the country's oil- and gas industry have been factored into the economy for a number of years. This has brought about significantly higher wage- and cost inflation than the levels applicable to our trading partners. As a result of this, the wage level in Norway is today 30 - 40 % higher than in the countries with which we compete. Norway's fiscal- and monetary policies have produced a level of domestic interest rates which throughout last year was double that of the EU countries. This has resulted in a very strong krone. Against this background, Norwegian industry has become less competitive and thousands of jobs have been lost. According to Aetat, 96,000 Norwegians currently have no work at all. This is equivalent to 4.1 % of the country's total workforce, involving a 25 % increase during the last 12 months. Unemployment of this magnitude represents an annual socio-economic wealth creation loss in excess of NOK 30 billion.

At the end of 2002/beginning of 2003, Norges Bank (Bank of Norway) twice lowered its benchmark rate, by a total of 1 percentage point. Further interest rate reductions have been signalled. This would reduce the strength of the krone and should improve the competitive position of the country's commerce and industry. It remains to be seen how many industrial jobs will be lost in Norway and Hedmark in the meantime; this we shall only know in a few years' time.

In 2002, the restructuring process in the Norwegian economy has brought about substantially larger credit losses and weaker results for the banks. Sparebanken Hedmark also experienced larger loan losses and a somewhat lower result in 2002 than the year before. Despite a difficult year for the financial services sector and for commerce and industry, Sparebanken Hedmark nevertheless made a NOK 284 million profit for the year. This is sufficiently large in order to maintain the Bank's capital adequacy and secure our position as one of the financially strongest banks in Norway.

In 2002, in order to strengthen our competitive position, we invested substantial resources in a restructuring- and development programme which will enhance the levels of professional skills and effectiveness throughout the Bank. Customer surveys have shown that there is potential for improvement within certain areas.

I would like to thank all customers (140,000 at the end of the year) for the trust you show in us. Our customers' savings and the Bank's entire profits after tax are lent out to private persons and businesses. Through external funding of some NOK 4 billion from domestic and international capital markets the Bank contributes further to growth and development within Hedmark.

I would also like to thank all customers, business contacts and staff for yet another prosperous year for Sparebanken Hedmark.

Harry Konterud
Managing Director

This is Sparebanken Hedmark

Corporate vision

Sparebanken Hedmark – your natural first choice! –
for:

- private persons located in, or with connections in Hedmark
- small and medium-sized businesses located in, or with connections in Hedmark
- the public sector in Hedmark

Business concept

- Sparebanken Hedmark shall meet existing and new customers' needs for banking- and financial services.
- Customers should find both the Bank and its individual staff members so competent, close and helpful that they would prefer to use our bank throughout their entire lives.
- Through its good levels of profitability and capital adequacy, the Bank shall remain an independent and attractive partner for its customers. In this way, Sparebanken Hedmark will contribute to growth and development in Hedmark.

Aims and targets

- Customer satisfaction shall be markedly higher than the levels applicable to our main competitors, both in the case of retail banking and corporate banking.
- Staff satisfaction shall be at the same level as for other comparable banks.
- The result after credit losses, as a percentage of average assets, shall be in line with the best banks in Norway, producing a return on equity capital which is equivalent to 6 percentage points above the yield on long-term government securities.
- The capital adequacy ratio shall be minimum 14 %.
- Total loans (gross) must not exceed 150 % of customer deposits.
- On average, during a 10-year period, credit losses shall not exceed 0.5 % of lending.

Sparebanken Hedmark …

- is a self-owning institution which has no Primary Capital Certificate- (PCC) holders;
- has some 150,000 customers. In the municipalities where the Bank has a presence, about 60 % of the local inhabitants have a customer relationship with the Bank;
- employs some 500 staff and has 32 branches and offices within the county;
- offers financial skills and competence throughout the Bank and at all branches; local decision-making capability based on professional excellence shall be an important feature by which the Bank is recognised.

Main figures from the accounts (Parent Bank)

	2002	**2001**	**2000**	**1999**	**1998**
Operating result after credit losses	284	309	401	301	177
Operating result after credit lossesas a percentage of average assets	1,41	1,70	2,44	2,13	1,40
Total assets as at 31.12	20.984	19.279	17.511	15.505	13.299
Gross lending as at 31.12	18.344	16.685	14.915	13.087	11.480
Deposits from customers as at 31.12	13.895	13.063	11.515	10.394	9.442
Equity capital as at 31.12	2.469	2.269	2.044	1.752	1.527
Capital adequacy ratio as at 31.12	15,6	15,8	15,3	14,5	14,7

Annual report from the board of directors

The norwegian economy
Fear of demand-driven inflation meant that Norges Bank (Bank of Norway) decided to keep interest rates at a relatively high level throughout 2002. The high domestic interest rates were partly related to the fact that the official wage settlement last spring involved a very high increase in real terms – about 4.5 % during the last 12 months. Private households therefore benefitted from a significant boost to their purchasing power. Although private spending rose by approximately 3 %, this was somewhat lower than anticipated. The consumer price index increased by only 1.3 % from 2001 to 2002. The previous year the index went up by 3.0 %.

Unemployment, as an average ratio for the year, amounted to 3.9 % of the labour force, as against 3.6 % the year before. At the end of 2002, the registered jobless level was in the region of 80,000, up by some 14,000 on 2001. The IT sector was hit particularly hard.

The big interest rate differential between Norway and other countries resulted in a very strong krone in 2002. This had an adverse impact on the competitiveness of Norway's industry. A large number of jobs was lost within the industrial sector and many companies moved their manufacturing business to countries whose cost levels were lower. The number of corporate bankruptcies increased by 25 % from 2001 to 2002.

The domestic share market fell sharply for the second year in a row. The Oslo Stock Exchange main index plummeted by 31 %, following a 16 % fall in 2001. This is the worst overall fall in the last 20 years. The world's biggest ever bankruptcies involving Enron and Worldcom, exposing fraudulent account manipulations, resulted in people's trust in equity markets being impaired.

Account manipulation, however, is not only an American problem. Seven Norwegian banks made loans totalling NOK 1.3 billion to the finance- and collection company, Finance Credit, a system of companies which turned out to have given incorrect and overvalued accounts to their lenders. The sale of Nordlandsbanken to DnB was a direct result of the Finance Credit scandal.

In view of the high oil price and large oil production, Norway's balance of payments was very healthy in 2002 too. The surplus on the national current account balance ended up in excess of NOK 200 billion. This is about the same as the year before, representing some 13 % of the gross domestic product.

Sparebanken Hedmark – the Group
The Sparebanken Hedmark Group consists of the Parent Company, Sparebanken Hedmark, and the following consolidated subsidiaries: Hedmark Eiendom AS, Hedmark Finans AS, Hedmark Invest AS, SH Betalingsautomater AS, Vato AS and Sameiet Nytun.

During the second quarter of 2002, the Bank's sold 50 % of its shares in Actor Fordringsforvaltning AS to Terra-Gruppen AS. The sale produced a NOK 29 million gain. The Bank now owns 50 % of Actor Fordringsforvaltning AS and the company is treated as a joint venture company in the Bank's accounts with effect from 1 April 2002.

The Group takes care of customers' requirements for bank deposits and other placements, financing, payments transmission services, real estate brokerage and collection services. The bulk of the Group's business is conducted in the county of Hedmark.

The Group 2002 pre-tax result totalled NOK 288 million, as opposed to NOK 317 million the year before. As at 31.12.2002, aggregate assets stood at NOK 21,014 million, having expanded by 8.8 % during the year.

The Group's operations do not cause any pollution of the external environment apart from what is normal for banking activities.

Sparebanken Hedmark – The Parent Bank

Profit and loss account

In compliance with the Accounting Act's requirements as far as the contents of the annual report from the Board of Directors are concerned, it can be confirmed that the annual financial statements have been prepared on the assumption of a going concern.

2002 was a difficult year for the financial markets and for commerce and industry but in spite of this, Sparebanken Hedmark earned NOK 284 million before tax, equivalent to 1.42 % of average assets. The corresponding average ratio for the Norwegian savings banks industry as a whole has been estimated at approximately 0.83 %, the worst result since 1992. The Bank's result in 2001 was NOK 309 million – 1.70 % of average assets.

The 2002 result translated into a 12.5 % pre-tax return on equity capital, compared with 15.1 % in 2001. The NOK 25 million reduction in the result in relation to 2001 is primarily ascribable to write-downs of the value of the Bank's securities portfolio, coupled with provisions for the cost of the Bank's development- and restructuring project. Although somewhat lower than in 2001, the Bank's Board of Directors is of the opinion that the 2002 result is satisfactory against the background of the unfavourable developments within the financial markets last year.

Net interest- and credit commission income totalled NOK 667 million in 2002, up by NOK 71 million on 2001. This improvement is attributable to larger volumes of loans and deposits. The average interest margin – the difference between lending- and deposit rates – remained more or less unchanged from 2001.

Net other (non-interest) operating income amounted to NOK 101 million, down by NOK 23 million on 2001. The shrinkage is due to larger losses and lower dividends on securities. Total losses on foreign exchange and securities amounted to NOK 30 million. Transaction volumes in the payments transmission services area were higher in 2002. This is the main reason why commission income increased from NOK 117 million in 2001 to NOK 129 million in 2002.

Operating costs totalled NOK 456 million, equivalent to 2.26 % of average assets. The corresponding figures in 2001 were NOK 381 million and 2.10 % respectively.
The increase in costs amounted to NOK 75 million. This big increase is largely ascribable to the fact that in 2002 the Bank set aside NOK 51 million to provide for the fact that more employees are expected to take advantage of the statutory early retirement pension scheme and for the costs in connection with the Bank's development- and restructuring project. This provisioning represents 0.26 % of average assets. The increase in other costs was approximately 6 %.

Losses on loans and guarantees totalled NOK 59 million, up by NOK 14 million on 2001. It should be noted, however, that the increase in non-specific loss provisions accounted for NOK 20 million of the abovementioned total loss figure. During the last 10 years, credit losses have been moderate. Losses in 2002 amount to just over 0.3 % of total loans.

Profit for the year and allocations
The taxation charge for the year under review totalled NOK 82 million. The Bank has for many years been the largest tax payer in the county of Hedmark.
The result from ordinary operations after tax finished up at NOK 202 million. The Board of Directors proposes that the profit for the year, together with NOK 1 million to be transferred from the Fund for Evaluation Differences, is allocated as follows: NOK 2 million to be set aside for donations and NOK 201 million to be transferred to the Savings Bank's Fund.

Equity capital and capital adequacy
At the end of 2002, the Bank's equity capital amounted to NOK 2,469. The equity capital consists in its entirety of retained profits. The capital adequacy ratio shrank slightly during the last 12 months, ending up at 15.6 % for 2002, as opposed to 15.8 % at the previous year-end. The statutory minimum requirement is 8 %. Sparebanken Hedmark is stronger financially than most other Norwegian banks; its capital adequacy ratio at the end of 2002 will be the highest among Norway's 15 largest savings- and commercial banks.

Balance Sheet
Aggregate assets expanded by NOK 1,705 million or 8.8 %, standing at NOK 20,984 million at the end of 2002.

Loans (gross) to customers increased from NOK 16,685 million to NOK 18,344 million during the last 12 months. The 9.9 % growth is somewhat lower than in 2001 but a little above the total credit expansion in Norway. Retail banking loans posted the strongest growth, at an annual rate of 11.9 %. Corporate lending was up by 7.1 %. The reduced rate of growth in the corporate market is principally attributable to the authorities' tight monetary policy and high real interest rates, coupled with expectations of a weaker economic development. Retail banking- and corporate lending accounted for 60 and 40 % respectively of total loans.

At the end of 2002, deposits totalled NOK 13,895 million, up by 6.4 %. If certain large temporary placements at the end of 2001 are excluded from the total, the ordinary deposit growth would have been about 9 %. Retail banking grew by 8.2 % in 2001, corporate banking by 2.6 %, the two sectors accounting for 69 % and 31 % respectively of total deposits. Deposit growth for the Norwegian banking industry as a whole is expected to have been around 10 % in 2002.

At the end of 2002, customer deposits funded 76 % of gross lending to customers. Borrowings evidenced by bonds and certificates amounted to NOK 3,996 million, up by NOK 835 million during the last 12 months.

At the end of the year, specific and non-specific loss provisions totalled NOK 130 million and NOK 220 million respectively, equivalent to 0.7 % and 1.2 % of aggregate gross lending. In the opinion of the Board of Directors, the level of loss provisions is adequate.

Interest rates
Short-term interest rates rose during the first half of 2002 and fell back down to their initial level by the end of the year. The 3-month money market rate was 6.4 % both at the beginning and end of the year. The yield on 10-year government bonds, however, fell by 0.5 percentage point to 5.8 % at the end of 2002.

In 2002, the Bank's average effective lending rate ended up just under 8.9 %. This is 0.2 percentage point lower than in 2001. The average deposit rate was a little over 5.7 %, as opposed to 6.0 % in 2001.

Real interest rates (after tax) was the highest for many years, due to the high level of nominal interest rates in 2002, coupled with low inflation.

Financial risk and risk management
The Bank's risk management shall ensure that the level of risk exposure is known at all times and that it is within agreed limits. Risk management shall also contribute to a stable and satisfactory rate of return on equity capital. The Bank's quality assurance programme is of pivotal importance to risk management. The programme comprises, amongst other things, the annual risk assessment, which is presented to the Board of Directors.

The quality assurance programme classifies risk into three main groups: strategic, financial and operational. Strategic risk refers to the type of risk which may threaten the attainment of the Bank's strategic aims and plans. This is discussed at regular intervals by the Bank's Board of Directors and senior management.

Financial risk comprises interest rate risk, foreign exchange risk, share risk, credit risk and funding risk. The financial risk is primarily managed through policies, guidelines, limits, delegated lending authority, powers of attorney, reporting requirements and requirements relating to staff's professional skills levels.

The most important financial risk exposure is the credit risk contained in the Bank's lending portfolio. Despite lower lending growth than the year before, it must still be regarded as relatively strong. During the course of the year currently under review, the general economic situation was becoming more uncertain. The risk classification system shows that the relative share of corporate commitments with high risk has increased somewhat. However, 82 % of all corporate loans falls within the low- and medium risk groups. The Bank has put in place credit policy, routines for credit assessment as well as requirements for reporting and follow-up. In the opinion of the Board of Directors, the Bank exercises adequate and appropriate control over the risk exposure within its lending portfolio.

The credit risk relating to the Bank's portfolio of interest-bearing securities has increased throughout the year under review due to the fact that the relative share of government- and government guaranteed securities has been reduced. The turbulence within international financial markets coupled with a more uncertain economic outlook has also had an adverse impact on the Bank's overall credit risk. The bulk of the Bank's portfolio of interest-bearing securities comprises securities issued by other banks, credit institutions and large, financially strong industrial companies. The credit risk contained in the Bank's portfolio is deemed to be moderate.

The bank's overall exposure in the share markets was more or less unchanged from the year before, amounting to less than 10 % of the Bank's equity and related capital, which is regarded as moderate. The Bank's net exposure relating to foreign exchange risk is very limited.

The Bank's Board of Directors has instituted a separate strategy for liquidity management and funding. The difference between deposits and loans increased in 2002. The increase in longer-term funding was virtually similar to the increase in short-term financing. The Bank's funding risk is still deemed to be low. The interest rate risk was moderate and stable throughout 2002.

Operational risk, comprising the risk relating to insufficient levels of quality with regard to the Bank's day-to-day operations, is managed through the Bank's systems, routines, requirement in respect of reporting and follow-up. A substantial part of the Bank's quality assurance programme involves risk limitation measures within the area of operational risk. The complexity of systems and level of dependence on external suppliers and joint venture partners have increased in recent years. Overall, the Board of Directors is of the opinion that the Bank's operational risk is adequately controlled.

In the Board of Directors' opinion, the Bank's overall risk exposure is conservatively and appropriately assessed in relation to in-house professional skills, revenue generation- and capital adequacy levels.

Conditions relating to organisation and personnel

Organisational- and skills-related development

In 2002, training was completed for large groups of staff within the areas of Internet usage, sales and customer communication. Furthermore, several courses and skills-related initiatives, which were more individually tailored, were completed.

During the course of last year, the Bank invested substantial resources in order to make the necessary preparations for comprehensive organisational changes and the further development of staff's professional skills. Analyses relating to the different customer groups handled by the Bank have been completed. On the basis of these analyses, principles for organisation, division of labour and skills requirements have been agreed. In addition to a general improvement of the level of professional skills, certain forms of expertise required in order to provide the Bank's customers with even better service have been developed within many areas. The purpose of these changes is to enhance the quality of the delivery to the Bank's customers of its products and services; in addition, the aim is to develop more effective production capabilities in this connection. The Bank has introduced a number of measures in order to make sure that the restructuring process may be completed in the best possible way.

