

Annual report

2003



Sparebanken
HEDMARK

Low interest rates and strong lending growth

The Bank's NOK 297 million pre-tax profit for 2003 represents yet another good year for Sparebanken Hedmark. "It is good to know that we are still doing well as a bank. We have reason to believe that the result will be one of the best among the ten largest banks in Norway, in relation to average assets," says Harry Konterud, Managing Director.

Last year, Sparebanken Hedmark enjoyed lending growth of nearly 20 per cent in the retail banking market. "This is positive and shows that we have captured market shares. We hope that most of the lending growth and proceeds have been utilised to provide increased welfare and future benefits for our customers," says Konterud.

High deposit- and lending growth

The strong expansion in lending is partly due to plummeting interest rates, the 4.75 percentage points reduction being the largest fall ever to have occurred. "Interest rates are at historically low levels and for our bank this has had a bigger impact on the annual result than for most banks. We have a substantially larger equity capital than most Norwegian banks. Sparebanken Hedmark's financial strength gives our customers confidence in us. But when interest rates fall too far, the return on our equity capital is reduced. The interest earnings on our equity capital will therefore be NOK 50 million lower than the year before. Otherwise I am very pleased with the 8.6 per cent increase in the Bank's deposits. This is the highest rate of deposit growth among the ten biggest savings banks in Norway. This is very positive, especially in view of today's low level of interest rates."

Commerce and industry

"2003 was a year during which many of our corporate customers experienced somewhat difficult conditions at the beginning of the year due to a strong krone and a high level of interest rates," continues Konterud. "In recent years, Norwegian interest rates have been particularly high compared with the levels in the rest of Europe. It is good to see that many of our customers today view the future more optimistically as a result of a weaker krone and lower interest rates. However, it is noticeable that throughout the country businesses' propensity to invest remains lower than before. This would indicate a lack of belief in the growth potential within commerce and industry."

At home and abroad

"At home, the merger between DnB and Gjensidige NOR Sparebank will be remembered as a very important event in Norwegian banking history," says Konterud. "It will be exciting to follow the development of this financial giant. -Abroad, the war in Iraq has probably had the biggest impact on the global economy and accordingly also on Norway's economy."

Enhanced levels of professional competence

“Which internal factors at the Bank would you say were most important in 2003?”

“In order to boost productivity and provide better service, the Bank’s staff have made a very great effort) to improve overall levels of professional skills and knowledge throughout the Bank. Employees in all parts of our organisation have to meet various educational requirements. The purpose of this is naturally to become better at what we do than our competitors.”

New initiatives are required

“In order to strengthen our corporate banking division, a new, separate department for large customers has been established. This is a result of our targeted efforts in recent years to service Hedmark’s largest and most demanding corporate customers even better. I am delighted to confirm that we have a market share of around 50 per cent in the corporate market.”

“How do you view – on a short- and long-term basis – commerce and industry in Hedmark?”

“I think a relatively large number of businesses are struggling with low profitability. This involves many challenges for our bank. We have to ask if we are sufficiently creative and if we have sufficient entrepreneurial acumen. Do we have good and competitive business ideas? It is important for us to spot those new businesses which have a potential for growth. With the right encouragement, some of them will grow into big and viable companies.”

A strong position

“How would you describe Sparebanken Hedmark’s position in the market at the end of 2003?”

“We have a very strong position in Hedmark, both within the retail banking- and corporate banking market. The feedback from our customer satisfaction surveys is very positive. Today Sparebanken Hedmark is a competitively aggressive and financially strong regional bank. In national context too, we are rated as a very strong bank. On several occasions this year, Norwegian brokerage firms have placed Sparebanken Hedmark at the top of their ratings. These good results inspire us – we must always strive to justify our customers’ confidence in us.”

Competent, close to the customer and helpful

“Which are the most important aims for Sparebanken Hedmark in the near future?”

“Being able to win new customers proves that we are working in accordance with our customer values – being competent, close to the customer and helpful. A key objective is to provide products and services at sufficiently competitive prices, backed by a first-class level of service, making Sparebanken Hedmark the natural first choice for even more people from the county of Hedmark.”

Harry Konterud, Managing Director,
interviewed by Siv Stenseth, Information Advisory Officer

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 per cent.
- Total loans (gross) must not exceed 150 per cent of customer deposits.
- On average, during a 10-year period, credit losses shall not exceed 0.5 per cent of lending.
- Local decision-making capability based on professional excellence shall be an important feature by which the Bank is recognised.

Sparebanken Hedmark ...

- Is a self-owning institution which has no Primary Capital Certificate- (PCC) holders.
- Is the only regional source of capital in Hedmark, benefitting from local decision- making authority.
- Has a unique competitive edge through its local knowledge;
- Has some 155,000 customers. In the municipalities where the Bank has a presence, about 60 per cent of the local inhabitants have a customer relationship with the Bank.
- Is close to its customers, with some 500 staff and 32 branches and offices within the county.
- Offers financial skills and competence throughout the Bank and at all branches.

Main figures from the accounts (Parent Bank)

	2003	2002	2001	2000	1999
Operating result after credit losses	297	284	309	401	301
Operating result after credit losses as a percentage of average assets	1,33	1,41	1,70	2,44	2,13
Total assets as at 31.12	23.438	20.984	19.279	17.511	15.505
Gross lending as at 31.12	20.635	18.344	16.685	14.915	13.087
Deposits from customers as at 31.12	15.087	13.895	13.063	11.515	10.394
Equity capital as at 31.12	2.681	2.469	2.269	2.044	1.752
Capital adequacy ratio as at 31.12 (%)	15,6	15,6	15,8	15,3	14,5

Annual report from the board of directors

The Norwegian economy

The Norwegian economy bottomed out during the first half of 2003. The strong growth in investment in the oil industry and the sharp fall in domestic interest rates have been the two most important driving forces behind the turnaround in the Norwegian economy. Falling interest rates triggered a marked upswing in households' spending during the summer. The weaker krone, as a result of lower domestic interest rates, also helped to boost activity levels throughout the economy during the second half of 2003. The 0.6 per cent growth in the gross national product for Norway's mainland economy turned out to be the lowest since 1989.

From 2002 to 2003, the consumer price index rose by 2.6 per cent. The underlying inflation, however, was lower. If the cost of electricity and changes in excise duties are excluded, the increase in prices amounted to 1.1 per cent. The latter percentage is significantly lower than the official inflation target of 2.5 per cent, the most important parameter relating to Norges Bank's management of its monetary policy.

In 2003, Norges Bank adopted a very expansive monetary policy, following criticism by many observers the year before for having maintained its signal rate of interest at too high a level. In 2003, Norges Bank's signal rate was reduced 7 times, by a total of 4.25 percentage points. At the end of the year, the signal rate was 2.25 per cent. After the last cut, in January 2004, to 2 per cent, the central bank's signal rate has reached its lowest level in modern times.

The official wage settlements in 2003 produced an annual wage increase of 4.2 per cent. With moderate inflation, the increase in real wages was relatively large. Together with the low level of domestic interest rates, this helped trigger a strong growth in households' loan demand as 2003 progressed. Households' total debt increased by 11.3 per cent in 2003. Higher borrowings by private persons did not generate increased capital investment within commerce and industry – which consolidated its position, making operations more effective, after a difficult period during 2002 and the first half of 2003, due to high interest rates and a strong krone. Against this background, therefore, corporate borrowings contracted by 0.8 per cent in 2003.

The consolidation within commerce and industry has resulted in higher unemployment. At the end of the year, the jobless total amounted to 4.5 per cent, the highest level since 1996.

The Oslo Stock Exchange index soared by 48 per cent in 2003. The share market experienced some violent swings. After two lacklustre years in 2001 and

2002, the Oslo Stock Exchange main index still finished up lower at the end of 2003 than three years earlier.

High oil prices produced a large surplus on Norway's balance of payments in 2003 too. The surplus on the current account balance was nearly NOK 200 billion, virtually unchanged from the year before, when the surplus was NOK 201 billion.

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 Nyttun.

The Bank owns 50 per cent of Actor Fordringsforvaltning AS which is treated as a joint venture company in the Bank's accounts.

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 2003 pre-tax result totalled NOK 303 million, as opposed to NOK 288 million the year before. As at 31.12.2003, aggregate assets stood at NOK 23,468 million, having expanded by 11.7 per cent 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.

The pre-tax result from ordinary operations totalled NOK 297 million, equivalent to 1.33 per cent of average assets. The corresponding average ratio for the Norwegian savings banks industry as a whole has been estimated at approximately 1 per cent.

In 2002, the Bank earned NOK 284 million before tax, or 1.41 per cent of average assets. The 2002 and 2003 results produced a pre-tax return on equity capital of 12.5 and 12.0 per cent respectively.

The 2003 result is at the same level as in the last three years. In view of the sharp fall in domestic interest rates during the course of the year currently under review, the Board of Directors is of the opinion that both the return on equity capital and the result for 2003 are satisfactory.

Net interest- and credit commission income totalled NOK 643 million, down by NOK 24 million on 2002. This reduction is principally attributable to the sharp fall in domestic interest rates. The return on the interest-free equity capital in 2003 was approximately NOK 60 million lower than the year before. The average interest margin – the difference between lending- and deposit rates – was marginally reduced during the last 12 months.