Staff satisfaction and working environment

In 2002 too, Sparebanken Hedmark completed a survey amongst staff in order to check on the level of staff satisfaction at the Bank. The results of the survey were generally good throughout the organisation.

Absenteeism due to illness in 2002 amounted to 4.2 % of total aggregate working time, down from 4.8 % the year before. Staff turnover was very low in 2002 too and has been between 1 and 2 % in recent years.

The company health scheme is available at all the Bank's branches. Various measures aimed at helping staff to stay healthy and other preventive health initiatives were continued during 2002.

The Bank's work relating to health, environment, safety and security has continued as in previous years.

Marketing activities

Sparebanken Hedmark's aim is to meet the requirements of private persons, small and medium-sized businesses and the public sector for financial products and services. The Bank has developed a broad range of products in order to be able to achieve this aim. In 2002, the Bank focused some of its marketing efforts on young people.

House mortgage loans for young people enable customers under 34 years of age to borrow up to 90 % of the purchase price of the property at the Bank's most favourable rate of interest. This product was launched in October 2002 and by the end of the year, the Bank's new loans to this customer group totalled NOK 200 million.

House-related saving for young people represents the most favourable savings arrangement currently offered by the Bank. In addition to a good rate of interest, this arrangement gives the customer both tax benefits and the right to get a housing loan from the Bank.

The 'young people's card' represents a unique offer to teenagers between the ages of 15 and 19. At the end of the year, some 5,000 young people in Hedmark had acquired this type of card. The card has been specially developed in conjunction with Hedmark Trafikk and the county of Hedmark; it is a combination of a school identification card, bus card and bank card.

Through Sparebanken Hedmark's new Internet portal, which was launched in November last year, customers have also gained easier access to the Bank's Internet-based services. The number of Internet-related customers increased by about 30 % during the last 12 months, from 24,000 in 2001 to 31,000 in 2002. The average increase nationally was 27.5 %. Furthermore, more people than before now apply for loans via the Internet.

Prospects for 2003

Higher electricity prices will have pushed up the rate of inflation to nearly 5 % at the beginning of 2003. This will have a dampening effect on investment and spending. The rate of inflation for the whole of 2003 is expected to finish up at a little over 3 %.

The anticipated level of economic development as the year progresses would suggest that domestic interest rates will come down in 2003 although they are expected to remain considerably higher than in those countries which represent Norway's main export markets. This will mean a strong krone in 2003 too.

The high domestic interest rates have an adverse impact on businesses' revenue generation. Credit growth within the commercial and industrial sector eased off in 2002 and a moderate level of growth is expected in 2003. In general, the credit risk relating to corporate customers will probably increase in 2003. The credit risk within the retail banking market should remain moderate this year.
The somewhat more unfavourable outlook for commerce and industry will lead to further downward pressure on banks' results. The aim of the restructuring- and development project launched by Sparebanken Hedmark is to be able to offer the Bank's customers better and more effective financial products and services.

Sparebanken Hedmark's cooperation with Gjensidige NOR Sparebank and Gjensidige NOR Forsikring within the areas of technology and product development has given the Bank a broader and better range of products and services at lower costs.

The Board of Directors expects a satisfactory result for 2003 but is of the opinion that the economic situation is more uncertain at the beginning of 2003 than in recent years.

Sparebanken Hedmark's Board of Directors
Hamar, 21 February 2003

Syver Aalstad Chairman	Richard H. Heiberg	Atle Brataas
Marith Brekke	Randi Dørum	Ole Jakob Holen
Arnstein Fuglem	Svein H. Stenslet	Harry Konterud Managing Director

Profit and Loss Account

(Amounts in NOK million)

Parent Bank 2002	Parent Bank 2001	Parent Bank 2000		Notes	Group 2002	Group 2001	Group 2000
			Interest receivable and similar income				
70	61	49	Interest receivable and similar income from loans to and claims on credit institutions		33	29	19
1.545	1.415	1.164	Interest receivable and similar income from loans to and claims on customers	3, 7	1.603	1.469	1.212
83	84	59	Interest- and similar income from certificates, bonds and other interest-bearing securities		83	84	59
8	1	2	Other interest- and similar income		8	1	2
1.706	**1.561**	**1.274**	**Total interest receivable and similar income**		**1.727**	**1.583**	**1.292**
			Interest payable and similar costs				
18	11	13	Interest- and similar costs payable on borrowings from credit institutions	15	18	10	13
759	724	526	Interest- and similar costs payable on deposits from and liabilities to customers	15	756	723	521
242	217	181	Interest- and similar costs payable on issued securities	15	242	217	181
20	13	2	Other interest- and similar costs		22	14	2
1.039	**965**	**722**	**Total interest payable and similar costs**		**1.038**	**964**	**717**
667	**596**	**552**	**Net interest- and credit commission income**		**689**	**619**	**575**
			Dividends and other income from securities with variable yield				
7	16	19	Income from shares, unit trust certificates and other securities with variable yield		7	16	19
4	0	0	Income from equity stakes in associated companies	1	4	0	0
12	20	18	Income from equity stakes in Group companies	1	0	0	0
23	**36**	**37**	**Total dividends and other income from securities with variable yield**		**11**	**16**	**19**
			Commissions and income from banking services				
7	7	6	Guarantee commission		7	7	6
122	110	108	Other fees and commission income	2	153	152	146
129	**117**	**114**	**Total commissions and income from banking services**		**160**	**159**	**152**
			Commissions payable and costs relating to banking services				
0	0	0	Guarantee commissions		0	0	0
35	29	27	Other fees and commissions payable		37	30	28
35	**29**	**27**	**Total commissions payable and costs relating to banking services**		**37**	**30**	**28**
			Net value change and gains/losses on f/x and securities classified as current assets				
2	-3	-11	Net value change and gains/losses on certificates, bonds and other interest-bearing securities		2	-3	-11
-26	-7	25	Net value change and gains/losses on shares and other securities with variable yield		-26	-7	25
-6	1	1	Net value change and gains/losses on foreign exchange and financial derivatives		-6	1	1
-30	**-9**	**15**	**Total net value change and gains/losses on f/x and securities classified as current assets**		**-30**	**-9**	**15**
			Other operating income				
6	6	6	Operating income from real estate		6	5	6
8	3	2	Other operating income		15	14	9
14	**9**	**8**	**Total other operating income**		**21**	**19**	**15**
101	**124**	**147**	**Net other operating income**		**125**	**155**	**173**

Parent Bank 2002	2001	2000		Notes	Group 2002	2001	2000
			Wages, salaries and general administration costs				
177	136	131	Wages and salaries	3, 17	193	156	149
41	19	10	Pensions	3, 17	42	20	10
37	34	28	Social costs	17	41	38	32
255	189	169	Total wages, salaries etc.		276	214	191
135	127	121	Administration costs	17	141	133	128
390	**316**	**290**	**Total wages, salaries and general administration costs**		**417**	**347**	**319**
			Depreciation etc. of fixed- and intangible assets				
30	32	31	Ordinary depreciation		33	34	34
1	0	0	Write-downs		1	0	0
31	**32**	**31**	**Total depreciation etc. of fixed- and intangible assets**	14	**34**	**34**	**34**
			Other operating costs				
15	12	14	Operating costs relating to real estate		15	13	14
20	21	19	Other operating costs	4, 14	27	29	26
35	**33**	**33**	**Total other operating costs**		**42**	**42**	**40**
456	**381**	**354**	**Total operating costs**		**493**	**423**	**393**
			Losses on loans, guarantees etc.				
53	38	66	Losses on loans		58	42	69
2	0	0	Losses on guarantees etc.		2	0	0
4	7	0	Credit losses on certificates, bonds and other interest-bearing securities		4	7	0
59	**45**	**66**	**Total losses on loans, guarantees etc.**	7	**64**	**49**	**69**
			Write-down/reversal of write-down and gains/losses on securities classified as fixed assets				
-2	0	1	Write-down/reversal of write-down		-2	0	1
29	15	123	Gains/losses	5	29	15	123
-31	**-15**	**-122**	**Total write-down/reversal of write-down & gains/losses on secs. classified as fixed assets**		**-31**	**-15**	**-122**
284	**309**	**401**	**Result from ordinary operations before tax**		**288**	**317**	**408**
82	**82**	**107**	**Tax payable on ordinary result**	6	**86**	**90**	**114**
202	**227**	**294**	**Result from ordinary operations after tax**		**202**	**227**	**294**
202	**227**	**294**	**Result for the accounting year**		**202**	**227**	**294**
			Transfers and allocations				
1	0	5	Transferred from Fund for Evaluation Differences		0	0	0
1	**0**	**5**	**Total transfers**	18	**0**	**0**	**0**
0	8	0	Transferred to Fund for Evaluation Differences		6	0	0
201	217	297	Transferred to the Savings Bank's Fund		201	217	297
2	2	2	Tranferred to Donations		2	2	2
			Transferred to/from other Group capital		-7	8	-5
			Set aside for dividends payable to minority interests		0	0	0
			Transferred to minority interests		0	0	0
203	**227**	**299**	**Total allocations**	18	**202**	**227**	**294**
202	**227**	**294**	**Total transfers and allocations**		**202**	**227**	**294**

Balance Sheet

(Amounts in NOK million)

ASSETS

Parent Bank 2002	Parent Bank 2001	Parent Bank 2000		Notes	Group 2002	Group 2001	Group 2000
175	**349**	**388**	**Cash-in-hand and claims on central banks**		**175**	**349**	**388**
			Loans to and claims on other credit institutions				
171	55	185	Loans to and claims on other credit institutions without agreed maturity or notice of withdrawal		171	58	195
641	541	467	Loans to and claims on other credit institutions with agreed maturity or notice of withdrawal		89	51	49
812	**596**	**652**	**Total net loans and claims on other credit institutions**	1,7	**260**	**109**	**244**
			Loans to and claims on customers				
0	0	0	Leasing agreements		450	422	392
1.173	1.146	915	Overdraft- and working credit facilities		1.173	1.146	916
495	375	305	Building loans		495	375	305
16.676	15.164	13.695	Repayment loans		16.862	15.314	13.823
18.344	**16.685**	**14.915**	**Total loans before specific and non-specific loss provisions**	1,3,7	**18.980**	**17.257**	**15.436**
130	107	100	Specific loss provisions	7	135	110	103
220	200	185	Non-specific loss provisions	7	227	207	191
17.994	**16.378**	**14.630**	**Total net loans to and claims on customers**		**18.618**	**16.940**	**15.142**
3	**3**	**1**	**Repossessed assets**	11	**7**	**7**	**2**
			Certificates, bonds and other interest-bearing securities with fixed yield				
			Issued by the government or other public sector borrowers:				
0	97	349	Certificates and bonds		0	97	349
			Issued by other borrowers:				
1.178	1.084	688	Certificates and bonds		1.178	1.084	688
4	3	7	Own bonds, certificates etc.		4	3	7
1.182	**1.184**	**1.044**	**Total certificates, bonds and other interest-bearing securities with fixed yield**	7, 12	**1.182**	**1.184**	**1.044**
			Shares, unit trust certificates and other securities with variable yield				
230	233	236	Shares, unit trust certificates and Primary Capital Certificates (PCCs)		230	234	237
1	2	2	Other securities		1	2	2
231	**235**	**238**	**Total shares (and other securities with variable yield)**	13	**231**	**236**	**239**
			Equity stakes in associated companies				
6	0	0	Equity stakes in other associated companies		6	0	0
6	**0**	**0**	**Total equity stakes in associated companies**	1	**6**	**0**	**0**
			Equity stakes in Group companies				
83	78	71	Equity stakes in credit institutions		0	0	0
16	29	25	Equity stakes in other Group companies		0	0	0
99	**107**	**96**	**Total equity stakes in Group companies**	1	**0**	**0**	**0**
			Intangible assets				
3	5	7	Goodwill	14	4	7	8
35	6	0	Deferred tax benefit	6	45	12	0
2	4	8	Other intangible assets	14	2	4	8
40	**15**	**15**	**Total intangible assets**		**51**	**23**	**16**
			Fixed assets				
52	60	58	Machinery, furniture, fittings, fixtures and transport equipment		54	63	60
112	118	124	Buildings and other real estate		125	131	138
164	**178**	**182**	**Total fixed assets**	14	**179**	**194**	**198**
			Other assets				
0	0	0	Financial derivatives	21	0	0	0
23	18	40	Other assets	16	45	41	25
23	**18**	**40**	**Total other assets**		**45**	**41**	**25**
			Prepaid costs, not yet incurred; accrued income, not yet received				
213	173	195	Accrued income, not yet received		214	177	220
			Prepaid costs, not yet incurred				
31	37	26	Over-funding of pension liabilities	3	35	44	32
11	6	4	Other pre-paid costs, not yet incurred		11	6	5
255	**216**	**225**	**Total prepaid costs, not yet incurred and accrued income, not yet received**		**260**	**227**	**257**
20.984	**19.279**	**17.511**	**TOTAL ASSETS**	8,9,10	**21.014**	**19.310**	**17.555**

LIABILITIES AND EQUITY CAPITAL

Parent Bank 2002	2001	2000		Notes	Group 2002	2001	2000
			Liabilities to credit institutions				
6	31	9	Loans and deposits from credit institutions without agreed maturity or notice of withdrawal		4	30	8
149	410	11	Loans and deposits from credit institutions with agreed maturity and notice of withdrawal		149	410	11
155	**441**	**20**	**Total liabilities to credit institutions**	1, 15	**153**	**440**	**19**
			Deposits from and liabilities to customers				
13.437	12.662	11.112	Deposits from and liabilities to customers without agreed maturity		13.411	12.626	11.069
458	401	403	Deposits from and liabilities to customers with agreed maturity		458	401	403
13.895	**13.063**	**11.515**	**Total deposits from and liabilities to customers**	1, 15	**13.869**	**13.027**	**11.472**
			Borrowings raised through the issuance of securities				
1.675	1.050	1.989	Certificates and other short-term borrowings		1.675	1.050	1.989
-45	0	-3	Own non-amortised certificates		-45	0	-3
2.466	2.111	1.563	Bond debt		2.466	2.111	1.563
-100	0	0	Own non-amortised bonds		-100	0	0
3.996	**3.161**	**3.549**	**Total borrowings raised through the issuance of securities**	15	**3.996**	**3.161**	**3.549**
			Other liabilities				
11	6	4	Financial derivatives	21	11	6	4
0	0	0	Margin payments debited and other open accounts with customers		7	9	30
176	162	195	Other liabilities	16	186	182	210
187	**168**	**199**	**Total other liabilities**		**204**	**197**	**244**
188	**143**	**158**	**Incurred costs and prepaid income, not yet accrued**		**228**	**181**	**198**
			Provisions for incurred costs and liabilities				
62	34	26	Pension liabilities	3	63	35	27
0	0	0	Deferred tax	6	0	0	1
2	0	0	Specific loss provisions against guarantee liabilities	7	2	0	0
30	0	0	Other provisions against incurred costs and liabilities	17	30	0	0
94	**34**	**26**	**Total provisions against incurred costs and liabilities**		**95**	**35**	**28**
18.515	**17.010**	**15.467**	**Total liabilities**		**18.545**	**17.041**	**15.510**
			Equity capital				
			Minority interests		0	0	1
19	20	12	Fund for Evaluation Differences		6	0	0
2.450	2.249	2.032	Savings Bank's Fund		2.450	2.246	2.029
			Other Group capital		13	23	15
2.469	**2.269**	**2.044**	**Total equity capital**	18	**2.469**	**2.269**	**2.045**
20.984	**19.279**	**17.511**	**TOTAL LIABILITIES AND EQUITY CAPITAL**	8,9,10	**21.014**	**19.310**	**17.555**
			Contingent liabilities				
657	644	392	Guarantees	1,3,7,19	657	616	363
0	100	0	Debt included in the balance sheet, secured by mortgage etc.	20	0	100	0
1.106	977	672	Book value of assets pledged as collateralised security for mortgage loans etc.	20	1.106	977	672
			Liabilities				
3	4	20	Other liabilities	22, 23	3	4	20
3	**4**	**20**	**Total liabilities**		**3**	**4**	**20**

The Board of Directors of Sparebanken Hedmark
Hamar, 31 December 2002/21 February 2003

Syver Aalstad, Chairman — Richard H. Heiberg — Randi Dørum — Marith Brekke

Atle Bratås — Arnstein Fuglem — Svein H. Stenslet — Ole Jakob Holen — Harry Konterud, Managing Director

The board of directors of Sparebanken Hedmark

Syver Aalstad, 66, Chairman.
Aalstad is a civil agronomist; as a consultant, he provides advisory services within the field of agricultural economics and finances.
He has been a member and the Deputy Chairman of the Board since 1994 and was elected as Chairman in 2001.
He lives in the municipality of Hamar.