Net other (non-interest) operating income amounted to NOK 160 million, up by NOK 59 million on 2002. The improvement is due to a good year in the securities market. Revenue generation from payments transmission services accounted for a significant part of net other operating income. Although overall transaction volumes in the payments transmission services area have increased, the income from this sector has stagnated, remaining at the same level as a year earlier. This is ascribable to the fact that customers now use electronic services to an increasing extent.

Operating costs at NOK 429 million were NOK 27 million lower than in 2002. The reduction is largely due to the fact that in 2002 the Bank set aside NOK 51 million to provide for the likelihood of more employees taking advantage of the statutory early retirement pension scheme, and to provide for the costs in connection with the Bank's development- and restructuring project. In 2003, part of this amount was reversed in the accounts.

In 2003, the discount rate applied to the expected return on the Bank's pension resources was reduced by 1 percentage point. This produced an additional cost of NOK 14 million in 2003.

Operating costs represented 1.91 per cent of average assets, down from 2.26 per cent in 2002. In 2003, operating costs amounted to 55.3 per cent of total income, excluding gains/losses on securities, down from 57.1 per cent in 2002.

Losses on loans and guarantees totalled NOK 77 million. Non-specific loss provisions were up by NOK 10 million. Credit losses were somewhat higher than in the last three years but still at a moderate level, equivalent to 0.37 per cent of gross lending at the end of 2003.

Profit for the year and allocations

After a NOK 83 million taxation charge, the result from ordinary operations finished up at NOK 214 million. The Fund for Evaluation Differences has been reduced by NOK 4 million. The Board of Directors proposes that NOK 2 million is

set aside for Donations and NOK 216 million is transferred to the Savings Bank's Fund.

Equity capital and capital adequacy

In 2003, the Bank's equity capital increased from NOK 2,469 million to NOK 2,681, equivalent to 11.4 per cent of total assets. The capital adequacy ratio at the end of the year was 15.6 per cent, unchanged from 2002. The equity capital consists in its entirety of retained profits.

Balance Sheet

Aggregate assets expanded by 11.7 per cent, standing at NOK 23,438 million at the end of 2003. Sparebanken Hedmark is now the 6th largest savings bank in Norway.

Loans (gross) to customers totalled NOK 20,635, having expanded by 12.5 per cent during the last 12 months. Retail banking loans grew by 19.1 per cent, corporate lending by 2.7 per cent. A good increase in real wages, coupled with low domestic interest rates, has brought about strong loan demand in the retail banking market.

The retail banking and corporate areas accounted for 63 and 37 per cent respectively of total loans. The 12.5 per cent lending growth is a little over 5 percentage points higher than the total credit growth in Norway.

At the end of 2003, deposits from customers totalled NOK 15,087 million. In spite of the low interest rates, the level of saving through banks has been good. Deposits were up by 8.6 per cent in 2003. This is 2-3 percentage points better than the average deposit growth for all Norwegian savings banks. Last year's growth further improved the Bank's market shares both for loans and deposits. Retail banking deposits grew by 7.9 per cent in 2003, corporate banking by 10.1 per cent, the two sectors accounting for 64 and 36 per cent respectively of the total.

At the end of 2003, customer deposits funded 73 per cent of gross lending to customers, compared to 76 per cent in 2002. Borrowings evidenced by bonds and certificates increased from NOK 4.0 billion to NOK 4.9 billion during the last 12 months, representing 21 per cent of the Bank's total assets at the end of 2003.

At the end of the year, non-specific and specific loss provisions totalled NOK 230 million and NOK 165 million respectively, equivalent to 1.1 and 0.8 per cent of aggregate lending. In the opinion of the Board of Directors, the level of loss provisions is adequate.

Interest rates

After the introduction of an expansive monetary policy, Norges Bank's signal rate of interest was reduced from 6.5 to 2.25 per cent in 2003. During the same period, the Bank's best house mortgage interest rate was cut from 7.5 to 3.4 per cent. Interest rates at the beginning of 2004 are at a record-breaking low level.

In 2003, the Bank's average effective lending rate was 6.8 per cent. This is 2.1 percentage points lower than in 2002. The average deposit rate was 3.8 per cent, as opposed to 5.7 per cent in 2002.

In 2003, long-term interest rates fell less than short-term rates. The yield on 10-year government bonds decreased from 5.9 to 4.7 per cent during the year.

Financial risk and risk management

The Bank's quality assurance programme is a central function as far as risk management is concerned. The programme covers strategic, financial and operational risk and also takes care of the annual risk assessment. In 2003, the Bank's Board of Directors agreed to a revision of the quality assurance programme. As a part of this, the Board has adopted a risk policy for the Bank. This policy represents a further development of the existing approach to risk management in the Bank. The risk management shall ensure that the Bank's risk exposure at all times is known and within the limits agreed.

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 risk exposure is the credit risk contained in the Bank's lending portfolio. The Bank has put in place credit policy, routines for credit assessment, as well as requirements for reporting and follow-up. Lending growth was strong in 2003. The bulk of the growth was accounted for by loans made to households, mostly through house mortgage loans. Experience has shown that this type of lending benefits from a low degree of credit losses. The risk classification system shows that the share of loans to customers categorised as low risk has increased somewhat. This is the case both for the retail banking and corporate banking areas. 85 per cent of the Bank's corporate lending is classified within the low- and medium risk groups. In the retail banking sector, 97 per cent of the loans is within the low- and medium risk groups. In the opinion of the Board of Directors, the Bank exercises adequate and appropriate control over the risk exposure within its lending portfolio.

In the opinion of the Board of Directors, the credit risk relating to the Bank's portfolio of interest-bearing securities has remained virtually unchanged throughout the year under review. The bulk of the Bank's portfolio of interest-

bearing securities comprises securities issued by other banks, credit institutions and large industrial companies. The credit risk contained in this portfolio is deemed to be moderate.

The bank's overall exposure in the share markets increased somewhat during the last 12 months, amounting to about 9 per cent of the Bank's equity and related capital, a level which is regarded as moderate. The Bank's net exposure relating to foreign exchange risk is low.

The Bank's Board of Directors has instituted a separate strategy for liquidity management and funding. The difference between loans and deposits increased in 2003. As a result of this, the Bank's funding requirements increased as the year progressed. The Bank has increased the percentage of long-term funding in order that the Bank's growth does not result in a higher funding risk. The Bank's funding risk is still deemed to be low. The interest rate risk was stable and at a moderate level throughout 2003.

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

Transition to international accounting standards

All quoted companies will have to adopt the international accounting standards (IFRS) with effect from 1 January 2005. However, companies which are only quoted on the stock exchange because of bond loans issued, like in the case of Sparebanken Hedmark, may postpone the transition to IFRS until 1 January 2007. Sparebanken Hedmark nevertheless plans to implement the new standards from 1 January 2005. The purpose of doing this is to make sure that the Bank's accounting information can be compared with other larger Norwegian banks. Most of the big banks are quoted on the stock exchange because of equity capital instruments issued and must therefore convert to IFRS from 1 January 2005.

The Bank has established a project for the purpose of implementing the necessary adaptations to the new international accounting principles by 1 January 2005. The adaptation work will comprise both changes relating to accounting principles and accounting routines and the necessary changes involving the Bank's IT systems.

The biggest changes of principles will involve provisions for pension liabilities, financial instruments and provisions for losses on loans and guarantees. The new principles will to a larger extent than today's principles involve market-based evaluations. In the future, the Bank's result will therefore vary more from year to year as a result of changes in the level of interest rates and the market value of securities.

Conditions relating to organisation and personnel

Organisational- and skills-related development

In 2003, comprehensive processes were completed in order to further enhance the Bank's overall effectiveness and quality. In accordance with agreed skills requirements for various jobs, several study activities have been initiated in cooperation with Handelshoyskolen BI (a business school) – Centre for Financial Education. This education is done internally through meetings and lectures at Hamar. In 2003, human resources equivalent to some 25 man-years have been invested in further education. The educational activities will remain at the same high level also in 2004 and 2005.

In 2003, the Bank implemented new work processes and tools for the purpose of improving the levels of quality and effectiveness relating to all direct contact work with customers. Ongoing focus on sales training and sales management represents an important element of this work.

Job satisfaction and working environment

In 2003 too, Sparebanken Hedmark completed a survey amongst staff in order to check on the level of job satisfaction at the Bank. Despite a comprehensive and demanding restructuring process, the survey confirmed that in 2003 too there as a generally high level of job satisfaction throughout the organisation. The results of the survey are discussed at each of the Bank's branches.

Absenteeism due to illness in 2003 amounted to 4.2 per cent of total aggregate working time, unchanged from the year before. Staff turnover was very low in 2003 too and has been under 2 per cent in recent years.

The company health scheme is available at all the Bank's branches. In 2003, the Bank entered into an agreement to join the scheme, 'Care in the workplace', with effect from 1 February 2004.

Various measures aimed at helping staff to stay healthy and other preventive health initiatives were continued during 2003. The Bank's work relating to health, environment, safety and security has continued as in previous years.

Equality between the sexes

Sparebanken Hedmark's approach to equality between the sexes is dealt with in the Bank's strategy and personnel policy, which stresses the aim of a balanced distribution of men and women at all levels throughout the organisation.

The Board of Directors consists of 3 women and 6 men. The Bank's Board of Trustees comprises 30 women and 41 men.

Female employees account for 54 per cent of the Bank's total staff. In the case of Board members, General Managers and managers reporting to General

Managers, women account for 28 per cent. In 2003, 45 per cent of the vacant managerial positions announced were filled by women.

Salary is agreed on the basis of the content and requirements of the position in question, education, experience and personal qualifications. A recent analysis taking into account structural circumstances shows that women and men are paid the same salary for the same job. In the opinion of the Board of Directors, equality between the sexes at Sparebanken Hedmark has developed in a positive manner.

In its ongoing human resources management and through various development measures, the necessary conditions have been put in place for the further improvement of equality between the sexes at the Bank. In 1999, the Bank completed a management recruitment project involving 15 younger employees, of whom 7 were men and 8 women. 5 women and 4 men from this group today hold managerial positions in the Bank.

The Bank also gives managers the opportunity to work on a part-time basis during certain periods, enabling them to spend time adequately caring for a family member or others requiring help. The experience with this scheme, as far as the Bank is concerned, has been good.

Joint purchasing with DnB NOR ASA

In 2003, Sparebanken Hedmark entered into an agreement with DnB NOR ASA relating to joint purchasing and development of IT products and systems. This agreement is expected to provide the Bank with economics of scale benefits, both as far as the purchasing- and product development aspects are concerned. This agreement replaces an earlier and more comprehensive agreement in the product- and market areas with Gjensidige NOR Sparebank.

Sparebanken Hedmark will continue its cooperation with Gjensidige NOR Forsikring through the joint location of customer branches.

Marketing

Sparebanken Hedmark's aim is to meet the requirements of existing and new customers

for first-class banking- and other financial products and services, which should be made available through distribution channels of the customers' choice. In 2003, further work was done in order to implement strategies setting out the way in which the Bank's distribution network and customer handling will ensure that the abovementioned goal is reached.

In 2003, the Bank's image, brand name promotion and market communication have been developed in accordance with a new communications strategy. The Bank's image has been adjusted and made concrete in order for Sparebanken Hedmark to come across as a clear and uniform brand as far as all different distribution channels are concerned. Communication programmes have been

designed on the basis that the Bank is there to support its customers throughout all phases of their lives, the purpose being to create good relations within all customer groups.

A more focused approach – coupled with the use of ‘tailor-made’ tools – will facilitate proactive contact with each customer in situations when this would be natural. By enhancing relations between customers and customer advisers, the Bank wishes to demonstrate its staff’s professional skills and present an image of a bank which is both helpful and close to its customers.

Prospect for 2004

In spite of good growth in Norway’s economy in 2004, the level of inflation is likely to be low. This is partly attributable to increased imports of goods and services from low cost countries. The weaker krone has a favourable impact on industries exposed to international competition. The employment situation should accordingly improve somewhat in 2004. The positive economic trend at the beginning of the year is expected to continue throughout 2004.

Prospects of low interest rates in 2004 will be putting pressure on banks’ net interest income, producing a low deposit margin, in addition to which the return on the Bank’s interest-free equity capital will be low. This will in particular affect banks with a high level of interest-free equity capital. The Board of Directors nevertheless expects the 2004 result to be on the same level as last year, due to overall business volumes still increasing.

Sparebanken Hedmark’s Board of Directors

Hamar, 11 March 2004

Syver Aalstad
Chairman

Richard H. Heiberg

Atle Brataas

Marith Brekke

Randi Dørum

Ole Jakob Holen

Gro R. Oldertrøen

Svein H. Stenslet

Harry Konterud
Managing Director

The board of directors of Sparebanken Hedmark

Syver Aalstad, 67, 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, 47, 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 Våler.

Ole Jacob Holen, 56, member of the Board.

He 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.

Gro Røsten Oldertrøn, 35, member of the Board.

Røsten Oldertrøn is the Managing Director of the tour operating company, Orkide Ekspressen; her educational background is in business administration.

She was appointed to the Board of Directors in the spring of 2003.

He lives in the municipality of Tynset.

Svein H. Stenslet, 66, 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, 59, member of the Board.

Brekke, 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 Brataas, 40, member of the Board.

Brataas 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, 43, member of the Board

Dørum, 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, 60, 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.

Profit and Loss Account

(Amounts in NOK million)

Parent Bank			Group			
2003	2002	2001	Notes	2003	2002	2001
Interest receivable and similar income						
63	70	61	Interest receivable and similar income from loans to and claims on credit institutions	38	33	29
1.320	1.545	1.415	Interest receivable and similar income from loans to and claims on customers	4, 8 1.377	1.603	1.469
66	83	84	Interest- and similar income from certificates, bonds and other interest-bearing securities	66	83	84
24	8	1	Other interest- and similar income	24	8	1
1.473	1.706	1.561	Total interest receivable and similar income	1.505	1.727	1.583
Interest payable and similar costs						
19	18	11	Interest- and similar costs payable on borrowings from credit institutions	16 19	18	10
541	759	724	Interest- and similar costs payable on deposits from and liabilities to customers	16 539	756	723
230	242	217	Interest- and similar costs payable on issued securities	16 230	242	217
40	20	13	Other interest payable and similar costs	2, 18 41	22	14
830	1.039	965	Total interest payable and similar costs	829	1.038	964
643	667	596	Net interest- and credit commission income	676	689	619
Dividends and other income from securities with variable yield						
7	7	16	Income from shares, unit trust certificates and other securities with variable yield	7	7	16
5	4	0	Income from equity interests in associated companies	1 5	4	0
16	12	20	Income from equity interests in Group companies	1 0	0	0
28	23	36	Total dividends and other income from securities with variable yield	12	11	16
Commissions and income from banking services						
8	7	7	Guarantee commissions	8	7	7
121	122	110	Other fee- and commission income	3 149	153	152
129	129	117	Total commissions and income from banking services	157	160	159
Commissions payable and costs relating to banking services						
0	0	0	Guarantee commissions	0	0	0
36	35	29	Other fees and commissions payable	38	37	30
36	35	29	Total commissions payable and costs relating to banking services	38	37	30
Net value change and gains/losses on f/x and securities classified as current assets						
27	2	-3	Net value change and gains/losses on certificates, bonds and other interest-bearing securities	27	2	-3
19	-26	-7	Net value change and gains/losses on shares and other securities with variable yield	19	-26	-7
-19	-6	1	Net value change and gains/losses on foreign exchange and financial derivatives	-19	-6	1
27	-30	-9	Total net value change and gains/losses on f/x and securities classified as current assets	27	-30	-9
Other operating income						
7	6	6	Operating income from real estate	6	6	5
5	8	3	Other operating income	13	15	14
12	14	9	Total other operating income	19	21	19
160	101	124	Net other operating income	177	125	155

Parent Bank			Group				
2003	2002	2001	Notes	2003	2002	2001	
Wages, salaries and general administration costs							
140	177	136	Wages and salaries	4, 18	157	193	156
51	41	19	Pensions	4, 18	52	42	20
33	37	34	Social costs	18	35	41	38
224	255	189	Total wages, salaries etc.		244	276	214
140	135	127	Administration costs	18	147	141	133
364	390	316	Total wages, salaries and general administration costs		391	417	347
Depreciation etc. of fixed- and intangible assets							
28	30	32	Ordinary depreciation		30	33	34
0	1	0	Write-downs		0	1	0
28	31	32	Total depreciation etc. of fixed- and intangible assets	15	30	34	34
Other operating costs							
15	15	12	Operating costs relating to real estate		16	15	13
22	20	21	Other operating costs	5, 15	30	27	29
37	35	33	Total other operating costs		46	42	42
429	456	381	Total operating costs		467	493	423
Losses on loans, guarantees etc.							
78	53	38	Losses on loans		84	58	42
-1	2	0	Losses on guarantees etc.		-1	2	0
0	4	7	Credit losses on certificates, bonds and other interest-bearing securities		0	4	7
77	59	45	Total losses on loans, guarantees etc.	8	83	64	49
Write-down/reversal of write-down and gains/losses on securities classified as fixed assets							
0	-2	0	Write-down/reversal of write-down		0	-2	0
0	29	15	Gains/losses	6	0	29	15
0	-31	-15	Total write-down/reversal of write-down, gains/losses on secs. classified as fixed assets		0	-31	-15
297	284	309	Pre-tax result from ordinary operations		303	288	317
83	82	82	Tax payable on ordinary result	7	89	86	90
214	202	227	Result from ordinary operations after tax		214	202	227
214	202	227	Result for the accounting year		214	202	227
Transfers and allocations							
4	1	0	Transferred from Fund for Evaluation Differences		0	0	0
4	1	0	Total transfers	19	0	0	0
0	0	8	Transferred to Fund for Evaluation Differences		0	6	0
216	201	217	Transferred to Savings Bank's Fund		216	201	217
2	2	2	Transferred to Donations		2	2	2
			Transferred to/from other Group capital		-4	-7	8
			Set aside for dividends payable to minority interests		0	0	0
			Transferred to minority interests		0	0	0
218	203	227	Total allocations	19	214	202	227
214	202	227	Total transfers and allocations		214	202	227

Balance Sheet

(Amounts in NOK million)