Richard Heiberg, 46, Deputy Chairman
Heiberg is a business school graduate and the Managing Director of Nordic Paper A/S.
He has been a member of the Board since 1995.
He lives in the municipality of Vaaler.

Ole Jacob Holen, 55, member of the Board.
Holen is a fishmonger and runs the company, Knutstad & Holen in Hamar.
He has been a member of the Board since 1994.
He lives in the municipality of Hamar.

Arnstein Fuglem ,60, member of the Board.
Fuglem is the General Manager of Alvdal Skurlag AL.
He was appointed to the Board of Directors in 2002.
He lives in the municipality of Alvdal.

Svein H. Stenslet, 65, member of the Board.
Stenslet is a chemical engineer; since 1996, he has been Hedmark County Council's representative on the Bank's Board of Directors.
He lives in the municipality of Eidskog.

Marith Brekke, 58, member of the Board.
Brekke is a graduate from Norway's Banking Academy, is the social security manager at Hamar social security office. She has been a member of the Board since 1999.
She lives in the municipality of Hamar.

Atle Bratås, 39, member of the Board.
Bratås is a graduate (finance) of Norway's BI (business school); he has been the main representative of the Bank's staff on the Board of Directors since 1998.
He lives in the municipality of Oslo.

Randi Dørum, 42, member of the Board
Dørum is a senior college graduate (information and public relations), is the district works manager at Aetat at Elverum. She has been a member of the Board since 2001.
She lives in the municipality of Elverum.

Harry Konterud, 59, member of the Board.
Konterud is a business school graduate and has been Sparebanken Hedmark's Managing Director and a member of the Board of Directors since 1985.
He lives in the municipality of Hamar.

Notes to the accounts

General background

The annual financial statements for 2002 have been prepared and presented in compliance with currently valid laws, rules and regulations and according to good accounting practice. The Parent Bank and its subsidiaries apply the same accounting principles.

Consolidation of subsidiaries

The Group accounts comprise the Bank and the companies of which the Bank, in its own right or together with other subsidiaries, owns more than 50 % of the shares, and in cases where the ownership structure is considered to be permanent. Companies which have been acquired following repossession of assets in order to secure outstanding commitments are deemed not to be permanent investments and are therefore not consolidated into the accounts.

The Group accounts have been prepared on the basis that the Group is deemed to be one comprehensive economic and financial unit. Minority interests are accordingly shown separately in the balance sheet under equity capital. In the profit and loss account, the minority interests' share of the Group's profit for the year is shown as an allocation of the result.

In the case of consolidation, the acquisition method is applied. If the cost of the shares acquired is different from the relevant share of subsidiaries' equity capital, as recorded in the accounts at the time of acquisition, in that case the difference is grouped together with those balance sheet items to which it is assumed to refer, and is written off in the same way as those items. Such differences are calculated on a full basis and the minority interests' share of the differences is allocated accordingly. Any residual value is included under goodwill, depreciated on a straight line basis over a period of maximum 5 years. Goodwill is assessed only in relation to majority interests. Latent tax on surplus values is taken into consideration, with the exception of goodwill. When acquisitions take place at various stages, any surplus value or deficit at the time of the Group establishment form the basis for all the purchase transactions unless there is a big difference in time between the different times of acquisition. In any case, goodwill is assessed separately at the time of each purchase.

The sale of minority interests in subsidiaries is treated in the Group accounts as an equity capital transaction and included at the value of the price paid at the time of the transaction in question. In the case of such sales, part of the goodwill involved, corresponding to the minority interests' equity stake in the subsidiary, is allocated to the minority interests. If subsidiaries are sold, the gain for the Group is computed as the difference between the sales price for the shares in the subsidiary and the net value of the subsidiary's assets and liabilities, as shown in the Group accounts, any surplus values not depreciated, as well as goodwill, to be included.

All substantial intra-Group transactions, internal gains, income and costs are netted out against each other in the Group accounts.
In the Parent Bank's accounts, equity stakes in consolidated subsidiaries are treated in accordance with the equity method of accounting. The relevant share of the result for the year, any depreciation of surplus values/goodwill having first been deducted, is booked as income in the profit and loss account. In the balance sheet, these equity stakes are shown at acquisition cost, adding any accumulated shares of the result, deducting any depreciation of surplus values/goodwill, dividend payments received and expected dividends from the last accounting year. Dividends due are included under 'Other assets'. The difference between the total book value of the equity stakes in question and the total price paid for the shares at the time is booked under 'Fund for Evaluation Differences', under equity capital.

Associated companies and joint venture operations

When the Bank on its own or together with subsidiaries owns 20-50 % of other companies and in addition to this has a substantial level of influence in the companies owned in this manner, in that case the companies in question are treated as associated companies in the accounts. Both in the Parent Bank- and Group accounts, associated companies are shown in accordance with the equity method of accounting. However, the Bank also has equity stakes in certain other companies in the 20-50 % range without having a level of influence which would warrant the use of the equity method of accounting. These equity stakes are therefore treated in the accounts as shares intended to be held on a permanent basis. The same applies to companies with corresponding equity stakes, but where the acquisition in question has not occurred with the aim of permanent ownership.

When banks alone or together with subsidiaries own 50 % of other companies and exercise joint control with another equal owner/partner, in that case the item is treated in the accounts as a joint venture operation – to which the equity method of accounting is applied, both in parent- and group accounts – and booked under 'Associated companies'.

Accounting principles relating to the treatment of income and costs in the accounts

Interest, commissions, fees and other income are added to the profit and loss account as income as and when such amounts are being earned/accrued. The full amount of the up-front establishment fee is booked as income when the loan is formally arranged, in view of the fact that the fee is deemed not to exceed the costs involved in setting up the loan.
When a loan or a framework facility is written off as a loss, wholly or partly, the inclusion of interest as income in the profit and loss account is discontinued, the loan having been put on a non-accrual of interest basis. However, any interest which is still paid continues to be booked as income. Accrued interest, not yet paid, or non-capitalised interest, at the time of writing off a loan as a loss, is reversed in the accounts.

In the case of bonds which have been hedged by hedging transactions, any discount/premium at the time of purchase is subject to accrual accounting, as an adjustment of the interest income to be received up to maturity. This is done in order to achieve the best possible co-ordination in relation to the cash flow from the hedging agreements involved. For zero-coupon bonds, any discount is shown as interest income – through accrual accounting.

Gains and losses from the sale and termination of securities and financial derivatives are included in the accounts at the time of settlement. Gains and losses on securities are calculated on the basis of average cost price.

Cost are included in the accounts as and when they are incurred. Provisions against expected losses are raised in accordance with good accounting practice.

The financial impact of portfolio management and hedging transactions is taken into consideration in the accounts.

Calculation of actual value (mark to market)

In the case of financial instruments which are traded in a regular market, market value on the accounting day in question is used as actual value. Actual value of financial derivatives which are not traded in a regular market is based on value assessment obtained from brokers, approved theoretical computation models and any relevant interest- and price information on the accounting day in question. As far as other assets are concerned, actual value is based on present value- and yield considerations, coupled with sales prices as seen in the market. In the case of assets which are not traded in a regular market, actual value will be based on various degrees of judgment. The actual value of such assets accordingly involve a not insignificant degree of uncertainty.

Assessment of hedging

The financial impact of any hedging transactions entered into is factored into the value assessment of assets and liabilities. A considerable degree of negative covariance between the value changes in respect of the hedging agreement and the hedged item is required; the hedged item must also be clearly defined and the transaction involved has to be defined as a hedging transaction at the time it is entered into. The hedging transaction is classified and booked in the accounts in conjunction with the hedged item. Assessment of hedging is applied in view of the fact that any positive/negative value change in respect of the hedged item is largely cancelled out by an opposite value movement as far as the hedging transaction is concerned. Assessment of hedging ensures that the Bank's accounts express the financial realities involved in the best possible way.

Foreign exchange

Accounting items and financial derivatives in foreign currencies are converted into Norwegian kroner at the foreign exchange rates ruling on the accounting days in question. In the case of forward exchange contracts, that part of the forward exchange rate which represents an interest rate element is treated in the accounts as interest income/cost on an accrual accounting basis.

Evaluation of outstanding commitments

Defaults

In connection with the annual financial statements the Bank regards a commitment as being in default when arrears have been outstanding on a continuing basis for at least 90 days after due date, or when accounts are overdrawn, without the Bank's required permission, on the accounting day in question.

Specific loss provisions

Commitments are subject to specific loss provisioning at any time the Bank feels that a customer is more likely than not to be unable to service his/her/its outstanding commitments to the Bank. As far as the corporate market is concerned, all major commitments are evaluated in relation to the need for specific loss provisions to be made, irrespective of whether the commitment in question is in default or not. In the case of the retail banking market, specific loss provisioning will normally be based on the commitment having gone into default. As a general rule, the loss involved is assessed as the difference between the amount of commitment and assumed sales value of the collateralised asset(s) pledged as security therefor. Exceptions to this rule are made in cases where the customer's financial position would suggest that another form of assessment and valuation might be more appropriate.

Non-specific loss provisions

According to the Banking, Insurance and Securities Commission's (BISC's) regulations, banks must raise non-specific loss provisions in order to cover losses which, due to circumstances ruling on the accounting date in question, must be expected to be incurred in the case of commitments which have not been identified and assessed in accordance with the rules relating to specific loss provisions. Non-specific loss provisions are arrived at on the basis of historical loss levels during the last few years. This is related to the time period which in practice elapses between a loss-triggering event involving a Bank customer and the time when the Bank is able to factor this into the level of specific loss provisions.

Leasing

Leasing rentals are calculated according to the annuity principle. Rental income and pre-paid leasing rentals, apportioned over the rental periods in question, are included in the profit and loss account, under 'Interest receivable and similar income from lending to customers'. Annuity-based depreciation of the asset's original cost, minus pre-paid rentals, is deducted; this is subject to accrual accounting during the contract period in question. That part of the asset which is financed by pre-paid rentals is depreciated on a straight line basis; income from pre-paid rentals is treated in the accounts in the same way. In the balance sheet, leasing agreements are included at the original cost of the assets involved, less depreciation.

Repossessed assets

Assets repossessed by the Bank are included in the balance sheet as separate items, at acquisition cost. If the estimated market value of the asset concerned is lower than the acquisition cost, the asset is subject to write-down, treated in the accounts as confirmed losses on loans and guarantees. Following the subsequent sale of such previously repossessed assets, losses and gains are included under 'Confirmed losses on loans and guarantees' and 'Recoveries in respect of previously confirmed losses' respectively.

Securities and financial derrivatives

Classification

Securities and financial derivatives are classified in three different groups:

- trading portfolio
- other current assets
- financial instruments intended to be held on a permanent basis

Financial instruments acquired for the purpose of realising price gains within a shorter-term time perspective are included in the Bank's trading portfolio. Financial instruments are actively bought and sold within this portfolio. Financial instruments forming part of the trading portfolio must be traded on the stock exchanges in question or within regular markets; there must be good diversification of ownership and a good level of liquidity in the instruments. Other current assets comprise financial instruments which do not form part of the trading portfolio, but which are not intended to be held on a permanent basis.

When reclassification of securities between the different groups is done, value assessment is based on the accounting principles applying to the group from which the securities involved are moved before reclassification is completed. In Note 13 – 'Shares and equity stakes in other companies' – the acquisition cost in such cases is stated as the actual cost price and not the value applied to the reclassification of that item.

Financial derivatives used as hedging transactions are classified in accordance with the hedged accounting item.

Index-linked bonds carrying a full capital guarantee are shown in the accounts under 'Certificates, bonds and other interest-bearing securities with fixed yield'. Index-linked bonds without full capital guarantee are treated as other securities and booked under 'Shares, unit trust certificates and other securities with variable yield'.

Portfolio evaluation

The Bank's portfolio is evaluated by assessing a complete category of assets as a whole, at the lower of aggregate acquisition cost and total market value. Groups of financial instruments classified as current assets, but which do not form part of the trading portfolio, are subject to portfolio evaluation when they are managed as an aggregate portfolio. The reason for applying the portfolio evaluation method in such cases is that the portfolio in question has been structured in such a way that, on a total basis, the intended risk exposure is achieved. The total value of the portfolio accordingly best reflects the assets' value for the Bank.

Securities and financial derivatives in the trading portfolio

Securities and financial derivatives in the trading portfolio are assessed at market value on the accounting day in question.

Securities and financial derivatives classified as current assets, but which do not form part of the trading portfolio

Certificates and bonds classified as other current assets are assessed according to the portfolio principle, i.e. at the lower of total acquisition cost and aggregate market value, together with any financial derivatives agreements related to the portfolio.

Shares etc. classified as other current assets are also assessed at the lower of acquisition cost and market value, each share being evaluated separately.

Shares etc. intended to be held on a permanent basis, but which are not shares in subsidiaries and associated companies

Shares intended to be held on a permanent basis are assessed at acquisition cost. Write-down is made when market value has fallen below acquisition cost and when this reduction in value is deemed not to be temporary. A reversal of such write-down is made in the accounts if and when the basis therefor is deemed not to apply any longer.

Genuine sales- and repurchase transactions (repo's)
In the case of genuine sales- and repurchase transactions, the securities in question remain on the Bank's books. The sales amount is included in the accounts under liabilities during the period involved, up to the time when repurchase occurs. Any price differences are incorporated in the profit and loss account as interest cost. In the case of reversed, genuine sales- and repurchase transactions, the purchase amount is included in the accounts under claims during the period involved, up to the time when resale occurs. Any price differences are booked as interest income in the profit and loss account.

Fixed assets

Fixed assets are shown in the balance sheet at original cost, adding any write-ups applied before 1.1.1999, deducting ordinary depreciation and write-down. Annual, ordinary depreciation is on a straight line basis, applying estimated economic life. The following rates of depreciation have been applied:

• Buildings and other real estate	2.5-20%
• Furniture, fittings and fixtures	10-20%
• Machinery	10-25%
• Electronic data processing equipment and standard software programmes	25-34%
• Goodwill	20%
• Other tangible assets	25%

Write-down is applied whenever market value falls below book value and when that situation is considered not to be temporary. A reversal of such write-down is made in the accounts if and when the basis therefor is deemed no longer to apply.

Liabilities

General background
All liabilities items in the balance sheet are assessed at nominal value – with the exception of the examples described under the following two sub-headings.

Borrowings raised through the issuance of securities
Borrowings raised through the issuance of securities are shown in the balance sheet at market value at the time of the new issue in question. Any premium/discount in relation to the issue price is treated as interest cost, subject to accrual accounting during the period until maturity. The financial impact of any hedging transactions is booked as an adjustment to interest rate cost.

Repurchase of own loans
When repurchasing own bond loans, as part of market making and market promotion of such securities, the assets involved are shown in the asset section of the balance sheet as 'Own bonds, certificates etc.'. Such assets are bought in order to help create liquidity in the Bank's own loans. These items are classified as other current assets and assessed at the lower of original cost and market value.

When repurchasing own securities as part of refinancing operations, the items involved are shown in the accounts as own non-amortised bonds under 'Borrowings through the issuance of securities'. The items in question are shown at cost price and any premium or discount is subject to accrual accounting over the remaining life, i.e. until maturity. In the case of any other repurchases of own loans evidenced by securities, the items concerned are booked at the prices applicable to the corresponding liabilities items; any difference between book value and repurchase price is incorporated in the profit and loss account at the time of the transactions.

Share index-linked bonds and equity-linked bank deposits
For share index-linked bonds and equity-linked bank deposits, the risk relating to any value change in the indexes involved is hedged through an index- and interest rate swap agreement. The Bank receives the same index increase through this swap agreement as that which it has to pay to the bond holders/deposit customers, by having agreed to pay a current rate of interest. The amount of interest in question is charged to the profit and loss account as interest cost in respect of securities issued and deposits from customers respectively.

Pension liabilities
Pension costs and pension liabilities are shown in the accounts in accordance with Norwegian Accounting Standard 6 relating to pension costs.

Changes in accounting principles
The following changes in accounting principles have been implemented:

- Following a change in the Accounting Act, the Fund for Evaluation Differences is now assessed at the total difference between book value and cost price for shares in subsidiaries, associated companies and joint venture operations. Previously, any negative differences relating to each company in question were deducted and charged to the Savings Bank's Fund. As a result of this, the Fund for Evaluation Differences as at 1.1.2002 is NOK 3 million lower than it would have been according to the former principles applied, whereas the Savings Bank's Fund as at 1.1.2002 is NOK 3 million higher. Aggregate equity capital remains unchanged.
- Bonds issued by Kommunalbanken before its conversion to a limited company have been reclassified and moved from 'Bonds issued by other borrowers' to 'Bonds issued by public sector borrowers'. This change in accounting principles is only a classification change and therefore has no effect either on the result or on equity capital.

Comparative accounting figures from previous years have been restated.