Parent Bank			ASSETS	Notes	Group		
2003	2002	2001			2003	2002	2001
328	175	349	Cash-in-hand and claims on central banks		328	175	349
			Loans to and claims on credit institutions				
30	171	55	Loans to and claims on credit institutions - without agreed maturity or notice of withdrawal		30	171	58
659	641	541	Loans to and claims on credit institutions - with agreed maturity or notice of withdrawal		58	89	51
689	812	596	Total net loans to and claims on credit institutions	1, 8	88	260	109
			Loans to and claims on customers				
0	0	0	Leasing agreements		488	450	422
1.268	1.173	1.146	Overdraft- and working credit facilities		1.268	1.173	1.146
315	495	375	Building loans		315	495	375
19.052	16.676	15.164	Repayment loans		19.263	16.862	15.314
20.635	18.344	16.685	Total loans - before specific and non-specific loss provisions	1, 4, 8	21.334	18.980	17.257
165	130	107	Specific loss provisions	8	169	135	110
230	220	200	Non-specific loss provisions	8	238	227	207
20.240	17.994	16.378	Total net loans to and claims on customers		20.927	18.618	16.940
2	3	3	Reposessed assets	12	5	7	7
			Certificates, bonds and other interest-bearing securities with fixed yield				
			Issued by the government or other public sector borrowers				
98	0	97	Certificates and bonds		98	0	97
			Issued by other borrowers:				
1.317	1.178	1.084	Certificates and bonds		1.317	1.178	1.084
0	4	3	Own bonds, certificates etc.		0	4	3
1.415	1.182	1.184	Total certificates, bonds and other interest-bearing securities with fixed yield	8, 13	1.415	1.182	1.184
			Shares, unit trust certificates and other securities with variable yield				
234	230	233	Shares, unit trust certificates and Primary Capital Certificates (PCCs)		234	230	234
1	1	2	Other securities		1	1	2
235	231	235	Total shares (and other securities with variable yield)	14	235	231	236
			Equity stakes in associated companies				
6	6	0	Equity stakes in other associated companies		6	6	0
6	6	0	Total equity stakes in associated companies	1	6	6	0
			Equity stakes in Group companies				
79	83	78	Equity stakes in credit institutions		0	0	0
15	16	29	Equity stakes in other Group companies		0	0	0
94	99	107	Total equity stakes in Group companies	1	0	0	0
			Intangible assets				
2	3	5	Goodwill	15	2	4	7
39	35	6	Deferred tax benefit	7	48	45	12
1	2	4	Other intangible assets	15	1	2	4
42	40	15	Total intangible assets		51	51	23
			Fixed assets				
48	52	60	Machinery, furniture, fixtures, fittings and transport equipment		50	54	63
113	112	118	Buildings and other real estate		125	125	131
161	164	178	Total fixed assets	15	175	179	194
			Other assets				
2	0	0	Financial derivatives	22	2	0	0
29	23	18	Other assets	17	36	45	41
31	23	18	Total other assets		38	45	41
			Prepaid costs, not yet incurred; accrued income, not yet received				
166	213	173	Accrued income, not yet received		168	214	177
			Prepaid costs, not yet incurred				
18	31	37	Over-funding of pension liabilities	4	21	35	44
11	11	6	Other prepaid costs, not yet incurred		11	11	6
195	255	216	Total prepaid costs, not yet incurred; accrued income, not yet received		200	260	227
23.438	20.984	19.279	TOTAL ASSETS	9, 10, 11	23.468	21.014	19.310

Parent Bank			LIABILITIES AND EQUITY CAPITAL		Group		
2003	2002	2001		Notes	2003	2002	2001
Liabilities to credit institutions							
16	6	31	Loans and deposits from credit institutions - without agreed maturity or notice of withdrawal		15	4	30
288	149	410	Loans and deposits from credit institutions - with agreed maturity or notice of withdrawal		287	149	410
304	155	441	Total liabilities to credit institutions	1, 16	302	153	440
Deposits from and liabilities to customers							
14.568	13.437	12.662	Deposits from and liabilities to customers - without agreed maturity		14.533	13.411	12.626
519	458	401	Deposits from and liabilities to customers - with agreed maturity		518	458	401
15.087	13.895	13.063	Total deposits from and liabilities to customers	1, 16	15.051	13.869	13.027
Borrowings through the issuance of securities							
1.783	1.675	1.050	Certificates and other short-term borrowings		1.783	1.675	1.050
0	-45	0	Own non-amortised certificates		0	-45	0
3.170	2.466	2.111	Bond debt		3.170	2.466	2.111
-96	-100	0	Own non-amortised bonds		-96	-100	0
4.857	3.996	3.161	Total borrowings through the issuance of securities	16	4.857	3.996	3.161
Other liabilities							
26	11	6	Financial derivatives	22	26	11	6
0	0	0	Margin payments debited and other open accounts with customers		14	7	9
166	176	162	Other liabilities	17	174	186	182
192	187	168	Total other liabilities		214	204	197
210	188	143	Incurred costs and prepaid income, not yet accrued		255	228	181
Provisions for incurred costs and liabilities							
98	62	34	Pension commitments	4	99	63	35
0	0	0	Deferred tax	7	0	0	0
1	2	0	Specific loss provisions for guarantee liabilities	8	1	2	0
8	30	0	Other provisions for incurred costs and liabilities	18	8	30	0
107	94	34	Total provisions for incurred costs and liabilities		108	95	35
20.757	18.515	17.010	Total liabilities		20.787	18.545	17.041
Equity capital							
Minority interests							
15	19	20	Fund for Evaluation Differences		0	0	0
2.666	2.450	2.249	Savings Bank's Fund		6	6	0
			Other Group capital		2.666	2.450	2.246
2.681	2.469	2.269	Total equity capital	19	9	13	23
23.438	20.984	19.279	TOTAL LIABILITIES AND EQUITY CAPITAL	9, 10, 11	2.681	2.469	2.269
Contingent liabilities							
699	657	644	Guarantees	1, 4, 8, 20	699	657	616
0	0	100	Book value of debt secured by mortgage etc.	21	0	0	100
1.264	1.106	977	Book value of assets pledged as collateral security for mortgage debt etc.	21	1.264	1.106	977
Liabilities							
6	3	4	Other liabilities	23, 24	6	3	4
6	3	4	Total liabilities		6	3	4

The Board of Directors of Sparebanken Hedmark
Hamar, 31 December 2003/11 March 2004

Syver Aalstad
Chairman

Richard H. Heiberg

Randi Dørum

Marith Brekke

Atle Bratås

Gro Røsten Oldertzen

Svein H. Stenslet

Ole Jakob Holen

Harry Konterud
Managing Director

Notes to the account

General background

The annual financial statements for 2003 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 per cent 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 per cent 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 per cent 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 per cent 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 derivatives**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 14 – '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, managed by the Bank, are also assessed at the lower of acquisition cost and market value, each share being evaluated separately. Shares classified as other current assets, the active management of which has been entrusted to a company other than the Bank, are assessed according to the portfolio principle, each investment portfolio being managed 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%

For buildings in the process of being erected, depreciation starts only from when they are completed.

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 other own securities, 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 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

In previous years, the accumulated financial impact of changes in assumptions and discrepancies in excess of 10 per cent relating to the larger of pension resources and pension liabilities, assessed for each pension arrangement on an individual basis, has been incorporated, in its entirety, in the profit and loss account, in the accounting year when the 10 per cent limit has been exceeded. With effect from 2003, this arrangement has been replaced by the apportioning of the amounts in question over the average remaining pensionable service time. This change has been made because the discrepancies in years are principally ascribable to changes in the rate of discount applied, a matter which has to be viewed in a long-term context. In previous years, discrepancies have primarily occurred as a result of changes in pension plans; it has been deemed appropriate to incorporate the financial impact of such discrepancies in the profit and loss account during the years in which such changes in pension plans have occurred.

Comparative accounting figures from previous years have therefore not 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 Nytn*)	Tynset	100%	100%
SH-Betalingsautomater AS	Hamar	100%	100%
Vato AS	Hamar	100%	100%

*) Sameiet Nytn is 50% 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 2003	Equity capital at 31.12.2003
Ringens Eiendommer AS	Ringsaker	100%	0,9	4,0
Stor-Elvdal Hytteforum AS	Stor-Elvdal	100%	-0,2	-0,9

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 as at 31.12.2002	Result booked as income	Dividend for the year	Book value as at 31.12.2003	Book value of goodwill as at 31.12.2003	Other surplus values at 31.12.2003	Depreciation of goodwill during the year	Depreciation of other surplus values during the year
Hedmark Eiendom AS	5,5	2,0	8,5	3,9	4,0	8,4	0,7	0,0	0,3	0,0
Hedmark Finans AS	70,0	70,0	82,8	10,8	14,9	78,7	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 Nyttun	3,3	3,3	2,6	0,7	0,9	2,4	0,0	0,0	0,0	0,0
SH-Betalings-automater AS	0,8	0,8	1,3	0,6	0,5	1,4	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	85,4	78,4	98,6	16,0	20,3	94,3	0,7	0,0	0,3	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 31.12.2002	Result booked as income	Dividend for the year	Book value as at 31.12.2003	Book value of goodwill as at 31.12.2003	Other surplus values at 31.12.2003	Depreciation of goodwill during the year	Depreciation of other surplus values during the year
Actor Fordrings-forvaltning AS	0,8	0,1	6,4	5,4	5,4	6,4	0,0	0,0	0,0	0,0
Total	0,8	0,1	6,4	5,4	5,4	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.