Presentation of accounting figures
All figures are in NOK million, unless stated otherwise, or unless a different basis is apparent from the context. When there is no significant difference between Parent Bank- and Group accounting figures, only Group figures are shown.

NOTE 1: SUBSIDIARIES AND ASSOCIATED COMPANIES

Consolidated subsidiaries:

	Registered office	Equity stake	Share of voting capital
Hedmark Eiendom AS	Hamar	100%	100%
Hedmark Finans AS	Hamar	100%	100%
Hedmark Invest AS	Hamar	100%	100%
Sameiet Nytun*)	Tynset	100%	100%
SH-Betalingsautomater AS	Hamar	100%	100%
Vato AS	Hamar	100%	100%

*) Sameiet Nytun is 50% owned by Vato AS, one of the Bank's subsidiaries.

NON-CONSOLIDATED SUBSIDIARIES:
In addition to the subsidiaries which have been consolidated into the Group accounts, the Bank has majority shareholdings in the following companies:

	Registered office	Equity stake	Annual result 2002	Equity capital as at 31.12.2002
Ringen Eiendommer AS	Ringsaker	100%	0,7	4,6
Stor-Elvdal Hytteforum AS	Stor-Elvdal	100%	-0,2	-0,8

JOINT VENTURE OPERATIONS:

	Registered office	Equity stake	Share of voting capital
Actor Fordringsforvaltning AS	Hamar	50%	50%

BOOK VALUE OF CONSOLIDATED SUBSIDIARIES IN PARENT BANK'S ACCOUNTS

	Acquisition cost	Part of equity capital's book value at the time of acquisition	Book value at at 31.12.2001	Result booked as income	Dividend for the year	Reversal of consolidation during the year	Book value as at 31.12.2002	Book value of goodwill as at 31.12.2002	Other surplus values as at 31.12. 2002	Depreciation of goodwill during the year	Depreciation of other surplus values during the year
Actor Fordrings-forvaltning AS	1,5	0,1	12,9	2,4		15,3	0,0	0,0	0,0	0,0	0,0
Hedmark Eiendom AS	5,5	2,0	8,3	3,2	3,0		8,5	1,1	0,0	0,5	0,0
Hedmark Finans AS	70,0	70,0	78,1	4,7	0,0		82,8	0,0	0,0	0,0	0,0
Hedmark Invest AS	1,0	1,0	1,0	0,0	0,0		1,0	0,0	0,0	0,0	0,0
Sameiet Nytun	3,3	3,3	2,9	0,8	1,1		2,6	0,0	0,0	0,0	0,0
SH-Betalings-automater AS	0,8	0,8	1,2	0,5	0,4		1,3	0,0	0,0	0,0	0,0
Vato AS	4,8	1,3	2,4	0,0	0,0		2,4	0,0	0,0	0,0	0,0
Total	**86,9**	**78,5**	**106,8**	**11,6**	**4,5**	**15,3**	**98,6**	**1,1**	**0,0**	**0,5**	**0,0**

BOOK VALUE OF JOINT VENTURE COMPANIES

	Acquisition cost	Part of equity capital's book value at the time of acquisition	Book value as at 31.12.2001	Acquisitions during the year	Result booked as income	Dividend for the year	Book value as at 31.12.2002	Book value of goodwill as at 31.12.2002	Other surplus values as at 31.12. 2002	Depreciation of goodwill during the year	Depreciation of other surplus values during the year
Actor Fordrings-forvaltning AS	0,8	0,1	0,0	7,6	3,5	4,7	6,4	0,0	0,0	0,0	0,0
Total	**0,8**	**0,1**	**0,0**	**7,6**	**3,5**	**4,7**	**6,4**	**0,0**	**0,0**	**0,0**	**0,0**

None of the subsidiaries or joint venture businesses are listed companies.

CHANGES IN GROUP CIRCUMSTANCES
Changes in consolidation have been made with effect from the stated dates of acquisition and sale.

2002
With accounting effect from 01.04, 50 per cent of the Bank's shares in Actor Fordringsforvaltning was sold. At the same time, the treatment of the company in the accounts was changed from a consolidated subsidiary to a joint venture company. This transaction produced a NOK 29.4 million gain.

2001
With accounting effect from 01.01, the Bank's equity stake in Hedmark Eiendom AS was increased from 85 to 100 per cent. The acquisition was made against a NOK 2.6 million cash payment. Goodwill has been estimated at NOK 1.8 million and will be depreciated over a 5-year period. At the same time, the Bank's associated companies, Hedmark Eiendomsforvaltning AS and HOBBL Boservice AS , were sold.

2000
The Bank's subsidiary, Hedmark Forsikring AS, was wound up in the middle of December.

INTRA-GROUP ITEMS INVOLVING SUBSIDIARIES (PARENT BANK)

Consolidated companies				Non-consolidated companies		
2002	2001	2000		2002	2001	2000
552	496	424	Loans to and claims on credit institutions			
9	10	9	Loans to and claims on customers	9	9	13
2	2	3	Liabilities to credit institutions			
26	36	42	Deposits from and liabilities to customers	1	1	3
0	28	29	Guarantee liabilities			

INTRA-GROUP ITEMS RELATING TO JOINT VENTURE- AND ASSOCIATED COMPANIES (PARENT BANK)

Joint venture operations				Associated companies		
2002	2001	2000		2002	2001	2000
			Loans to and claims on customers			0
11			Deposits from and liabilities to customers			1
18			Guarantee liabilities			

THE GROUP'S BUSINESS OPERATIONS AREAS

One of Sparebanken Hedmark's strategic aims is to be a comprehensive supplier of financial services, partly through services provided by the Bank itself, and partly through distribution of products and services on behalf of its alliance partners; in addition, the Bank owns a number of subsidiaries which supply vairous financial services. Within the Group, therefore, different types of business are conducted. The reporting relating to the various areas of operations is divided into the following five segments: Banking, financing, real estate brokerage, collection and any other activities. Each business area is organised in the form of independent companies. Income, costs, assets and liabilities correspond to the allocation according to each company's accounts, with the following exceptions:

- The financial impact of applying the equity method of accounting to assets which do not belong within the business area in question is eliminated from that business area's income, assets and equity capital.

	Banks		Financing		Real estate brokerage		Debt coll. agency		Sundry		Netted out		Total for Group	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Net extr. int. income	632	565	58	54	-1	-1	0	1	0	0		0	689	619
Net internal int. income	35	31	-37	-33	2	2	0	1	0	-1	0	0	0	0
Net other extr. inc.	88	104	0	2	24	20	6	22	7	7	0	0	125	155
Net other int. income	1	0	0	0	0	0	1	3	2	3	-4	-6	0	0
Operating costs	425	349	10	9	19	16	4	14	7	7	-6	-6	459	389
Depre-ciation	31	32	0	0	1	1	0	0	2	1	0	0	34	34
Loan losses etc.	59	45	5	4	0	0	0	0	0	0	0	0	64	49
Write-downs; gains/ losses	+31	+15	0	0	0	0	0	0	0	0	0	0	+31	+15
Result after tax	190	207	5	8	4	3	2	9	1	1	0	-1	202	227
Minority interests							0	0					0	0
Total assets	20.881	19.172	678	619	26	27	i.a.	28	13	18	-584	-554	21.014	19.310
Equity capital	2.456	2.249	83	78	7	7	i.a.	13	9	9	-86	-87	2.469	2.269
Invested in fixed assets	16	24	0	0	1	2	0	1	0	1	0	0	17	28

NOTE 2: FEE- AND COMMISSION INCOME

Parent Bank				Group		
2002	2001	2000		2002	2001	2000
6	8	9	Fees from securities trading	6	8	9
94	80	81	Fees from payment transmission services	94	80	81
7	7	4	Commissions from insurance-related services	8	7	4
0	0	0	Fees from real estate brokerage and management	22	18	20
15	15	14	Other fees	23	39	32
122	**110**	**108**	**Total**	**153**	**152**	**146**

NOTE 3: PERSONNEL-RELATED MATTERS

NUMBER OF STAFF EMPLOYED

Parent Bank		Group
509	Avrage number of staff employed during the accounging year	544

WAGES, SALARIES, PENSION LIABILITIES AND OTHER REMUNERATION FOR THE BANK'S MANAGING DIRECTOR, MEMBERS OF THE BOARD OF DIRECTORS AND OTHER ELECTED REPRESENTATIVES (PARENT BANK)

The following amounts were charged to the profit and loss account in 2002:

(Amounts in NOK)	Managing Director	Members of the Board of Directors	Members of the Board of Trustees	Members of the Control Committee
Salary	1.347.026			
Fringe benefits	129.263			
Other remuneration		629.550	241.700	235.000
Year's pension accruals	394.760			

LOANS AND GUARANTEES EXTENDED TO STAFF AND ELECTED REPRESENTATIVES

Parent Bank			**Group**	
Loans	Guarantees		Loans	Guarantees
2,6	0,0	Chairman of the Board of Trustees	2,6	0,0
19,2	0,0	Other members of the Board of Trustees*)	19,2	0,0
0,0	0,0	Chairman of the Board of Directors	0,0	0,0
0,6	0,0	Other members of the Board*)	0,6	0,0
3,0	0,0	Members of the Control Committee	3,0	0,0
1,0	0,0	Managing Director	1,0	0,0
249,3	0,0	Staff*)	269,6	0,0
275,7	**0,0**	**Total**	**296,0**	**0,0**

*) Loans and guarantees extended to staff representatives on the Board of Directors and Board of Trustees have been included under staff.

TOTAL INTEREST SUBSIDY OF STAFF LOANS DURING THE PERIOD

Parent Bank		Group
4,2	Cost of interest subsidy of staff loans during the period	4,7

LIABILITIES RELATING TO TERMINATION OF EMPLOYMENT OR CHANGE IN THE CONDITIONS PERTAINING THERETO IN THE CASE OF SENIOR MANAGEMENT (PARENT BANK)

The Bank has entered into a special agreement with its Managing Director relating to early retirement. In accordance with this agreement, the Managing Director has the option to retire from his position at the end of the year in which he will have reached the age of 59, but not before that time, or, at the latest, by the end of the year in which he will have become 63 years old. This agreement stipulates that the Bank will pay the Managing Director an amount corresponding to 65 per cent of his leaving salary in the event of his leaving at the age of 59 – rising to 80 per cent at the age of 63. The abovementioned agreement will apply until normal retirement age, which is 67. The present value of this liability is included under pension commitments shown in the Bank's balance sheet. The cost for the year of this liability has been charged to the profit and loss account under 'Pensions'.

In addition, the Bank provides special arrangements relating to early retirement and/or a gradual reduction of working time in the case of members of the Bank's senior management group and heads of department who were over 50 years of age on 1.1.2001. This provides these managers with the opportunity of retiring or partly retiring once they have reached their 62nd birthday. The cost for the year of this liability has been charged to the accounts under 'Pensions'.

PENSIONS AND PENSION LIABILITIES

As part of the total compensation package for their work and efforts, the Bank's employees earn the right to future pensions. These rights are accumulated on an ongoing basis; for the Bank, therefore, the costs relating to these liabilities are incurred gradually up to the time of retirement for each member of staff. This note shows this year's costs and liabilities in respect of such future pension liabilities on the accounting date in question.

Assumptions:
When assessing the value of pension resources and when calculating the amount of incurred liabilities, estimated values are applied. The following assumptions have been used:

Rate of discounting	7,0%
Expected return on pension resources invested	7,0%
Wage- and salary adjustment	3,3%
'G'-adjustment	2,5%
Pension adjustment	2,5%
Voluntary retirement	2,0%
Overall propensity to make withdrawals under contractual pension arrangement - Parent Bank	50,0%
Overall propensity to make withdrawals under contractual pension arrangement - Group	25,0% - 50,0%

The arrangement comprises the following number of people:

	Parent Bank	Group
Employees	516	553
Retired staff	139	139

The total pension costs for the year have been arrived at in the following way:

Parent Bank				Group		
Pensions funded by accumulation of reserves	Pensions funded by a charge to p&l account	Total		Pensions funded by accumulation of reserves	Pensions funded by a charge to p&l account	Total
8	5	13	Present value of year's pension accruals	8	5	13
15	4	19	Interest costs in respect of incurred liabilities	16	4	20
17	0	17	Expected return on invested pension resources	18	0	18
0	17	17	Apportioned financial impact of changes in estimates, and differences between actual and expected rates of return	0	17	17
0	3	3	Employer's social security contributions	0	4	4
6	**29**	**35**	**Pension costs**	**6**	**30**	**36**

Reconciliation of pension costs in relation to profit and loss account:

Parent Bank				Group		
2002	2001	2000		2002	2001	2000
35	16	9	Pension costs shown in the above table	36	18	10
4			Pension provisions relating to the Bank's 'package of effectiveness measures' (see note 17)	4		
2	3	1	Discrepancy between actual payments and anticipated payments according to pension calculations relating to pensions the cost of which is charged to profit and loss account	2	2	0
41	19	10	Pension costs according to profit and loss account	42	20	10

Pension liabilities and pension resources funded by accumulation of reserves:

Parent Bank				Group		
2002	2001	2000		2002	2001	2000
238	234	218	Estimated incurred liabilities	242	241	224
256	256	231	Estimated value of pension resources	264	270	243
13	15	13	Financial impact of changes in estimates, not included in profit and loss accoount, and difference between actual and expected investment return	13	15	13
0	0	0	Employer's social security contributions	0	0	0
31	**37**	**26**	**Net pension resources**	**35**	**44**	**32**

Pension liabilities relating to pensions funded by a charge to the profit and loss account:

Parent Bank				Group		
2002	2001	2000		2002	2001	2000
60	31	24	Estimated incurred liabilities	60	32	25
(5)	(1)	(1)	Financial impact of changes in estimates, not included in profit and loss accoount, and difference between actual and expected investment return	(5)	(1)	(1)
7	4	3	Employer's social security contributions	8	4	3
62	**34**	**26**	**Pension liabilities shown in balance sheet**	**63**	**35**	**27**

Actual rate of return on- and composition of pension resources:
The Bank's pension resources consist of bank deposits as well as state- and state guaranteed certificates and bonds. The actual rate of return on the Bank's pension resources was 6.0 per cent in 2000, 5.3 per cent in 2001 and 6.4 per cent in 2002.

NOTE 4: EXTERNAL AUDITOR'S REMUNERATION

The amounts set out below have been charged to the profit and loss account in respect of remuneration paid to the external auditor during the accounting year (amounts in NOK, exclusive of value added tax):

	Parent Bank	**Group**
Auditing	550.000	741.000
Advisory serv.	2.000	20.700
Total	**552.000**	**761.700**

NOTE 5: LARGE INDIVIDUAL TRANSACTIONS

Parent Bank 2002	Parent Bank 2001	Parent Bank 2000		Group 2002	Group 2001	Group 2000
29			Gain from the sale of equity stake in Actor Fordringsforvaltning AS	29		
	15		Gain from the sale of equity stake in Avanse Forvaltning AS		15	
		123	Gain from the sale of equity stake in Fellesdata ASA			123
29	**15**	**123**	**Total gain included under 'Write-downs and gains/losses on securities held on a long-term basis'**	**29**	**15**	**123**

NOTE 6: TAX

The Bank's total taxation costs consist of:

- tax payable on taxable profit for the year;
- change in deferred tax as a result of temporary differences between accounting- and taxable profit; these temporary differences trigger future tax or tax benefit;
- wealth tax.

Basis for calculating deferred tax:

Parent Bank 31.12.02	Parent Bank 31.12.01	Parent Bank 31.12.00	**Tax-increasing temporary differences**	Group 31.12.02	Group 31.12.01	Group 31.12.00
0	0	0	Accelerated depreciation	0	0	1
0	20	28	Unrealised gains and 'RISK'- adjustments of trading portfolio in shares	0	20	28
31	37	26	Pension resources	35	44	32
1	1	1	Balance relating to differences	1	1	1
2	1	1	Account registering gains	3	1	1
34	59	56	Total tax-increasing temporary differences	39	66	63
			Tax-reducing temporary differences			
40	29	22	Decelerated depreciation	78	54	24
7	0	0	Unrealised gains and 'RISK'- adjustments of trading portfolio in shares	7	0	0
3	0	0	Write-down of other ordinary shares	3	0	0
7	8	0	Write-down of other ordinary bonds	7	8	0
2	5	5	Write-down of long-term shareholdings	2	5	4
1	1	1	Changed value of long-term shareholdings at the beginning of the year	1	1	1
62	34	26	Pension liabilities	63	35	27
30	0	0	Provisions for costs and liabilities	30	0	0
6	4	3	Other differences	9	6	1
158	81	57	Total tax-reducing temporary differences	200	109	57
-124	**-22**	**-1**	**Net temporary differences**	**-161**	**-43**	**6**
9	17	16	Deferred tax (28%)	11	18	18
44	23	16	Deferred tax benefit (28%)	56	30	17
-35	**-6**	**0**	**Book value of net deferred tax**	**-45**	**-12**	**1**
-29	**-6**	**-4**	**Change in net deferred tax in the year**	**-33**	**-13**	**-8**
			Of which acquisitions and disposals accounted for	0	0	0
-29	**-6**	**-4**	**Year's result-related change in net deferred tax**	**-33**	**-13**	**-8**

Temporary differences – according to the equity method of accounting – on which deferred tax has not been included in the accounts.