2003

No changes in the composition of the Group.

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% til 100%. 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.

INTRA-GROUP ITEMS INVOLVING SUBSIDIARIES (PARENT BANK)

Consolidated companies				Non-consolidated companies		
2003	2002	2001		2003	2002	2001
601	552	496	Loans to and claims on credit institutions			
8	9	10	Loans to and claims on customers	8	9	9
2	2	2	Liabilities to credit institutions			
36	26	36	Deposits from and liabilities to customers	1	1	1
0	0	28	Garantiansvar			

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

	Joint venture operations		
	2003	2002	2001
Deposits from and liabilities to customers	11	11	
Guarantee liabilities	18	18	

THE GROUP'S BUSINESS OPERATIONS AREAS

One of Sparebanken Hedmark's strategic aims is to be a comprehensive provider of financial services, partly through services supplied by the Bank itself, and partly through the distribution of products and services on behalf of its joint venture partners; in addition, the Bank owns a number of subsidiaries which supply various 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.

	Bank		Financing		Real estate brokerage		Debt coll. agency		Sundry		Netted out		Total for Group	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Net extra int. income	619	632	58	58	-1	-1	0	0	0	0	0	0	676	689
Net. Internal int. income	24	35	-25	-37	2	2	0	-1	0	0	0	0	0	0
Net other extr. inc.	137	88	0	0	27	24	5	6	8	7	0	0	177	125
Net other int. income	2	1	0	0	0	0	1	2	2	-4	-4	-4	0	0
Operating costs	401	425	11	10	22	19	4	7	7	-4	-6	-6	437	459
Depreciation	28	31	0	0	0	1	0	2	2	0	0	0	30	34
Losses on loans etc.	77	59	6	5	0	0	0	0	0	0	0	0	83	64
Write-ds.; losses/gains	0	+31	0	0	0	0	0	0	0	0	0	0	0	+31
Result after tax	193	190	11	5	4	4	5	2	3	1	-2	0	214	202
Minority interests							0							0
Total assets	23.317	20.881	738	678	35	26	11	i.a.	22	13	-655	-584	23.468	21.014
Equity capital	2.667	2.456	79	83	8	7	6	i.a.	11	9	-90	-86	2.681	2.469
Invested in fixed assets	22	16	1	0	0	1	0	0	0	0	0	0	23	17

NOTE 2: THE SAVINGS BANKS' GUARANTEE FUND (SBGF)

All savings banks are members of SBGF. The Fund is obligated to cover losses incurred by a depositor with a member institution, limited upwards to NOK 2 million of the customer's total deposits with the bank in question. In order to ensure that SBGF has sufficient funds, the member banks have to pay an annual levy and, in case of need, provide some collateral security (see Note 20). Annual costs relating to the guarantee fund arrangement are booked as Other interest costs.

Parent Bank				Group		
2003	2002	2001		2003	2002	2001
14	13	12	Costs relating to SBGF	14	13	12

NOTE 3: FEE- AND COMMISSION INCOME

Parent Bank				Group		
2003	2002	2001		2003	2002	2001
6	6	8	Fees from securities trading	6	6	8
93	94	80	Fees from payment transmission services	93	94	80
7	7	7	Commissions from insurance-related services	8	8	7
0	0	0	Fees from real estate brokerage and management	26	22	18
14	15	15	Other fees	16	23	39
120	122	110	Total	149	153	152

NOTE 4: PERSONNEL-RELATED MATTERS

NUMBER OF STAFF EMPLOYED

Parent Bank		Group
494	Average number of staff employed during the accounting year	533

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 2003:

(Amounts in NOK)	Managing Director	Members of the Board of Directors	Members of the Board of Trustees	Members of the Control Committee
Salary/fees	1.515.948	606.000	171.600	257.500
Other remuneration	25.016			
Year's pension accruals	420.373			

LOANS AND GUARANTEES EXTENDED TO STAFF AND ELECTED REPRESENTATIVES

Parent Bank			Group	
Loans	Guarantees		Loans	Guarantees
2,3	0,0	Chairman of the Board of Trustees	2,3	0,0
22,5	0,2	Other members of the Board of Trustees*)	22,5	0,2
0,0	0,0	Chairman of the Board of Directors	0,0	0,0
1,1	0,0	Other members of the Board of Directors*)	1,1	0,0
0,4	0,0	Members of the Control Committee	0,4	0,0
0,9	0,0	Managing Director	0,9	0,0
281,7	0,0	Staff*)	281,9	0,0
308,9	0,2	Total	309,1	0,2

*) 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
3,7	Cost of interest subsidy of staff loans during the period	4,1

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 gives these managers 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 of 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:

Parent Bank				Group		
2003	2002	2001		2003	2002	2001
6,0%	7,0%	7,0%	Rate of discounting	6,0%	7,0%	7,0%
6,0%	7,0%	7,0%	Expected return on pension resources invested	6,0%	7,0%	7,0%
3,3%	3,3%	3,3%	Wage- and salary adjustment	3,3%	3,3%	3,3%
2,5%	2,5%	2,5%	'G'-adjustment	2,5%	2,5%	2,5%
2,5%	2,5%	2,5%	Pension adjustment	2,5%	2,5%	2,5%
2,0%	2,0%	2,0%	Voluntary retirement	2,0%	2,0%	2,0%
50,0%	50,0%	25,0%	Overall propensity to make withdrawals under statutory early retirement pension scheme (referred to as SERPS below)	25,0%- 50,0%	25,0% - 50,0%	25,0%
100,0%			Overall propensity to make withdrawals under SERPS, with agreement in place	100,0%		

The arrangement comprises the following number of people:

	Parent Bank	Group
Staff	516	555
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
10	4	14	Present value of pension accruals during the year	11	4	15
17	5	22	Interest costs in respect of incurred liabilities	17	5	22
15	0	15	Expected return on invested pension resources	15	0	15
2	24	26	Apportioned financial impact of changes in estimates, and differences between actual and expected rates of return	2	24	26
0	4	4	Employer's social security contributions	0	4	4
14	37	51	Pension costs	15	37	52

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

Parent Bank				Group		
2003	2002	2001		2003	2002	2001
51	35	16	Pension costs shown in the above table	52	36	18
-4	4		Pension provisions relating to the Bank's 'package of effectiveness measures' (see Note 18)	-4	4	
4	2	3	Discrepancy between actual payments and anticipated payments according to calculations relating to pensions, the cost of which has been charged to the profit and loss account	4	2	2
51	41	19	Pension costs according to the profit and loss account	52	42	20

Pension liabilities and pension resources funded by accumulation of reserves:

Parent Bank				Group		
2003	2002	2001		2003	2002	2001
299	238	234	Estimated incurred liabilities	305	242	241
264	256	256	Estimated value of pension resources	272	264	270
53	13	15	Financial impact of changes in estimates, not included in profit and loss account, and difference between actual and expected investment return	54	13	15
0	0	0	Employer's social security contributions	0	0	0
18	31	37	Net pension resources	21	35	44

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

Parent Bank				Group		
2003	2002	2001		2003	2002	2001
89	60	31	Estimated incurred liabilities	90	60	32
(3)	(5)	(1)	Financial impact of changes in estimates, not included in profit and loss account, and difference between actual and expected investment return	(3)	(5)	(1)
12	7	4	Employer's social security contributions	12	8	4
98	62	34	Pension liabilities shown in balance sheet	99	63	35

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 5,3% in 2001, 6,4% in 2002 og 5,4% i 2003.

NOTE 5: 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):

	Parent Bank	Group
Auditing	565.000	760.500
Advisory serv.	0	10.000
Total, excluding value added tax	565.000	770.500
Value added tax	135.600	184.920
Total	700.600	955.420

NOTE 6: LARGE INDIVIDUAL TRANSACTIONS

Parent Bank				Group		
2003	2002	2001		2003	2002	2001
	29		Gain from the sale of the Bank's equity stake in Actor Fordringsforvaltning AS		29	
		15	Gain from the sale of the Bank's equity stake in Avanse Forvaltning AS			15
0	29	15	Toal gain included under 'Write-downs and gains/losses on securities held on a long-term basis'	0	29	15

NOTE 7: 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 calculation of deferred tax:

Parent Bank				Group		
31.12.03	31.12.02	31.12.01	Tax-increasing temporary differences	31.12.03	31.12.02	31.12.01
0	0	0	Accelerated depreciation	0	0	0
0	0	20	Unrealised gains and 'RISK'-adjustments of trading portfolio in shares	0	0	20
18	31	37	Pension resources	21	35	44
0	1	1	Balance relating to differences	0	1	1
2	2	1	Account registering gains	3	3	1
20	34	59	Total tax-increasing temp. differences	24	39	66
Tax-reducing temporary differences						
37	40	29	Decelerated depreciation	69	78	54
0	7	0	Unrealised losses and 'RISK'-adjustments of trading portfolio in shares	0	7	0
7	3	0	Write-down of other ordinary shares	7	3	0
0	7	8	Write-down of ordinary bonds	0	7	8
2	2	5	Write-down of long-term shareholdings	2	2	5
1	1	1	Changed value of long-term shareholdings at the start of the year	1	1	1
98	62	34	Pension liabilities	99	63	35
8	30	0	Provisions for costs and liabilities	8	30	0
7	6	4	Other differences	10	9	6
160	158	81	Total tax-reducing temporary differences	196	200	109
-140	-124	-22	Net temporary differences	-172	-161	-43
6	9	17	Deferred tax (28%)	7	11	18
45	44	23	Deferred tax benefit (28%)	55	56	30
-39	-35	-6	Book value of net deferred tax	-48	-45	-12
-4	-29	-6	Change in net deferred tax during the year,	-3	-33	-13
			of which acquisitions and disposals accounted for	0	0	0
-4	-29	-6	Result-related change in net deferred tax during the year	-3	-33	-13