In accordance with the accounting standard in respect of tax payable on the result achieved, the socalled deferred 'RISK'-adjustment must be taken into consideration. This refers to the future overall impact on the difference between tax-related and accounting value, when calculating deferred tax on assets in associated companies and subsidiaries. The permanent differences involved do not significantly affect the level of deferred tax in the cases in question. In practice, this means that temporary differences relating to joint venture businesses, associated companies and subsidiaries may be disregarded. However, deferred tax relating to temporary differences as a result of depreciation of surplus value (excess of purchase price over net assets acquired) must be taken into consideration. Deferred tax/tax benefit in respect of temporary differences in connection with subsidiaries regarded as participating partners must also be taken into account.

Parent Bank				Group		
31.12.02	31.12.01	31.12.00		31.12.02	31.12.01	31.12.00
16	23	13	Temporary differences relating to subsidiaries	0	0	0
6	0	0	Temporary differences relating to associated companies and joint venture businesses	6	0	0
22	**23**	**13**	**Total temporary differences – according to the equity method of accounting – on which no deferred tax has been included in the accounts**	**6**	**0**	**0**

Reconciliation of tax charge:

Parent Bank				Group		
2002	2001	2000		2002	2001	2000
80	87	112	28% tax payable on ordinary result	81	89	114
			+/- Permanent differences:			
1	1	2	Non-deductible costs	1	2	2
0	-2	0	Non-taxable income	0	-2	0
81	86	114	28% tax on result after permanent differences	82	89	116
-2	-4	-5	Share dividends	-2	-4	-5
-4	-6	-5	Shares of results from subsidiaries, associated companies and joint venture businesses	-1	0	0
0	0	0	Share of result from subsidiary taxed on participant basis	0	0	0
28	9	2	Change in temporary differences affecting tax payable for the year	33	15	6
103	85	106	Tax payable on ordinary result	112	100	117
-29	-6	-4	Change in deferred tax on ordinary result	-33	-13	-8
74	79	102	Tax payable on ordinary result	79	87	109
0	-3	-1	Under-/over-provision for tax the year before	-1	-3	-1
74	76	101	Total tax payable on result	78	84	108
8	6	6	Wealth tax	8	6	6
82	**82**	**107**	**Total taxation cost**	**86**	**90**	**114**

NOTE 7: CREDIT RISK

Credit risk is the risk of the Bank incurring losses as a result of the inability of borrowers, issuers of securities and others to meet their commitments at maturity. The Bank manages credit risk through limits, powers of attorney, delegated lending authority, routines for credit assessment and risk classification, follow-up and reporting. Credit risk relating to the Bank's lending to customers is described below. Credit risk contained in the securities portfolio is illustrated in Note 12.

LOSSES ON LOANS AND GUARANTEES

Costs relating to loan losses during the year:

Parent Bank				Group		
2002	2001	2000		2002	2001	2000
23	7	22	Change in specific loss provisions during the period	25	7	22
20	15	30	+ Change in non-specific loss provisions during the period	21	16	30
5	16	8	+ Period's confirmed losses against which specific loss provisions were made in previous years	7	18	13
14	12	21	+ Period's confirmed losses against which no specific loss provisions were made in previous years	15	13	21
9	12	15	- Recoveries in respect of previous periods' confirmed losses	10	12	17
53	**38**	**66**	**= Period's costs relating to loan losses**	**58**	**42**	**69**

Costs relating to guarantee losses during the year:

Parent Bank				Group		
2002	2001	2000		2002	2001	2000
2	0	0	Change in specific loss provisions during the period	2	0	0
0	0	0	+ Change in non-specific loss provisions during the period	0	0	0
0	0	0	+ Period's confirmed losses against which specific loss provisions were made in previous years	0	0	0
0	0	0	+ Period's confirmed losses against which no specific loss provisions were made in previous years	0	0	0
0	0	0	- Recoveries in respect of previous periods' confirmed losses	0	0	0
2	**0**	**0**	**= Period's cost of guarantee losses**	**2**	**0**	**0**

Credit losses on certificates, bonds and other interest-bearing securities during the year:

Parent Bank 2002	Parent Bank 2001	Parent Bank 2000		Group 2002	Group 2001	Group 2000
0	0	0	Change in specific loss provisions during the period	0	0	0
0	0	0	+ Change in non-specific loss provisions during the period	0	0	0
0	0	0	+ Period's confirmed losses against which specific loss provisions were made in previous years	0	0	0
5	7	0	+ Period's confirmed losses against which no specific loss provisions were made in previous years	5	7	0
1	0	0	- Recoveries in respect of previous periods' confirmed losses	1	0	0
4	**7**	**0**	**= Period's credit loss cost for securities**	**4**	**7**	**0**

Total credit loss costs for the year:

Parent Bank 2002	Parent Bank 2001	Parent Bank 2000		Group 2002	Group 2001	Group 2000
25	7	22	Change in specific loss provisions during the period	27	7	22
20	15	30	+ Change in non-specific loss provisions during the period	21	16	30
5	16	8	+ Period's confirmed losses against which specific loss provisions were made in previous years	7	18	13
19	19	21	+ Period's confirmed losses against which no specific loss provisions were made in previous years	20	20	21
10	12	15	- Recoveries in respect of previous periods' confirmed losses	11	12	17
59	**45**	**66**	**= Period's total credit loss costs**	**64**	**49**	**69**

Specific loan loss provisions:

Parent Bank 2002	Parent Bank 2001	Parent Bank 2000		Group 2002	Group 2001	Group 2000
107	100	78	Specific loss provisions as at 01.01	110	103	81
5	16	8	- Period's confirmed losses against which specific loss provisions were made in previous years	7	18	13
11	11	3	+ Increased specific loss provisions during the period	11	12	7
36	24	39	+ New specific loss provisions during the period	40	26	42
19	12	12	- Reversal of specific loss provisions during the period	19	13	14
130	**107**	**100**	**= Specific loss provisions as at 31.12.**	**135**	**110**	**103**

Specific guarantee loss provisions:

Parent Bank 2002	Parent Bank 2001	Parent Bank 2000		Group 2002	Group 2001	Group 2000
0	0	0	Specific loss provisions as at 01.01	0	0	0
0	0	0	- Period's confirmed losses against which specific loss provisions were made in previous years	0	0	0
0	0	0	+ Increased specific loss provisions during the period	0	0	0
2	0	0	+ New specific loss provisions during the period	2	0	0
0	0	0	- Reversal of specific loss provisions during the period	0	0	0
2	**0**	**0**	**= Specific loss provisions as at 31.12.**	**2**	**0**	**0**

Non-specific loss provisions:

Parent Bank 2002	Parent Bank 2001	Parent Bank 2000		Group 2002	Group 2001	Group 2000
200	185	155	Non-specific loss provisions as at 01.01	207	191	161
20	15	30	+/- Period's non-specific loss provisions	20	16	30
220	**200**	**185**	**Non-specific loss provisions at 31.12**	**227**	**207**	**191**

No non-specific provisions against guarantee losses were made in 2000, 2001 and 2002.

COMMITMENTS IN DEFAULT AND COMMITMENTS AGAINST WHICH LOSS PROVISIONS HAVE BEEN RAISED

Parent Bank 2002	Parent Bank 2001	Parent Bank 2000	Parent Bank 1999	Parent Bank 1998		Group 2002	Group 2001	Group 2000	Group 1999	Group 1998
239	200	167	110	85	Gross commitments in default (over 90 days)	255	216	176	116	86
46	39	24	21	17	Specific loss provisions made against these commitments	51	43	27	23	17
193	**161**	**143**	**89**	**68**	**Net commitments in default (over 90 days)**	**204**	**173**	**149**	**93**	**69**

Parent Bank 2002	Parent Bank 2001	Parent Bank 2000	Parent Bank 1999	Parent Bank 1998		Group 2002	Group 2001	Group 2000	Group 1999	Group 1998
210	197	257	176	172	Other commitments (gross) against which loss provisions have been raised	210	197	257	178	176
84	68	76	57	59	Specific loss provisions made against these commitments	84	67	76	58	62
126	**129**	**181**	**119**	**113**	**Net other commitments against which specific loss provisions have been raised**	**126**	**130**	**181**	**120**	**114**

CHANGES IN LOAN INTEREST NOT BOOKED AS INCOME

	Parent Bank	Group
Accrued interest, not booked as income, on loans in balance sheet at 01.01	23	23
- Previous periods' loan interest booked as income during the period	-3	-3
- Period's accrued interest, not booked as income, on loans no longer in the balance sheet	-1	-1
+ Period's accrued interest, not booked as income, on loans which have been identified as bad or doubtful	12	12
= Accrued interest, not booked as income, on loans in balance sheet as at 31.12	**31**	**31**

LOANS AND GUARANTEES BROKEN DOWN BY COMMERCIAL, INDUSTRIAL AND OTHER SECTORS

Breakdown of loans and guarantees by the most important sectors:

Parent Bank

	Gross loans			Guarantees			Unutilised allocation **)			Gross loans in default*)			Other (gross) bad and doubtful loans*)			Specific loss provisions			Non-specific loss provisions		
	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000
Total retail banking	10.970	9.800	8.815	9	8	7	250	228	203	113	91	102	26	27	27	24	22	22	56	50	45
Agriculture and forestry	1.463	1.399	1.319	9	10	8	226	225	220	17	7	15	40	37	39	12	11	13			
Industry and mining	534	501	637	69	81	74	180	128	131	9	4	5	32	31	33	18	13	13			
Building and construction; water- and power supply	621	528	290	328	313	53	273	262	119	17	12	7	9	17	6	6	5	1			
Retail- and wholesale trade, hotel- and restaurant industry	904	800	820	85	90	150	222	253	295	24	64	13	59	43	114	44	35	32			
Real estate management; business services	3.239	3.012	2.415	99	78	54	223	173	173	46	20	10	30	24	23	16	12	6			
Miscellaneous	613	645	619	45	59	45	95	64	98	13	2	15	14	18	15	12	9	13			
Total corporate banking	7.374	6.885	6.100	635	631	384	1.219	1.105	1.036	126	109	65	184	170	230	108	85	78	164	150	140
Total lloans/guarantees extended to customers	**18.344**	**16.685**	**14.915**	**644**	**639**	**391**	**1.469**	**1.333**	**1.239**	**239**	**200**	**167**	**210**	**197**	**257**	**132**	**107**	**100**	**220**	**200**	**185**
Credit institutions	812	596	652	0	0	1	48	104	76	0	0	0	0	0	0	0	0	0			
Savings Banks' Guarantee Fund				13	5																
Total loans/guarantees	**19.156**	**17.281**	**15.567**	**657**	**644**	**392**	**1.517**	**1.437**	**1.315**	**239**	**200**	**167**	**210**	**197**	**257**	**132**	**107**	**100**	**220**	**200**	**185**

Group

	Gross loans			Guarantees			Unutilised allocation **)			Gross loans in default*)			Other (gross) bad and doubtful loans*)			Specific loss provisions			Non-specific loss provisions		
	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000
Total retail banking	11.091	9.908	8.912	9	8	7	250	228	203	117	96	104	26	27	27	25	23	23	57	51	46
Agriculture and forestry	1.566	1.481	1.393	9	10	8	226	225	219	19	12	15	40	37	39	13	12	13			
Industry and mining	554	526	665	69	81	74	180	128	131	9	4	5	32	31	33	18	13	13			
Building and construction; water- and power supply	699	597	354	328	313	53	273	262	119	21	15	8	9	17	6	7	5	2			
Retail- and wholesale trade, hotel- and restaurant industry	967	852	868	85	90	150	222	253	295	24	65	13	59	43	114	44	35	32			
Real estate management; business services	3.310	3.004	2.407	99	50	26	221	171	172	47	19	10	30	24	23	16	12	6			
Miscellaneous	793	889	837	45	59	45	95	64	98	18	5	21	14	18	15	14	10	14			
Total corporate banking	7.889	7.349	6.524	635	603	356	1.217	1.105	1.034	138	120	72	184	170	230	112	87	80	170	156	145
Total lloans/guarantees extended to customers	**18.980**	**17.257**	**15.436**	**644**	**611**	**363**	**1.467**	**1.331**	**1.237**	**255**	**216**	**176**	**210**	**197**	**257**	**137**	**110**	**103**	**227**	**207**	**191**
Credit institutions	260	109	244	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Savings Banks' Guarantee Fund				13	5																
Total loans/guarantees	**19.240**	**17.366**	**15.680**	**657**	**616**	**363**	**1.467**	**1.331**	**1.237**	**255**	**216**	**176**	**210**	**197**	**257**	**137**	**110**	**103**	**227**	**207**	**191**

*) The customer's entire outstanding loans and guarantees are included if one or more of that customer's loans are in default or booked as a loss.

**) Also comprises unutilised guarantee facilities/limits.

BREAKDOWN OF LOANS AND GUARANTEES ACCORDING TO DEBTORS' PRIVATE OR BUSINESS ADDRESSES

Parent Bank							Group					
	Loans			Guarantees				Loans			Guarantees	
2002	2001	2000	2002	2001	2000		2002	2001	2000	2002	2001	2000
15.763	14.508	12.774	411	394	365	Hedmark county	16.122	14.843	13.094	411	366	336
2.535	2.137	2.105	245	249	26	Rest of Norway	2.812	2.374	2.306	245	249	26
46	40	36	1	1	1	Other countries	46	40	36	1	1	1
18.344	**16.685**	**14.915**	**657**	**644**	**392**	**Total loans and guarantees**	**18.980**	**17.257**	**15.436**	**657**	**616**	**363**

LOANS AND GUARANTEES BROKEN DOWN BY DIFFERENT RISK CLASSES

Risk classification and pricing

In accordance with the Bank's routines, all substantial commitments must be classified according to risk. The Bank's risk classification system for retail banking was changed during the year, its classification being primarily based on a statistical model with regard to borrowers' ability to service their outstanding commitments to the Bank. As far as the corporate banking sector is concerned, the corresponding arrangement mainly involves key accounting figures and financial information (ability to service debt), which form the basis for classification. Overall, the retail banking and corporate banking markets comprise 11 different categories of risk, which are divided into 4 different main groups: low-, medium- and high levels of risk, plus commitments in default.

Risk classification only takes into account the ability to service debt, i.e. the likelihood of a commitment going into default. Security coverage is not part of this assessment; in view of this, the table below therefore does not reflect the Bank's credit loss exposure.

The Bank's pricing system for loans and credits is initially based on the price paid by customers in the lowest risk group. For commitments in other risk groups, the same basis price is applied, but with an added margin which increases as the risk in question increases.

Hedmark Finans As – one of the Bank's subsidiaries – uses a somewhat different classification arrangement. It is partly based on certain business sector-related considerations.

Breakdown by different risk groups

Parent Bank					Group			
Gross loans	Guaran-tees*)	Unused part of facility **)	Specific loss provisions		Gross loans	Guaran-tees*)	Unused part of facility **)	Specific loss provisions
10.294	294	479	0	Low risk	10.602	294	477	0
6.255	265	759	0	Medium risk	6.397	265	759	1
1.273	78	204	0	High risk	1.459	78	204	4
506	7	27	132	Default ***)	506	7	27	132
16	0	0	0	Unclassified	16	0	0	0
18.344	**644**	**1.469**	**132**	**Sum**	**18.980**	**644**	**1.467**	**137**

*) To which must be added NOK 13 million guarantees relating to the Savings Banks' Guarantee Fund (SBGF)
**) Also comprises unutilised guarantee limits
***) The definition of the risk class, 'Commitments in default', is different to the definition applied to such commitments in the accounts. As an example of this, for the Parent Bank, all commitments against which specific loss provisions have been raised are defined as commitments in default.

In comparison with the breakdown as at 31.12.2001, the share of unclassified commitments measured in relation to gross lending has been reduced by about 3 percentage points, now only amounting to an insignificant part of the total amounts involved. The share classified as commitments in default was up by about 2 percentage points on the year before, partly as a result of all commitments, against which specific loss provisions have been raised, now being classified as commitments in default with regard to the breakdown of different risk classes. The share of gross lending in relation to the low risk group has increased by about 27 percentage points during the year, whereas the share of gross lending in relation to the medium- and high risk groups has been reduced by some 15 and 12 percentage points respectively.

These changes are ascribable to changes both in credit risk and the risk classification model. It is the latter factor, however, which expains most of the changes involved. In 2002, a new risk classification model for retail banking commitments was introduced; within this market segment, the level of low risk has increased by 46 percentage points, whereas the medium- and high risk groups have been reduced.

In the case of the corporate banking market, the share of low risk customer commitments has been cut by 8 percentage points, whereas the portion of high risk commitments was up by 7 percentage points.

Expected losses

In 2002, the Bank's losses on loans in relation to total gross lending amounted to 0.3 per cent. Credit losses are likely to increase somewhat next year and, over the next 5 years as a whole, losses are expected to finish up a little higher than today's level. Increased losses will probably come mostly from the corporate banking sector, within the high- and to some extent medium-risk groups. The risk premium factored into the Bank's margins for these groups of borrowers should cover the losses which are likely to be incurred.

SUBORDINATED LOAN CAPITAL PARTICIPATIONS IN OTHER ENTERPRISES

	2002	2001	2000
Loans to and claims on credit institutions	0	0	0
Loans to and claims on customers	25	25	28
Certificates, bonds and other interest-bearing securities	0	6	35
Total subordinated loan capital	**25**	**31**	**63**

NOTE 8: FUNDING RISK

Funding risk is defined as the risk of the Bank being unable to meet its repayment commitments at maturity. The Bank manages its funding risk through ratios for customer deposits as a percentage of gross lending to customers, the percentage of overall funding accounted for by long-term capital market borrowings, and equity capital requirements; in addition, there are operations guidelines for maximum levels of maturities which have not been refinanced, within different time periods. In practice, the Bank's management of funding risk is done with the help of funding prognoses, choice of maturities for the Bank's funding loans, and agreements relating to drawing rights and collateralised securities pledged as security for borrowings from Norges Bank. The table below illustrates funding risk measured by periods remaining until maturity in respect of the different balance sheet items involved. The table has been prepared in compliance with statutory requirements with regard to annual financial statements and does not necessarily give a complete picture of Group funding risk. Amongst other things, the following aspects will also have to be taken into consideration:

- The bulk of the Bank's customer deposits is registered within the shortest maturities range, despite the fact that those deposits represent one of the Bank's most stable funding sources.
- Access to borrowing from Norges Bank, coupled with drawing rights agreements at other banks;
- Most certificates and bonds held by the Bank can be switched into liquid funds much more quickly than the stated maturities of the securities involved would suggest.
- The actual remaining life of repayment loans is shorter than the formal repayment schedules, due to extraordinary payments made etc.

Group:		Remaining life until maturity						
	Curr-ency	Up to 1 month	1-3 months	3 months - 1 year	1 - 5 years	Over 5 years	No remain-ing life	Total
Cash-in-hand and claims on central banks	NOK	175						175
	Curr.							
Loans to and claims on	NOK	132						132
credit institutions	Curr.	84	26	18				128
Loans to and claims on	NOK	232	1.345	1.521	4.494	10.458		18.050
customers *)	Curr,	11	5	35	157	360		568
Certificates, bonds and	NOK			1	755	405		1.161
other int.-b. secs. **)	Curr.				21			21
Other assets with	NOK	176	57	147	24	37		441
remaining life	Curr.	10	1	2				13
Assets without	NOK						325	325
remaining life	Curr.							
Total assets	**NOK**	**715**	**1.402**	**1.669**	**5.273**	**10.900**	**325**	**20.284**
	Curr.	**105**	**32**	**55**	**178**	**360**		**730**
Liabilities to credit	NOK	5						5
institutions	Curr.	137	7	4				148
Deposits from and liabs.	NOK	13.780	25		36			13.841
to customers	Curr.	28						28
Borrowings through	NOK		754	1.772	1.339	131		3.996
issuance of securities	Curr.							
Other liabilities with	NOK	89	112	189	64	71		525
remaining life	Curr.	2						2
Equity capital	NOK						2.469	2.469
Total liabilities and	**NOK**	**13.874**	**891**	**1.961**	**1.439**	**202**	**2.469**	**20.836**
equity capital	**Curr.**	**167**	**7**	**4**				**178**
Net funding exposure on	NOK	-13.159	511	-292	3.834	10.698	-2.144	-552
balance sheet items	Curr.	-62	25	51	178	360		552
Off b/s financial deriva-	NOK	91	353	89	1			534
tives – payments made and received	Curr.	-91	-353	-89	-1			-534
Net total for all	**NOK**	**-13.068**	**864**	**-203**	**3.835**	**10.698**	**-2.144**	**-18**
items	**Curr.**	**-153**	**-328**	**-38**	**177**	**360**		**18**

*) Overdraft- and working credit facilities are classified within the period of 1-3 months. Building loans are included under 3 months – 1 year.

**) Securities in the trading portfolio are classified within the period of up to 1 month, irrespective of actual maturities of bond- and certificate loans forming part of the trading portfolio. This is because securities in the trading portfolio can be turned into liquid funds very quickly.

NOTE 9: INTEREST RATE RISK

Interest rate risk occurs when some asset- and liabilities items have different remaining periods until the next interest rate fixing. Total interest rate risk can be split into three elements:

- Basis risk
- Yield curve risk
- Spread risk
- Administrative risk

The Bank's Board of Directors has fixed a limit for total interest rate risk. The Bank manages interest rate risk, guiding it towards the desired level, through interest rate fixing relating to placements and funding loans, coupled with the use of interest rate derivatives, such as FRAs and interest rate swaps.

Basis risk represents the value change in respect of the Bank's assets and liabilities which occurs when there is a parallel shift in the entire yield curve. This risk is shown in the table below; interest rate risk on fixed interest rate positions is computed as the financial impact on the actual value of the instruments in question of an interest rate change when the entire yield curve is assumed to have gone through a parallel shift of 1 percentage point. Administrative interest rate risk – which has not been factored into the overall calculations in this connection – is the financial effect which occurs due to the fact that in practice it will take some time from when an interest change happens in the market until the Bank will have managed to adjust the terms and conditions relating to the deposits and loans involved, by switching these items to floating rates of interest. The new Financial Agreements Act requires, as a main rule, at least 6 weeks' notice of any interest rate increases for loans to customers and minimum 2 weeks in the case of a reduction in the rate of interest paid on deposits.

Basis risk - Group

	Book/Nom value	Interest rate risk
Derivatives	-195	-3
Total trading portfolio	-195	-3
Bonds	1.182	17
Fixed rate loans	497	10
Fixed rate deposits	-55	0
Loans evidenced by certificates	-1.675	-6
Own portfolio of certificate loans	45	0
Bond loans	-2.476	-42
Own portfolio of bond loans	100	0
Derivatives - net	623	3
Total other financial instruments	-1.759	-18
Total int. rate risk and fixed rate positions	**-1.954**	**-21**

A minus sign in front of a figure indicates that the Bank makes a gain from a rise in interest rates.

Net interest rate risk as at 31.12.02 is not significantly different to the average level for the year.

Although, as shown in the table above, the result of the calculations made in this connection illustrates that the Bank will make a gain from an interest rate rise, it is not unimportant how such a rise occurs. The Bank's positions as at 31.12.2002 would suggest that it would make a gain from a fall in short-term interest rates (0 – 3 months) and a loss if long-term rates were to fall. The table below shows the yield curve risk (the risk of the yield curve shifting in different ways within the different time periods relating to an interest rate change) by computing the Bank's net interest rate exposure within the different time periods in question.

Group: **Remaining life until maturity**

	Up to 1 month	1-3 months	3 months – 1 year	1 - 5 years	Over 5 years	No int. rate exp.	Total
Cash-in-hand and claims on central banks	64					111	175
Loans to and claims on credit institutions	216	26	18				260
Loans to and claims on customers	210	17.789	315	262	42		18.618
Certificates, bonds and other interest-bearing securities	190	527	31	290	144		1.182
Other interest-bearing securities				1	35		36
Non-interest-bearing assets						743	743
Total assets	**680**	**18.342**	**364**	**553**	**221**	**854**	**21.014**
Liabilities to credit institutions	142	7	4				153
Deposits from and liabs. to customers	13.786	25	22	36			13.869
Borrowings raised by issuing securities		1.525	1.172	1.169	130		3.996
Other interest-bearing securities					63		63
Non-interest-bearing liabilities						464	464
Equity capital						2.469	2.469
Total liabilities and equity capital	**13.928**	**1.557**	**1.198**	**1.205**	**193**	**2.933**	**21.014**
Net interest exposure on balance sheet items	-13.248	16.785	-834	-652	28	-2.079	0
Off b/s financial deriva-tives affecting interest rate exposure	-60	-684	105	476	-125	212	-76
Net interest rate exsposure	**-13.308**	**16.101**	**-729**	**-176**	**-97**	**-1.867**	**-76**
Net interest rate exp. as % of total assets	-63,3%	76,6%	-3,5%	-0,8%	-0,5%	-8,9%	-0,4%

Spread risk is defined as the risk of the market's pricing of some issuers/borrowers not changing in the same way as the underlying reference rates, e.g. the yield on government securities or swap rates. This type of risk is difficult to illustrate and has accordingly not been quantified in this note.

NOTE 10: FOREIGN EXCHANGE RISK

Foreign exchange risk is defined as the risk of the Bank incurring a loss as a result of changes in foreign exchange rates. Throughout the year and at the end of 2002, the Bank's overall foreign exchange risk has been limited. The Bank has instituted guidelines for foreign exchange exposure. This includes agreed total positions for all foreign currency and individual currencies. All significant foreign exchange positions are hedged at all times, with the exception of placements in foreign securities. As at 31.12. 2002, based on market values of the underlying assets involved, the Bank's net positions in the most important foreign currencies, translated into Norwegian kroner, were as follows:

The Bank's positions in foreign currencies based on book-/nominal values are as follows:

Group	USD	EUR	SEK	JPY	CHF	Misc.	**Totalt**
Cash-in-hand and claims on central banks	0	0	0	0	0	0	**0**
Loans to and claims on credit institutions	8	26	24	45	20	5	**128**
Loans to and claims on customers	22	66	1	87	374	18	**568**
Certificates, bonds and other interest-bearing instruments	0	21	0	0	0	0	**21**
Shares	0	0	2	0	0	0	**2**
Other assets	1	2	0	3	8	1	**15**
Total assets	31	115	27	135	402	24	**734**
Liabilities to credit institutions	5	31	0	33	79	0	**148**
Deposits from and liabilities to customers	2	13	11	0	0	2	**28**
Other liabilities	0	3	1	1	0	1	**6**
Total liabilities	7	47	12	34	79	3	**182**
Forward exchange contracts	-27	-48	-16	-103	-322	-18	**-534**
Total net position	**-3**	**20**	**-1**	**-2**	**1**	**3**	**18**

The Bank's foreign exchange risk, calculated as a total net position, was reduced during the year, from NOK 28 million as at 31.12.2001 to NOK 18 million as at 31.12.2002.

NOTE 11: REPOSSESSED ASSETS

Repossessed assets are assets which have been acquired by the Group through legal measures as part of the process of recouping funds lent out to customers whose outstanding commitments to the Bank are in default.

Parent Bank			**Group**	
Number	Book value		Number	Book value
1	0,1	Sites and building plots	1	0,1
1	0,2	Residential property	1	0,2
1	0,4	Agricultural property	1	0,4
1	1,5	Holiday homes	1	1,5
8	0,5	Motor vehicles etc.	24	4,5
12	**2,7**	**Total**	**28**	**6,7**

NOTE 12: CERTIFICATES, BONDS AND OTHER INTEREST-BEARING SECURITIES

	2002			2001			2000		
	Acq. cost	Book value	Market value	Acq. cost	Book value	Market value	Acq. cost	Book value	Market value
Trading portfolio, quoted secs., NOK	0	0	0	38	38	38	0	0	0
Total trading portfolio	0	0	0	38	38	38	0	0	0
Other current assets, quoted, in NOK	1.002	1.003	1.003	923	918	918	799	799	799
Other current assets, not listed, in NOK	158	158	158	204	204	204	229	224	224
Other current assets, quoted, in Euro	17	21	21	27	24	24	18	21	23
Total other current assets	1.177	1.182	1.182	1.154	1.146	1.146	1.046	1.044	1.046
Total as at 31.12.	**1.177**	**1.182**	**1.182**	**1.192**	**1.184**	**1.184**	**1.046**	**1.044**	**1.046**

Bonds bought by the Bank are not intended to be held on a permanent basis.

When calculating effective rate of interest, the following categories of yield are factored in: interest coupons, realised gains/losses, any changes in unrealised gains/losses, underwriting commissions and credit losses. The rate of return is computed as a percentgage of average book value. Allowance has also been made for the financial impact of hedging- and other financial derivatives transactions relating to the portfolio. For 2002, the average effective rate of interest on the Bank's holdings of certificates and bonds ended up at 5.9 per cent.

Book value according to debtor categories

	2002	2001	2000
Government- and government-guaranteed bonds	0	97	299
Municipal bonds	0	0	50
Total issued by public sector borrowers	0	97	349
Government-guranteed bonds	0	150	26
State enterprises	0	26	1
Bonds guaranteed by municipalities	3	3	43
Credit institutions	291	395	189
Banks	433	165	170
Other bonds	451	340	254
Subordinated loan capital participations in other banks	0	5	5
Total issued by other borrowers	1.178	1.084	688
Own bonds	4	3	7
Total certificates and bonds	**1.182**	**1.184**	**1.044**

Book value as at 31.12.2002, according to different rating categories

	AAA	AA+/AA/ AA-	A+/A/A-	BBB+/B BB/BBB-	Not rated	Total
Bonds guaranteed by municipalities	3	0	0	0	0	3
Credit institutions	126	0	30	0	135	291
Banks	0	0	125	64	244	433
Other bonds	25	0	198	90	138	451
Own bonds	0	0	0	0	4	4
Total certificates and bonds	**154**	**0**	**353**	**154**	**521**	**1.182**

Nominal value of own bonds shown in the accounts under 'Certificates, bonds and other interest-bearing securities with fixed yield:

	31.12.2002	31.12.2001	31.12.2000
Nominal value of own bonds	5	3	7

NOTE 13 SHARES AND EQUITY STAKES IN OTHER COMPANIES

The composition of the share portfolio is set out in the table below:

	Number of shares	Equity stake	Acquisition date	Book value
Amersham	25.000	0,00%	1,6	1,6
Awilco B-shares	100.000	0,61%	1,5	1,5
Bergesen B-shares	20.000	0,11%	2,7	2,3
BN-bank	5.000	0,05%	1,0	0,9
Den norske Bank	190.000	0,02%	6,6	6,4
DNO	100.000	0,18%	1,6	1,5
Frontline	15.000	0,02%	0,8	0,9
Ganger Rolf	20.000	0,22%	1,7	1,2
Komplett	20.000	0,35%	2,1	1,7
Kværner	220.000	0,02%	1,6	0,8
Merkantildata	100.000	0,05%	0,6	0,5
Norsk Hydro	18.000	0,01%	5,4	5,6
Norske Skog	52.000	0,04%	5,5	5,2
Orkla	73.000	0,03%	9,7	8,7
Prosafe	35.000	0,10%	3,8	3,4
RCL	19.000	0,01%	2,8	2,2
Schibsted	10.000	0,01%	0,7	0,7
Smedvig B-shares	40.000	0,14%	1,5	1,2
Software Innovation	40.000	0,28%	1,9	0,5
Solstad	50.000	0,14%	1,8	1,5
Stolt-Nielsen	20.200	0,04%	2,3	0,9
Telenor	250.000	0,01%	6,6	6,7
Tomra	20.000	0,01%	1,1	0,9
Wilh Wilhelmsen A-shares	7.400	0,04%	0,8	0,8
Miscellaneous			3,4	1,8
Total quoted shares			69,1	59,4
Total trading portfolio – Parent Bank			**69,1**	**59,4**

	Number of shares	Equity stake	Acquisition cost	Market value	Book value
Gjensidige NOR Sparebank	160.000	0,18%	23,3	37,0	37,0
Miscellaneous			0,6	0,2	0,2
Total quoted shares			23,9	37,2	37,2
	Number of shares	Equity stake	Acquisition cost		Book value
Avanse Europa	29.677		3,0		1,7
Avanse Global Vekst	10.000		1,0		0,8
Avanse Helse	36.063		3,6		1,9
Avanse Telecom	50.000		5,0		1,3
Avanse Norden II	2.524		2,7		2,2
Avanse High Yield	500		5,0		2,6
Cermaq	5.000	0,06%	2,0		1,0
EssNet AB	37.500	0,92%	2,2		2,2
Icon Capital Group	12.500	5,71%	1,3		1,3
Norgesinvestor	22.981	1,67%	2,5		2,5
Norgesinvestor II	90.000	2,72%	9,0		9,0
Norgesinvestor Long Short	100.000	13,79%	10,0		9,6
Norgesinvestor Pro	50.000	5,00%	5,0		4,9
Norgesinvestor Value	105.000	5,79%	10,1		10,1
Norgesinvestor Vekst	53.400	5,26%	5,3		3,8
Norgesinvestor Verdi	100.000	3,72%	1,3		1,3
V&I Partners	4.688	2,84%	0,8		0,8
Miscellaneous			2,6		0,0
Total non-listed shares			72,4		57,0
Svensk Exportkredit AB – share index-linked bond without capital guarantee			2,0		1,1
Total other securities			2,0		1,1
Total ordinary shares not part of trading portfolio – Parent Bank			**98,3**		**95,3**
BBS/BAX	123.172	1,87%	2,4		2,4
BioInn	770	13,90%	0,8		0,8
Eksportfinans	2.012	1,33%	36,2		36,2
Impregnor	22.047	15,50%	3,5		2,8
Sikon Øst	54.588	10,91%	11,6		10,7
Sucra	2.089.375	7,70%	10,0		10,0
Såkorn Invest	11.250	15,00%	4,5		4,5
Torggt 22	8.000	50,00%	8,0		8,0
Visa Norge	240	3,00%	0,1		0,1
Miscellanous			1,8		0,9
Total shares intended to be held on a permanent basis – Parent Bank			**78,9**		**76,4**
Total shares etc. – Parent Bank			**246,3**		**231,1**
Shares intended to be held on a permanent basis by subsidiaries:					
Miscellaneous			0,0		0,0
Total for Group			**246,3**		**231,1**

In the case of shares held in the trading portfolio, market value is equivalent to book value. For other shares, market value is only stated if the shares in question are quoted on a stock exchange, in view of the fact that actual value based on known market prices would not be obtainable for the remaining shares.