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 so-called 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 asset 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		
31.12.03	31.12.02	31.12.01		31.12.03	31.12.02	31.12.01
12	16	23	Temporary differences relating to subsidiaries	0	0	0
6	6	0	Temporary differences relating to associated companies and joint venture businesses	6	6	0
18	22	23	Total temporary differences – according to the equity method of accounting – on which no deferred tax has been included in the accounts	6	6	0

Reconciliation of tax charge:

Parent Bank				Group		
2003	2002	2001		2003	2002	2001
83	80	87	28% tax payable on ordinary result	85	81	89
			+/- Permanent differences:			
1	1	1	Non-deductible costs	1	1	2
0	0	-2	Non-taxable income	0	0	-2
84	81	86	28% tax payable on result after permanent differences	86	82	89
-2	-2	-4	Share dividends	-2	-2	-4
-6	-4	-6	Shares of results from subsidiaries, associated companies and joint venture businesses	-2	-1	0
0	0	0	Share of result from subsidiary taxed on 'participant basis'	0	0	0
3	28	9	Change in temporary differences affecting tax payable for the year	2	33	15
79	103	85	Tax payable on ordinary result	84	112	100
-4	-29	-6	Change in deferred tax on ordinary result	-3	-33	-13
75	74	79	Tax payable on ordinary result	81	79	87
-1	0	-3	Under-/over-provision for tax the year before	-1	-1	-3
74	74	76	Total tax payable on result	80	78	84
9	8	6	Wealth tax	9	8	6
83	82	82	Total taxation cost	89	86	90

NOTE 8: 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, delegated lending authority/powers of attorney, 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 13.

LOSSES ON LOANS AND GUARANTEES

Costs relating to loan losses during the year:

Parent Bank				Group		
2003	2002	2001		2003	2002	2001
35	23	7	Change in specific loss provisions during the period	34	25	7
10	20	15	+ Change in non-specific loss provisions during the period	11	21	16
27	5	16	+ Period's confirmed losses against which specific loss provisions were made in previous years	31	7	18
12	14	12	+ Period's confirmed losses against which no specific loss provisions were made in previous years	15	15	13
6	9	12	- Recoveries in respect of previous periods' confirmed losses	7	10	12
78	53	38	= Period's costs relating to loan losses	84	58	42

Costs relating to guarantee losses during the year:

Parent Bank				Group		
2003	2002	2001		2003	2002	2001
-1	2	0	Change in specific loss provisions during the period	-1	2	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
-1	2	0	= Period's cost relating to guarantee losses	-1	2	0

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

Parent Bank				Group		
2003	2001	2001		2003	2002	2001
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
0	5	7	+ Period's confirmed losses against which no specific loss provisions were made in previous years	0	5	7
0	1	0	- Recoveries in respect of previous periods' confirmed losses	0	1	0
0	4	7	= Period's credit loss cost for securities	0	4	7

Total credit loss costs for the year:

Parent Bank				Group		
2003	2002	2001		2003	2002	2001
34	25	7	Change in specific loss provisions during the period	33	27	7
10	20	15	+ Change in non-specific loss provisions during the period	11	21	16
27	5	16	+ Period's confirmed losses against which specific loss provisions were made in previous years	31	7	18
12	19	19	+ Period's confirmed losses against which no specific loss provisions were made in previous years	15	20	20
6	10	12	- Recoveries in respect of previous periods' confirmed losses	7	11	12
77	59	45	= Period's total credit loss costs	83	64	49

Specific loan loss provisions:

Parent Bank				Group		
2003	2002	2001		2003	2002	2001
130	107	100	Specific loss provisions as at 01.01	134	110	103
27	5	16	- Period's confirmed losses against which specific loss provisions were made in previous years	31	7	18
16	11	11	+ Increased specific loss provisions during the period	17	11	12
62	36	24	+ New specific loss provisions during the period	65	40	26
16	19	12	- Reversal of specific loss provisions during the period	16	19	13
165	130	107	= Specific loss provisions as at 31.12	169	135	110

Specific guarantee loss provisions:

Parent Bank				Group		
2003	2002	2001		2003	2002	2001
2	0	0	Specific loss provisions as at 01.01	2	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
0	2	0	+ New specific loss provisions during the period	0	2	0
1	0	0	- Reversal of specific loss provisions during the period	1	0	0
1	2	0	= Specific loss provisions as at 31.12	1	2	0

Non-specific loss provisions:

Parent Bank				Group		
2003	2002	2001		2003	2002	2001
220	200	185	Non-specific loss provisions as at 01.01	227	207	191
10	20	15	+/- Period's non-specific loss provisions	11	20	16
230	220	200	Non-specific loss provisions at 31.12	238	227	207

No non-specific provisions for guarantees were made in 2001, 2002 or 2003.

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

Parent Bank						Group				
2003	2002	2001	2000	1999		2003	2002	2001	2000	1999
281	239	200	167	110	Gross commitments in default (over 90 days)	294	255	216	176	116
50	46	39	24	21	Specific loss provisions made against these commitments	54	51	43	27	23
231	193	161	143	89	Net commitments in default (over 90 days)	240	204	173	149	93

Parent Bank						Group				
2003	2002	2001	2000	1999		2003	2002	2001	2000	1999
485	210	197	257	176	Other commitments (gross) against which loss provisions have been raised	485	210	197	257	178
115	84	68	76	57	Specific loss provisions made against these commitments	115	84	67	76	58
370	126	129	181	119	Net other commitments against which specific loss provisions have been raised	370	126	130	181	120

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	31	31
- Previous periods' loan interest booked as income during the period	7	7
- 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	11	11
= Accrued interest, not booked as income, on loans in the balance sheet as at 31.12	34	34

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		
	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001
Total – retail banking	13.06 3	10.97 0	9.800	9	9	8	270	250	228	141	113	91	22	26	27	20	24	22	66	56	50
Agriculture and forestry	1.513	1.463	1.399	20	9	10	220	226	225	11	17	7	44	40	37	10	12	11			
Industry and mining	568	534	501	83	69	81	147	180	128	13	9	4	46	32	31	36	18	13			
Building and construction; water- and power supply	682	621	528	328	328	313	179	273	262	22	17	12	223	9	17	26	6	5			
Retail- and wholesale trade, hotel- and restaurant industry	1.016	904	800	104	85	90	209	222	253	25	24	64	68	59	43	40	44	35			
Real estate management; business services	3.126	3.239	3.012	83	99	78	335	223	173	50	46	20	66	30	24	27	16	12			
Miscellaneous	667	613	645	49	45	59	181	95	64	19	13	2	16	14	18	6	12	9			
Total – corporate banking	7.572	7.374	6.885	667	635	631	1.271	1.219	1.105	140	126	109	463	184	170	145	108	85	164	164	150
Total loans/guarantees to customers	20.63 5	18.34 4	16.68 5	676	644	639	1.541	1.469	1.333	281	239	200	485	210	197	165	132	107	230	220	200
Credit institutions SBGF	689	812	596	0 23	0 13	0 5	49	48	104	0	0	0	0	0	0	0	0	0			
Total loans/guarantees	21.32 4	19.15 6	17.28 1	699	657	644	1.590	1.517	1.437	281	239	200	485	210	197	165	132	107	230	220	200

Group

	Gross loans			Guarantees			Unutilised allocation**)			Gross loans in default*)			Other (gross) bad and doubtful loans*)			Specific loss provisions			Non-specific loss provisions		
	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001
Total – retail banking	13.19 9	11.09 1	9.908	9	9	8	270	250	228	145	117	96	22	26	27	21	25	23	68	57	51
Agriculture and forestry	1.603	1.566	1.481	20	9	10	220	226	225	12	19	12	44	40	37	10	13	12			
Industry and mining	598	554	526	83	69	81	147	180	128	13	9	4	46	32	31	36	18	13			
Building and construction; water- and power supply	771	699	597	328	328	313	179	273	262	23	21	15	223	9	17	26	7	5			
Retail- and wholesale trade, hotel- and restaurant industry	1.090	967	852	104	85	90	209	222	253	26	24	65	68	59	43	40	44	35			
Real estate management; business services	3.119	3.310	3.004	83	99	50	333	221	171	50	47	19	66	30	24	27	16	12			
Miscellaneous	954	793	889	49	45	59	181	95	64	25	18	5	16	14	18	9	14	10			
Total – corporate banking	8.135	7.889	7.349	667	635	603	1.269	1.217	1.105	149	138	120	463	184	170	148	112	87	170	170	156
Total loans/guarantees extended to customers	21.33 4	18.98 0	17.25 7	676	644	611	1.539	1.467	1.331	294	255	216	485	210	197	169	137	110	238	227	207
Credit institutions SBGF	88	260	109	0 23	0 13	0 5	0	0	0	0	0	0	0	0	0	0	0	0			
Total loans/guarantees	21.42 2	19.24 0	17.36 6	699	657	616	1.539	1.467	1.331	294	255	216	485	210	197	169	137	110	238	227	207

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

**) Also applies to unutilised guarantee facilities/limits.

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

Parent Bank						Group						
Loans			Guarantees				Loans			Guarantees		
2003	2002	2001	2003	2002	2001		2003	2002	2001	2003	2002	2001
17.411	15.763	14.508	444	411	394	Hedmark county	17.789	16.122	14.843	444	411	366
3.178	2.535	2.137	232	245	249	Rest of Norway	3.499	2.812	2.374	232	245	249
46	46	40	0	1	1	Other countries	46	46	40	0	1	1
20.635	18.344	16.685	676	657	644	Total loans and guarantees	21.334	18.980	17.257	676	657	616

Parent Bank				Group		
Loans				Loans		
Retail bankin g	Corp. bankin g	Total		Retail banking	Corp. banking	Total
10.553	6.858	17.411	Hedmark county	10.626	7.164	17.790
2.464	714	3.178	Rest of Norway	2.527	971	3.498
46	0	46	Other countries	46	0	46
13.063	7.572	20.635	Total loans and guarantees as at 31.12.2003	13.199	8.135	21.334

LOANS BROKEN DOWN BY AMOUNTS (PARENT BANK)

	Retail banking	Corporate banking	Total
Total loans per customer over NOK 100 mill.	0	389	389
Total loans per customer, NOK 50 - 100 mill.	0	420	420
Total loans per customer, NOK 10 – 50 mill.	35	2.055	2.090
Total loans per customer, NOK 1 – 10 mill.	4.555	3.482	8.037
Total loans per customer under NOK 1 mill.	8.473	1.226	9.699
Total gross loans to customers as at 31.12.2003	13.063	7.572	20.635

LARGE COMMITMENTS

According to the Banking, Insurance and Securities Commission's (BISC) rules and regulations, so-called large commitments would amount to more than 10 per cent of the Bank's net equity and related capital. The size of the commitment in question is calculated according to the same rules as those which are applied when computing the level of capital adequacy. Individual customers assessed on a total basis in credit context must be put into the appropriate group, when assessment is made, in relation to the abovementioned 10 per cent limit. No commitment must exceed 25 per cent of the Bank's net equity and related capital and the aggregate amount of all so-called large commitments must not exceed 800 per cent of the Bank's net equity and related capital.

Parent Bank			Group		
Total commitments before weighting	1 % av net eq. and related capital	Number of commitments	Total commitments before weighting	1 % av net eq. and related capital	Number of commitments
720	27,6%	1	0	0,0%	0
699	26,8%	2	699	26,8%	2
1.419	54,4%	3	699	26,8%	2
720	27,6%		426	16,3%	

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. In the case of retail banking, risk classification is based on a statistical model with regard to borrowers' ability to service their outstanding debt to the Bank. As far as the corporate banking sector is concerned, the corresponding arrangement mainly involves key accounting- and financial information (ability to service debt), which forms 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	Guarantees*)	Unutilised part of facility**)	Specific loss provisions		Gross loans	Guarantees*)	Unutilised part of facility**)	Specific loss provisions	
12.410	308	536	0	Low risk	12.739	308	534	0	
6.617	284	827	0	Medium risk	6.776	284	827	1	
852	37	104	0	High risk	1.063	37	104	3	
756	47	74	165	Default***)	756	47	74	165	
20.635	676	1.541	165	Total	21.334	676	1.539	169	

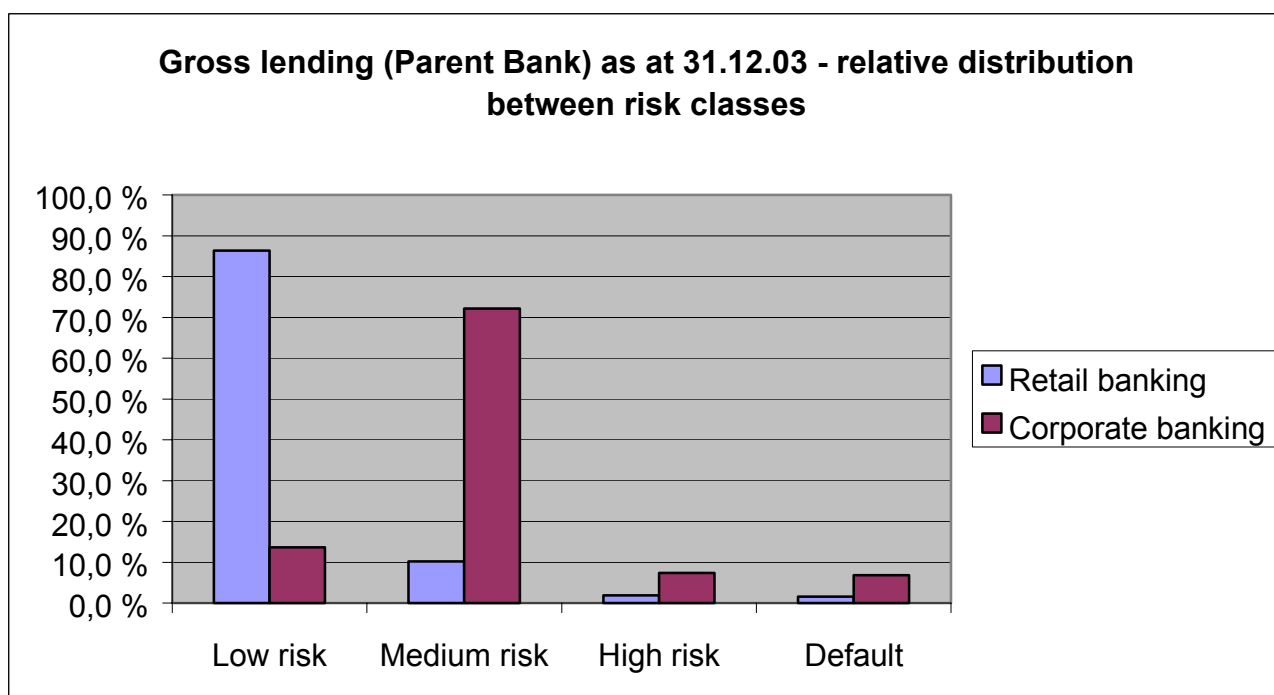
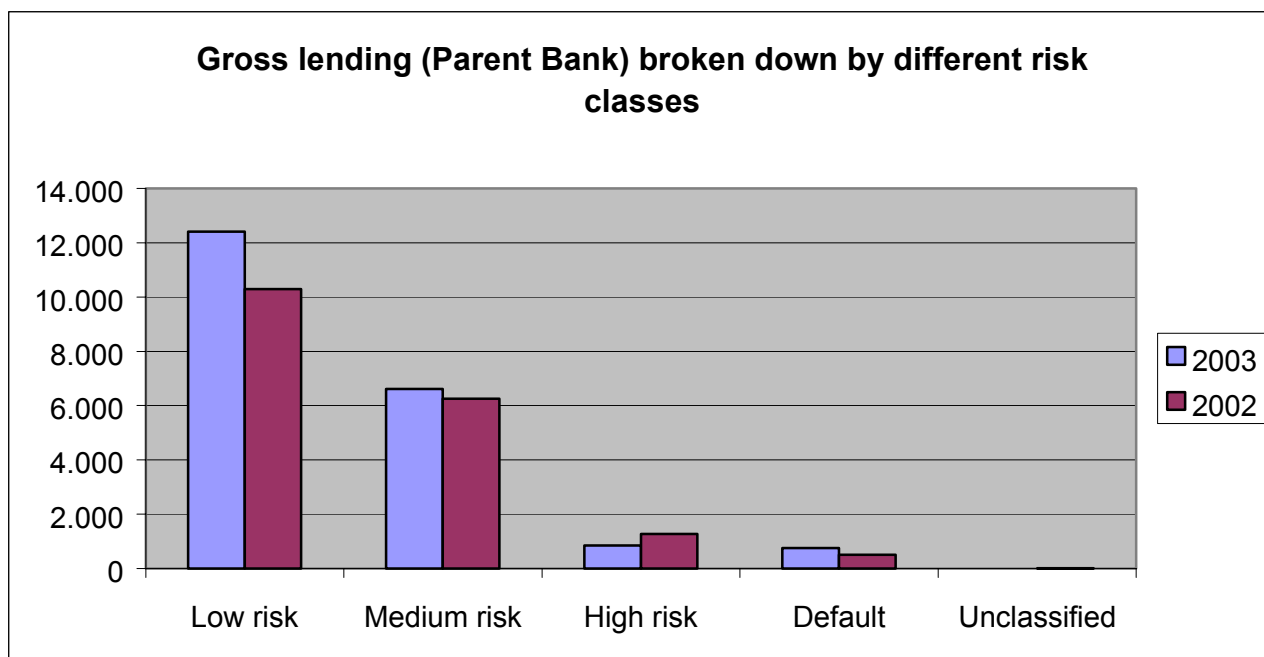
*) to which must be added NOK 23 million guarantees relating to SBGF

**) 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 31.12.2002, the share of low risk commitments measured in relation to gross lending was up by about 4 percentage points during the year. The share of commitments classified as being in default went up by just under 1 percentage point compared with the year before. The share of gross lending in relation to the high risk group was reduced by 2.8 percentage points during the year.