Breakdown of changes in book value throughout the year for shares intended to be held on a permanent basis

	Parent Bank	Group
Opening balance	74,9	75,9
+ Additions	0,0	0,0
- Disposals	0,0	1,0
+/- Reclassifications	0,0	0,0
- Write-downs	0,0	0,0
+ Reversal of previous years' write-downs	1,5	1,5
= Closing balance	**76,4**	**76,4**

NOTE 14: FIXED ASSETS

Intangible assets, machinery, fixtures, fittings, transport equipment, bank buildings and other real estate were subject to the following changes in 2002:

Parent Bank					Group			
Goodwill	Other intangible assets	Machinery fixtures, fittings and transport equip.	Build-ings and other real estate		Good-will	Other intangible assets	Machinery fixtures, fittings and transport equip.	Build-ings and other real estate
9	17	144	214	Acquisition cost as at 01.01.01 (incl. amounts previously written up)	14	17	152	244
0	0	11	5	Year's ord. additions	0	0	12	5
0	0	7	4	Year's ord. disposals at acquisition cost	0	0	7	4
				Disposals through de-consolidation of subsi-diaries	2	0	2	0
6	15	96	103	Accumulated deprecia-tion/write-downs	8	15	101	120
3	**2**	**52**	**112**	**Book value as at 31.12.02**	**4**	**2**	**54**	**125**
2	2	18	8	Year's ord. depreciation	3	2	19	9
5 år	4 år	3 - 10 år	10 - 33 år	Depreciation period (economic life)	5 år	4 år	3 - 10 år	5 - 40 år
Straight line	Straight line	Straight line	Straight line	Depreciation plan	Straight line	Straight line	Straight line	Straight line

The Balance Sheet contains no rental agreements, nor any additions or disposals of any internally manufactured fixed assets.

BREAKDOWN OF DIFFERENT CATEGORIES OF REAL ESTATE

Location	Type of property	Floor space for own use	Floor space rented out	Empty/ unutilised space	Book value of floor space for own use	Book value of floor space rented out	Book value of empty/ unutilised space	Total book value
Hedmark	Bank buildings	25.720	3.986	62	84	15	0	99
Hedmark	Commercial buildings	0	2.592	1.231	0	11	0	11
Hedmark	Undeveloped sites and building plots	0	0	0	0	0	1	1
Hedmark, Vestfold	Holiday cottages	0	0	0	1	0	0	1
Total – Parent Bank		**25.720**	**6.578**	**1.293**	**85**	**26**	**1**	**112**
Hedmark	Commercial buildings	1.531	1.132	0	6	5	0	11
Misc.	Bank buildings	690	0	0	2	0	0	2
Netted out		1.157	-1.157	0	5	-5	0	0
Total - Group		**29.098**	**6.553**	**1.293**	**98**	**26**	**1**	**125**

BREAKDOWN OF GOODWILL

Goodwill consists of the difference between the cost price of an acquired company or business, including shares in subsidiaries, and the book value of tangible assets- and liabilities items, after appropriately classifying any identifiable surplus or shortfall relating to these items in the balance sheet. Goodwill is depreciated on a straight line basis over a period of 5 years.

Breakdown of goodwill relating to the businesses acquired:

	Original amount of goodwill	Accumulated depreciation	Remaining goodwill at 31.12.2002
Gjensidige Bank's operations in Hedmark	9	6	3
Total – Parent Bank	**9**	**6**	**3**
Hedmark Eiendom AS	4	3	1
Total - Group	**13**	**9**	**4**

RENTAL AGREEMENTS

Rental agreements of substantial importance for overall operations are as follows:

Parent Bank	Duration:	Annual rental:	Group	Duration:	Annual rental:
Electronic data communications	3 years	4	Electronic data communications	3 years	4
Various premises	1-13 years	6	Various premises	1-13 years	4
			Payment terminals	0,25 year	7

Annual rental costs are lower at Group- than Parent level, as most of the rental costs are of an intra-Group category.

NOTE 15: LIABILITIES

Parent Bank								Group					
NOK	EUR	CHF	JPY	Misc.	Total	Eff. Int. rate		NOK	EUR	CHF	JPY	Misc.	Total
6	0	0	0	0	6	6,37%	With no agreed maturity	4	0	0	0	0	4
1	31	79	33	5	149	6,99%	With agreed maturity	1	31	79	33	5	149
7	**31**	**79**	**33**	**5**	**155**	**6,89%**	**Liabilities to credit insts.**	**5**	**31**	**79**	**33**	**5**	**153**
13.409	13	0	0	15	13.437	5,69%	With no agreed maturity	13.383	13	0	0	15	13.411
458	0	0	0	0	458	6,66%	With agreed maturity *)	458	0	0	0	0	458
13.867	**13**	**0**	**0**	**15**	**13.895**	**5,73%**	**Deposits from and liabilites to customers**	**13.841**	**13**	**0**	**0**	**15**	**13.869**
1.675	0	0	0	0	1.675	7,05%	Debt evidenced by certificates	1.675	0	0	0	0	1.675
-45	0	0	0	0	-45	(6,89%)	Own certificates	-45	0	0	0	0	-45
2.466	0	0	0	0	2.466	6,71%	Bond debt	2.466	0	0	0	0	2.466
-100	0	0	0	0	-100	(6,77%)	Own bonds	-100	0	0	0	0	-100
3.996	**0**	**0**	**0**	**0**	**3.996**	**6,82%**	**Borrowings through issuance of securities**	**3.996**	**0**	**0**	**0**	**0**	**3.996**
17.870	**44**	**79**	**33**	**20**	**18.046**	**5,97%**	**Total**	**17.842**	**44**	**79**	**33**	**20**	**18.018**

*) NOK 36 million of which is accounted for by equity-linked bank deposits, i.e. this type of deposit does not attract interest in the normal way. In lieu of interest, the depositors receive a premium equivalent to any appreciation in the value of the share indexes in question.

Calculation of effective yield:

Liabilities to credit institutions: When calculating the effective rate of interest, both capitalised and incurred interest, not yet due, is taken into account, as are any price differences relating to sales- and repurchase agreements.

Deposits from and liabilities to customers: When calculating the effective rate of interest, both capitalised and incurred interest, not yet due, is taken into account, as is the financial impact of any hedging transactions – relating to equity-linked bank deposits – entered into.

Borrowings through the issuance of securities: When calculating the effective rate of interest, both capitalised and incurred interest, not yet due, and any premium/discount as well as underwriting commissions, the latter two factors subject to accrual accounting, are taken into account, as is the financial impact of any hedging transactions entered into.

BOND LOAN DETAILS

ISIN-number	Ticker	Nominal amount	Of which own bonds account for	Coupons	Instalment/ repayment structure	Final maturity date
NO 000181701.9	SBHE01	500	0	5,89%	Bullet	14.08.2003
NO 001011897.9	SBHE05	500	100	3m NIBOR + 0,10%	Bullet	17.12.2003
NO 001008529.3	SBHE04	170	0	3m NIBOR + 0,15%	Bullet	05.02.2004
NO 001005455.4	SBHE02	500	0	7,25%	Bullet	30.05.2005
NO 001007392.7	SBHE00	80	1	0,00%*)	Bullet	20.12.2005
NO 001000264.5	SBHE64	500	0	5,70%	Bullet	15.02.2006
NO 001009794.2	SBHE11	45	4	0,00%*)	Bullet	25.07.2006
NO001012505.7	SBHE12	51	0	0,00%*)	Bullet	01.03.2007
NO 001008644.0	SBHE03	130	0	6,97%	Bullet	28.02.2011
Total		**2.476**	**105**			

*) Share index-linked bond loans

NOTE 16: BREAKDOWN OF OTHER ASSETS AND LIABILITIES

Other assets

Parent Bank				**Group**		
2002	2001	2000		2002	2001	2000
9	11	19	Expected dividends and Group contributions	5	0	0
0	2	14	Anticipated recoveries from bankruptcy proceedings relating to previous loan commitments	0	2	14
0	0	0	Leasing contracts not discounted	6	15	3
14	5	7	Other assets	34	24	8
23	**18**	**40**	**Total other assets**	**45**	**41**	**25**

Other liabilities

Parent Bank				**Group**		
2002	2001	2000		2002	2001	2000
110	91	111	Tax incurred	119	105	121
9	11	12	Tax deductions	10	12	14
48	45	51	Liabilities relating to payment transmission services	48	45	51
9	15	21	Other liabilities	9	20	24
176	**162**	**195**	**Total other liabilities**	**186**	**182**	**210**

NOTE 17: PROVISIONS AGAINST INCURRED COSTS AND LIABILITIES

Description of the basis for these provisions

As part of the ongoing project aimed at further developing the Bank, the Board of Directors has introduced a package of various measures, the purpose of which is to enhance overall levels of effectiveness and professional skills throughout the organisation. Those elements of this package of measures which relate to early retirement pensions, severance pay, gradual reduction in working time, salary guarantee in the case of switching to a new employer, and leave of absence, have all been provided for in the Bank's annual accounts. At the end of the year, it is not yet known for certain how many of the Bank's employees who will apply to take advantage of the various measures involved. In view of this, the level of costs which has been calculated is subject to a not insignificant degree of uncertainty. The costs have been discounted to show their present value. A total amount of NOK 29 million has been transferred to provisions applicable to the abovementioned elements. In addition, NOK 1 million has been set aside in the annual accounts to provide for other liabilities.

Breakdown of the provisions involved

Parent Bank 2002	Parent Bank 2001	Parent Bank 2000		Group 2002	Group 2001	Group 2000
0	0	0	Provisions as at 01.01	0	0	0
30	0	0	Provisions raised in the accounting year	30	0	0
0	0	0	Payments – during the accounting year – which have been registered in conjunction with the provisions made	0	0	0
0	0	0	Reversal of provisions during the accounting year	0	0	0
0	0	0	Increase in provisions due to the interest impact of discounting	0	0	0
30	**0**	**0**	**Provisions as at 31.12**	**30**	**0**	**0**

The cost of this year's total provisions of NOK 30 million has been allocated in the accounts as shown in the following table:

Wages and salaries	21
Pensions	4
Social costs	3
Administration costs	2
Total costs for the year	30

NOTE 18: EQUITY CAPITAL

Breakdown of equity capital movements

Parent Bank

	Fund for Evaluation Differences	Savings Bank's Fund	Total equity capital
Equity capital as at 31.12.2001	23	2.246	2.269
Restatement of opening balance	-3	3	0
Result for the accounting year	-1	203	202
Donations		-2	-2
Equity capital as at 31.12.2002	**19**	**2.450**	**2.469**

Group

	Minority interests	Fund for Evaluation Differences	Savings Bank's Fund	Other Group capital	Total equity capital
Equity capital as at 31.12.2001	0	0	2.246	23	2.269
Restatement of opening balance			3	-3	0
De-consolidation of minority interests	0				0
Result for the accounting year	0	6	203	-7	202
Donations			-2		-2
Equity capital as at 31.12.2002	**0**	**6**	**2.450**	**13**	**2.469**

CAPITAL ADEQUACY

Capital adequacy shows the Bank's financial strength in relation to a risk-weighted asset base. The weighting of the Bank's assets and off-balance sheet items is worked out in accordance with BISC's rules and regulations, which mainly involve the following factors:

- Claims on governments: 0 per cent of book value.
- Claims on state enterprises: 10 per cent of book value.
- Claims on countires, municipalities and financial institutions: 20 per cent of book value.
- Claims secured by house mortgages within 80 per cent of assessed value: 50 per cent of book value.
- Other assets: 100 per cent of book value.
- In addition, there are special rules for the weighting of items in the Bank's trading portfolio, foreign exchange positions and items of an off-balance sheet category.

Parent Bank				Consolidated		
2002	2001	2000		2002	2001	2000
			Calculation basis:			
14.742	13.458	12.521	Assets not forming part of the trading portfolio	15.210	13.875	12.898
471	386	268	Off-balance sheet items not forming part of the trading portfolio	471	358	240
510	468	571	Assets forming part of the trading portfolio	510	468	571
0	0	0	Calculation basis for foreign exchange risk	0	0	0
-2	-2	-2	Equity and related capital in other financial institutions subject to regulations' paragraph 7, sub-sections e and f	-2	-2	-2
-22	-23	-15	Use of equity method of accounting in accounts	-6	0	0
-352	-307	-285	Loss provisions	-364	-316	-294
15.347	**13.980**	**13.058**	**Total weighted asset calculation basis**	**15.819**	**14.383**	**13.413**
			Core capital:			
2.469	2.269	2.044	Equity capital as shown in balance sheet	2.469	2.269	2.045
-19	-23	-15	Fund for Evaluation Differences	-6	0	0
			Minority interests	0	0	-1
			Adjustment for discrepancy betwwen Group in accounting - and capital adequacy context	6	7	6
-40	-15	-15	Intangible assets	-51	-23	-16
-22	-27	-18	Net pension resources accrued	-26	-31	-23
2.388	2.204	1.996	Core capital	2.392	2.222	2.011
			Deductions to be made for:			
-2	-2	-2	Equity and related capital in other financial institutions	-2	-2	-2
2.386	**2.202**	**1.994**	**Total equity and related capital**	**2.390**	**2.220**	**2.009**
15,55%	**15,76%**	**15,27%**	**Capital adequacy ratio**	**15,11%**	**15,43%**	**14,98%**

NOTE 19: GUARANTEE LIABILITIES ACCORDING TO PURPOSE

Parent Bank				Group		
2002	2001	2000		2002	2001	2000
500	455	210	Payment guarantees	500	455	209
121	150	140	Contract guarantees	121	150	140
1	1	2	Loan guarantees	1	1	2
22	33	40	Other guarantees	22	5	12
13	5	0	SBGF	13	5	0
657	**644**	**392**	**Total guarantee liabilities**	**657**	**616**	**363**
4	14	10	- of which has been counter-guaranteed by other financial institutions	4	14	10

NOTE 20: ASSETS PLEDGED AS COLLATERAL SECURITY

Figures for Parent Bank and Group are identical.

The following liabilities are secured by collateral assets:

	2002	2001	2000
Access to borrowing/loans raised from Norges Bank	0	100	0

Book values of collateralised assets pledged as security for these liabilities:

	2002	2001	2000
Certificates, bonds and other interest-bearing securities	1.106	977	672
Total book value of collateralised assets	**1.106**	**977**	**672**

NOTE 21: FINANCIAL DERIVATIVES

Figures for Parent Bank and Group are identical.

The Bank has traded in the following financial derivatives during the accounting year:

	Curr-ency	Nominal amount as at 31.12.2002	Market value as at 31.12.2002	Average nominal amount for the year
Trading portfolio:				
Interest rate-related	NOK	445	-1	426
Other activities:				
Hedging transactions	NOK	1.879	5	1.868
Other transactions	NOK	530	0	852
Interest rate-related	*NOK*	*2.409*	*5*	*2.720*
Hedging transactions	NOK	212	-38	209
Other transactions	NOK	0	0	28
Interest rate- and equity capital-related	*NOK*	*212*	*-38*	*237*
Foreign currency-related		*923*	*10*	*787*

Nominal amount is defined as the principal sum of the underlying contract. All nominal amounts are expressed in NOK.

The purpose of using financial derivatives:

The Bank applies financial derivatives for the following purposes:
a) to hedge risk relating to items on and off the Bank's balance sheet;
b) customer transactions;
c) to make gains from interest rate- and price movements.

The bulk of the Bank's financial derivatives business is accounted for by hedging transactions and customer-related transactions where corresponding, opposite transactions are entered into for hedging reasons. The actual value of such hedging transactions are largely matched by opposite amounts of excess or shortfall of the values of the hedged items involved.

The following is a description of the different financial derivatives used by the Bank during the accounting year::

Interest rate-related derivatives involved the following aspects and types of transactions:

- INTEREST RATE SWAPS, which are agreements to pay and receive interest on a floating- and fixed rate basis respectively, or the other way around, on an agreed principal amount. At maturity, only the actual amounts of interest payable and receivable are exchanged.
- FRAs, which are agreements in respect of rates of interest for future periods for fixed amounts. At maturity, only the difference between the originally agreed rate and current market rate is exchanged.
- INTEREST RATE OPTIONS, which are agreements to receive/pay the difference between market rate of interest and the originally agreed 'ceiling' or 'floor' for the interest rate level during the period in question if market rates are higher than the agreed maximum level ('ceiling') or lower than the minimum level ('floor').

For hedging transactions, there is a risk that there may not be perfect negative covariance between the value change of the hedging agreement and the hedged item. In the case of trading transactions, there is a risk that interest rates do not develop according to expectations.

Interest rate-related derivatives comprised the following aspects and transactions:

- INTEREST RATE- AND SHARE INDEX SWAPS, which are agreements according to which certain interest rate terms are swapped for the yield to be obtained from one or several share indexes.
- INTEREST RATE- AND SHARE SWAPS, which are agreements where certain terms and conditions relating to socalled share certificates are swapped for ordinary interest rate terms. A share certificate has a high interest coupon, added to which there is a stipulation that the repayment in question must be made in a certain share instead of the certificate's nominal value if the price of the share in question at a fixed time in the future is lower than the price agreed at the outset of the transaction.

For hedging transactions, there is a risk that there may not be perfect negative covariance between the value change of the hedging agreement and the hedged item. In the case of trading transactions, there is a risk that interest rates do not develop according to expectations.

Foreign currency-related derivatives comprised the following aspects and transactions:

- FORWARD EXCHANGE CONTRACTS, which involve forward delivery of currency at a price which has been agreed in advance.
- CURRENCY SWAPS, which are agreements to swap currency at the outset of the transaction, returning the currency in question at a future date.

Foreign currency-related transactions have only involved hedging transactions or customer transactions with a corresponding hedging transaction related to it. For hedging transactions, there is a risk that there may not be perfect negative covariance between the value change of the hedging agreement and the hedged item.

NOTE 22: OTHER LIABILITIES

Parent Bank				Group		
2002	2001	2000		**2002**	2001	2000
3	4	20	Securities subsribed for – against future settlement	**3**	4	20
3	**4**	**20**	**Total other liabilities**	**3**	**4**	**20**

NOTE 23: LOAN ADMINISTRATION, CUSTODIAL AND TRUST SERVICES ETC. (PARENT BANK)

The Bank provides such services in connection with loans, mainly on behalf of local authorities (municipal establishment-, commercial- and industrial loans) and legacies. The total amount of such loans administered by the Bank amounted to NOK 70 million as at 31.12.2002.

Cash Flow Statement

(Amounts in NOK million)

Parent Bank				Group		
2002	2001	2000		2002	2001	2000
6.582	5.887	5.507	Year's instalments on repayment loans etc. to customers	6.887	6.176	5.769
			Change in advance rental payments relating to leasing	2	0	3
-7.775	-7.448	-7.024	Newly discounted repayment loans etc. to customers during the year	-8.148	-7.792	-7.263
-335	64	-195	Change in balance relating to foreign currency loans	-335	64	-195
-148	-300	-145	Change in balance relating to credits	-148	-300	-145
1.527	1.424	1.125	Interest- and commissions receivable on loans	1.547	1.477	1.172
9	12	16	Recoveries in respect of previous years' confirmed loan losses	10	12	17
-3	16	-6	Change in expected recoveries relating to bankruptcies	-3	16	-6
0	-2	0	Change in repossessed assets	1	-5	-1
-143	**-347**	**-722**	**Cash flow from lending activities (A)**	**-187**	**-352**	**-649**
775	1.550	1.184	Change in deposits from customers - without agreed maturity	784	1.557	1.259
57	-2	-63	Change in deposits from customers - with agreed maturity	57	-2	-63
-760	-724	-526	Interest payable to customers	-757	-721	-521
72	**824**	**595**	**Cash flow from lending activities (B)**	**84**	**834**	**675**
4	-123	23	Changes in securities held on a short-term basis	4	-123	23
-30	-11	15	Gains/losses on securities held on a short-term basis	-30	-11	15
88	86	61	Interest received on bonds and certificates	88	86	61
4	7	6	Dividends received on shares held on a short-term basis	4	7	6
66	**-41**	**105**	**Cash flow from securities investments ©**	**66**	**-41**	**105**
-100	-74	22	Change in claims on credit institutions - with agreed maturity	-38	-3	-15
56	50	41	Interest received from deposits with credit institutions	56	18	12
-44	**-24**	**63**	**Cash flow from deposits with credit institutions (D)**	**18**	**15**	**-3**
166	134	133	Other income	204	187	179
-415	-396	-345	Operating costs payable	-453	-438	-384
-91	-108	-79	Payment of taxes	-101	-118	-83
-2	-2	-2	Donations	-2	-2	-2
-9	2	5	Change in other assets	0	-28	13
-20	1	-3	Change in items subject to accrual accounting	-15	20	-10
-1	-17	7	Change in other liabilities	-19	-37	32
-372	**-386**	**-284**	**Remaining cash flow from current operations (E)**	**-386**	**-416**	**-255**
-421	**26**	**-243**	**CASH FLOW FROM OPERATIONS (A+B+C+D+E=F)**	**-405**	**40**	**-127**
-286	421	-14	Change in deposits from credit institutions	-286	421	-14
3.246	2.545	5.198	Net proceeds received from the issuance of securities	3.246	2.545	5.198
-2.270	-2.937	-4.205	Repayments made on maturity of borrowings evidenced by securities	-2.270	-2.937	-4.205
-145	0	-460	Own securities repurchased	-145	0	-460
-223	-224	-182	Interest payments relating to funding loans	-223	-224	-182
322	**-195**	**337**	**Cash flow from funding operations (G)**	**322**	**-195**	**337**
-17	-24	-32	Invested in fixed- and intangible assets	-18	-26	-34
6	2	1	Sale of fixed- and intangible assets at sale price	7	3	1
0	-22	-17	Purchase of long-term securities	0	-19	-17
37	15	192	Sale of long-term securities	1	15	138
15	29	66	Dividends received from securities held on a long-term basis	12	9	13
41	**0**	**210**	**Cash flow from investment in fixed assets (H)**	**2**	**-18**	**101**
			Impact on liquidity of acquisition and disposal of subsidiaries (I)	20	-3	0
			Payments received from the sale of minority interests (J)	0	0	0
			Dividends paid to minority shareholders (K)	0	0	0
-58	**-169**	**304**	**CHANGE IN LIQUID FUNDS (F+G+H+I+J+K)**	**-61**	**-176**	**311**
404	573	269	Liquid funds as at 1.1	407	583	272
346	404	573	Liquid funds as at 31.12	346	407	583
			Liquid funds as at 31.12 consist of:			
175	349	388	Cash-in-hand and claims on central banks	175	349	388
171	55	185	Deposits with and claims on other banks - without agreed maturity	171	58	195
346	**404**	**573**	**Total liquid funds as at 31.12**	**346**	**407**	**583**

2002 Report from the Control Committee

In accordance with Law relating to Financial Activities, the Savings Bank' Act and its own instructions, the Control Committee has monitored the Bank's activities in 2002.

The main Board Minutes and related documentation have been subjected to ongoing examination, as have the management's credit committee minutes and the Bank's rules and regulations in respect of powers of attorney, authorisations etc.

The Committee has been attaching particular importance to the assessment of larger outstanding commitments and to the collateral and other security relating thereto, according to currently valid laws and regulations. On a continuing basis, the Committee has been checking lists involving overdrawn accounts, arrears, overdue payments and outstanding debts, both in the case of the Bank's customers and its own staff. The Committee has received reports from the Bank's internal audit department concerning selected areas of the Bank's operations, in accordance with currently applicable working instructions and the plan relating to all control work. At the Committee's request, the Bank's internal auditor has attended its meetings on a continuing basis, answering questions from the Committee members. Risk management, operational auditing and compliance with applicable rules and regulations have been treated as particularly important aspects.

The Bank's external auditor has reviewed his working plan for the financial auditing involved and has attended the Committee's meetings

In the case of particularly important management-, administrative- and business matters, the Bank's Managing Director has attended the Committee's meetings, explaining about the cases involved . The Head of the Bank's corporate banking department has presented matters of special importance, including bad and doubtful commitments, as well as larger separate commitments. Other employees have been asked to come to the meetings of the Committee whenever its members have deemed it necessary for certain matters to be further explained.

A joint meeting has been held with the Bank's main Board of Directors for the purpose of exchange of information, as well as orientation about the more important circumstances relating to the Bank's operations and overall position. The Chairman of the Committee has met with BISC and made available to all committee members copies of the Bank's correspondence with BISC in connection with his inspection visits

During its examination of the proposed annual financial statements for the Parent Bank, including the main Board of Directors' Annual Report and Accounts, the Auditor's Report, as well as similar documentation in respect of the Bank's subsidiaries, the Committee has in particular assessed the annual accounts in relation to BISC's rules and regulations regarding the way in which losses and loss provisioning are treated in the Bank's accounts. In the opinion of the Committee, the Bank's accounts, i.e. its balance sheet and profit and loss account, have been prepared in accordance with currently applicable rules and regulations and may accordingly, with the Committee's recommendation, be submitted to the Bank's Board of Trustees as Sparebanken Hedmark's approved annual accounts for 2002.

Hamar, 7 March 2003

The Control Committee of Sparebanken Hedmark

Auditor's report for 2002

To Sparebanken Hedmark's Board of Trustees

We have audited Sparebanken Hedmark's annual accounts for the 2002 accounting year, which show a NOK 202 million profit for the year for the Parent Bank and a profit of NOK 202 million for the Group. Furthermore, we have audited the information contained in the Annual Report relating to the annual accounts, the assumption of a going concern and the proposal for allocation of the profit for the year. The Annual Accounts consist of Profit and Loss Account, Balance Sheet, Cash Flow Statement, Notes to the Accounts and Group accounts. The annual accounts and Annual Report are presented by the Bank's Board of Directors and Managing Director. Our task is to comment on the annual accounts and other relevant circumstances in accordance with the requirements of the Auditing Act.

We have completed our auditing in compliance with the Auditing Act and according to good Norwegian auditing practice. The latter requires that we plan and carry out our auditing with the aim of being able to state with reassuring certainty that the annual accounts do not contain any material misstatement. Our auditing comprises the examination of selected parts of the material on which the information found in the annual accounts is based, assessment of the accounting principles and significant accounting estimates applied, as well as the evaluation of the contents and presentation of the annual accounts. In addition, to the extent that it forms part of good auditing practice, our auditing comprises a thorough examination of the Bank's asset- and liabilities management and its accounting- and internal control systems. We believe that our auditing provides a sound basis for our statement.

We are of the opinion that

- the annual accounts have been prepared and presented according to applicable laws, rules, regulations and bylaws, providing a true and fair view of the Bank's and Group's financial position as at 31 December 2002, and of the result and cash flows in the accounting year, in accordance with good Norwegian accounting practice
- the Bank's management has fulfilled its duties of ensuring that all registration and documentation of account information has been done in a proper and clear manner, in compliance with applicable laws and good Norwegian accounting practice
- the information relating to the annual accounts contained in the Annual Report, the assumption of a going concern and the proposal for allocation of the profit for the year are consistent with the annual accounts and in accordance with applicable laws, rules and regulations.

Hamar, 7 March 2003
Andersens Revisjonsbyrå AS

Mathias A.G. Grønssveen
State Authorised Auditor (Norway)

Actor Fordringsforvaltning AS

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www.actor.no

Actor Fordringsforvaltning AS, which is owned by Sparebanken Hedmark (50 %) and Terra-Gruppen AS (50 %), is a leading provider of debt collection services within banking, finance and insurance in Norway. The company is growing strongly and also provides services within the areas of ordinary invoice-based collection, recovery of debt (if necessary by legal proceedings) and claims administration; in addition, the company offers other loss-reducing- as well as extensive advisory services. Furthermore, Actor Fordringsforvaltning assists a number of foreign banks located in Norway and, through its network of partners and contacts, is able to provide debt collection services in other countries.

Actor's head office is located in Hamar with branches in Oslo and at Gjøvik. Through its 30-year old history, the company has developed a strong base of professional competence, currently employing 20 well qualified staff, 7 of whom hold an official licence for debt collection, and 3 lawyers on a permanent basis.

The collection market has been getting larger in recent years. In 2002, Actor Fordringsforvaltning AS received approximately 6,500 new orders and, at present, the company's debt collection portfolio totals about NOK 1 billion.

Hedmark Eiendom AS

Hamar, Brumunddal, Elverum and Kongsvinger
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Hedmark Eiendom AS is the leading real estate brokerage company in Hedmark with offices in Hamar and at Kongsvinger, Elverum and Ringsaker. The company is a fully-owned subsidiary of Sparebanken Hedmark.

The property market in Hedmark was good in 2002 too. Throughout the county, 9.5 % more dwelling units and holiday properties were sold than in the year before, amounting to 2,677 properties. Prices for all residential property rose by about 5 % on average last year, whereas prices for holiday homes fell by approximately 15 %. In the case of residential property brokered by Hedmark Eiendom AS, prices were up by about 15 %. Prices for detached houses rose more strongly because of a relatively large share of new housing available. Property prices in towns and other centrally located areas continued to rise strongly, whereas the rise in prices in outlying districts was more varied.

The market is still characterised by very strong competition. A new real estate brokerage businesses was established in Hamar during the year. Hedmark Eiendom AS is doing well despite the strong competition.

2002 was a good year for Hedmark Eiendom AS. The pre-tax result was the best ever for the company, all branches producing good results. In all, 929 properties were sold – including 31 holiday flats located in Sweden – compared with 831 the previous year. This amounted to approximately 33 % of all houses and cottages sold in Hedmark in 2002. The company's pre-tax result amounted to NOK 5,170,708.

In 2002, 686 houses and other dwelling units were sold by the company, accounting for the decidedly largest part of its turnover. In addition, the company brokered the sale of 130 holiday cottages, 48 farming properties of varying size, 27 commercial- and industrial properties, as well as 39 building plots and sites. New housing projects, which are included in the figures, have gradually been providing an important addition to the company's overall revenue generation.

Hedmark Eiendom took on 5 new employees last year, its total staff today amounting to 27. The company's staff have substantial professional skills and competence within all areas of the brokerage sector. In addition, Hedmark Eiendom AS is the only real estate brokerage firm in Hedmark offering special professional skills and competence within the areas of commercial- and industrial property, as well as project brokerage.

Competition within the real estate brokerage sector will remain fierce, particularly in Hedmark. In 2003, it will be very important to focus on marketing and service in order to maintain market share. The further development of co-operation with the parent company will represent an important element in the competitive struggle for customers.

Hedmark Finans AS

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Hedmark Finans AS was established as a fully-owned subsidiary of Sparebanken Hedmark in 1996. The company's core product areas comprise asset financing, involving leasing of tangible movable property, leasing of cars and vendor's lien-related financing. The latter category of leasing mainly targets the market for private customers, whereas leasing finance is directed only at the commercial and industrial markets, primarily within the sectors of transport equipment, plant machinery, as well as machinery used in forestry and agriculture. The company is an important player in the market. Since its establishment, the company has provided financing totalling NOK 2.2 billion. In 2002, new leasing- and vendor's lien-related financing agreements amounting to NOK 357.8 million were completed, the best result in the company's history.

At the end of 2002, the company's aggregate assets amounted to NOK 678 million. Customers within the counties of Hedmark and Oppland accounted for 72 % of the company's total lending portfolio.

	Hedmark Eiendom AS	**Actor Fordrings-forvaltning AS**	**Hedmark Finans AS**
Result before tax (NOK thousand)	5.171	13.109	6.515
Equity capital (NOK thousand)	7.551	12.870	82.782
Total assets (NOK thousand)	19.637	29.860	677.726
Number of staff	27	20	11
Number of branches	4	2	1
Sparebanken Hedmark's equity stake	100%	50%	100%