In the case of the corporate banking market, the share of high risk commitments was reduced by 6.7 percentage points. However, the share of commitments in default was up by 2.8 percentage points. The shares of both low- and medium risk commitments were also higher. In the retail banking sector, low- and high risk loans went up by about 1 and 0.5 percentage point respectively during the year. The shares relating to the remaining risk groups decreased.



Expected credit losses

One of the Bank's strategic goals states that losses on loans, as an average over a 10-year period, shall not exceed 0.5 per cent of gross lending. In 2003, the Bank's loan losses amounted to 0.37 per cent of gross lending as at 31.12.2003. In relation to gross loans, next year's losses are expected to end up at the same level as in 2003. Against a background of favourable economic prospects, lower interest rates and internal organisational measures aimed at further improving the management of credit risk, the level of credit losses during the next few years – losses as a percentage of gross lending – is expected not to be higher than today's level. Credit losses will probably come mostly from the corporate banking sector, within the high- and to some extent medium risk group. 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

	2003	2002	2001
Loans to and claims on credit institutions	0	0	0
Loans to and claims on customers	25	25	25
Certificates, bonds and other interest-bearing securities	25	0	6
Total subordinated loan capital	50	25	31

NOTE 9: 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, equity capital requirements, and requirements in respect of the period of time during which the Bank is to be independent upon new funding from the market. In practice, the Bank's management of funding risk is done with the help of funding prognoses, choice of maturities of 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 the 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 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 sources of funding.
- Furthermore, most of the abovementioned certificates and bonds can be turned into liquid funds much more quickly than the stated maturities of the securities involved would suggest, or, as an alternative, be pledged as collateral security for borrowings from Norges Bank.
- The actual remaining life of repayment loans is shorter than the formal repayment schedules, due to extraordinary payments made etc.
- Access to borrowings from Norges Bank; drawing rights agreements entered into with other banks. As at 31.12.2003, Sparebanken Hedmark had access to borrowings from Norges Bank as well as drawing rights facilities from other banks, as follows:

Type of funding available	Loan facility/limit	Of which has been utilised	Facility available until
Access to borrowings from Norges Bank	NOK 1.008 mill.	NOK 0 mill.	
Drawing rights facilities	EUR 50 mill.	EUR 10 mill.	01.12.2004

Group:**Remaining life until maturity**

Group.		Currency	Up to 1 month	1-3 months	3 months - 1 year	1 - 5 years	Over 5 years	No remaining life	Total
Cash-in-hand and claims on central banks	NOK		328						328
Loans to and claims on credit institutions	Curr.		12						12
Loans to and claims on customers *)	NOK		26	43	7				76
Certificates, bonds and other int.b. securities **)	Curr.		319	1 533	1 556	5 357	11 468		20 233
Other assets with remaining life	NOK		4	8	25	204	453		694
Assets without remaining life	Curr.		114		10	1 121	170		1 415
	NOK		176	42	107	23	23		371
	Curr.		9		2				11
	NOK							328	328
	Curr.								
Total assets	NOK		949	1 575	1 673	6 501	11 661	328	22 687
	Curr.		39	51	34	204	453		781
Liabilities to credit institutions	NOK		16	100	100				216
Deposits from and liabilities to customers	Curr.			2	84				86
Borrowings through the issuance of securities	NOK		14 871			125			14 996
Other liabilities with remaining life	Curr.		55						55
Equity capital	NOK		100	379	1 378	2 397	603		4 857
	Curr.								
	NOK		107	135	170	57	106	1	576
	Curr.		1						1
	NOK							2.681	2.681
Total liabilities and equity capital	NOK		15 094	614	1 648	2 579	709	2 682	23 326
	Curr.		56	2	84				142
Net funding exposure on balance sheet items	NOK		-14 145	961	25	3 922	10 952	-2 354	-639
Off b/s financial derivatives – payments made and received	Curr.		-17	49	-50	204	453		639
	NOK		361	341	-55				647
	Curr.		-361	-341	55				-647
Net total	NOK		-13 784	1 302	-30	3 922	10 952	-2 354	8
For all items	Curr.		-378	-292	5	204	453		-8

*) 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 the 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 10: 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 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
Bonds	114	3
Derivatives	400	0
Total trading portfolio		3
Bonds, bond funds	1.304	23
Fixed rate loans	957	25
Fixed rate deposits	-4	0
Loans evidenced by certificates	-1.783	-8
Bond loans	-3.166	-76
Own portfolio of bond loans	96	0
Other fixed interest rate funding	-284	-1
Derivatives - net	3.023	13
Total other financial instruments		-24
Total int. rate risk on fixed rate positions		-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 developed as follows during the year:

31.12.2002: -21
31.03.2003: -33
30.06.2003: -39
30.09.2003: -27
31.12.2003: -21

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 31.12.2003 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 time until next interest rate refixing**

	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	189					139	328
Loans to and claims on credit institutions	38	43	7				88
Loans to and claims on customers	275	19 645	125	844	38		20 927
Certificates, bonds and other interest-bearing securities	266	505	33	491	120		1 415
Other interest-bearing assets				1	21		22
Non-interest-bearing assets						688	688
Total assets	768	20 193	165	1 336	179	827	23 468
Liabilities to credit institutions	16	102	184				302
Deposits from and liabilities to customers	15 047		4				15 051
Borrowings raised by issuance of securities	520	1 079	926	1 729	603		4 857
Other interest-bearing liabilities					99		99
Non-interest-bearing liabilities						478	478
Equity capital						2 681	2 681
Total liabilities and equity capital	15 583	1 181	1 114	1 729	702	3 159	23 468
Net interest rate exp. on balance sheet items	-14 815	19 012	-949	-393	-523	-2 332	0
Off b/s financial derivatives affecting interest rate exposure	-148	-894	-150	506	235	301	-150
Net interest rate exposure	-14 963	18 118	-1 099	113	-288	- 2 031	-150
Net interest rate exp. as % of total assets	-63,8%	77,2%	-4,7%	0,5%	-1,2%	-8,7%	-0,6%

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 11: 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 2003, 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. As at 31.12.2003, 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.	Total
Cash-in-hand and claims on central banks	0	0	0	0	0	0	0
Loans to and claims on credit institutions	1	15	3	29	21	8	77
Loans to and claims on customers	19	68	12	61	515	19	694
Certificates, bonds and other interest-bearing instruments	0	0	0	0	0	0	0
Shares	0	0	2	0	0	0	2
Other assets	0	1	0	1	4	1	7
Total assets	20	84	17	91	540	28	780
Liabilities to credit institutions	0	83	0	0	3	0	86
Deposits from and liabilities to customers	15	24	15	0	0	1	55
Other liabilities	0	1	0	0	1	0	2
Total liabilities	15	108	15	0	4	1	143
Forward exchange contracts	-8	18	-3	-90	-543	-21	-647
Total net positions	-3	-6	-1	1	-7	6	-10

The Bank's foreign exchange risk, calculated as a total net position, was reduced during the year, from NOK 18 million as at 31.12.2002 to minus NOK 10 million as at 31.12.2003.

NOTE 12: REPOSSESSED ASSETS

Reposessed 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	Building sites and plots	1	0,1
2	0,3	Commercial and industrial property	2	0,3
1	0,4	Agricultural property	1	0,4
1	1,2	Holiday homes	1	1,2
4	0,1	Motor vehicles etc.	15	3,1
9	2,1	Total	20	5,1

NOTE 13: CERTIFICATES, BONDS AND OTHER INTEREST-BEARING SECURITIES

	2003			2002			2001		
	Acqui- sition cost	Book value	Market value	Acqui- sition cost	Book value	Market value	Acqui- sition cost	Book value	Market value
Trading portfolio, quoted secs., NOK	114	114	114	0	0	0	38	38	38
Total trading portfolio	114	114	114	0	0	0	38	38	38
Other current assets, quoted, in NOK	1.110	1.134	1.139	1.002	1.003	1.003	923	918	918
Other current assets, not quoted, in NOK	166	167	168	158	158	158	204	204	204
Other current assets, quoted, in Euro	0	0	0	17	21	21	27	24	24
Total other current assets	1.276	1.301	1.307	1.177	1.182	1.182	1.154	1.146	1.146
Total as at 31.12	1.390	1.415	1.421	1.177	1.182	1.182	1.192	1.184	1.184

A positive difference between book value and acquisition cost is shown through shortfalls in market value relating to hedging transactions incorporated in the accounts under 'Financial derivatives'.

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, underwriting commissions and credit losses. The rate of return is computed as a percentage 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 2003, 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

	2003	2002	2001
Government- and government-guaranteed bonds	48	0	97
Municipal bonds	50	0	0
Total issued by public sector borrowers	98	0	97
Government-guaranteed bonds	0	0	150
State enterprises	39	0	26
Bonds guaranteed by municipalities	10	3	3
Credit institutions	320	291	395
Banks	445	433	165
Other bonds	478	451	340
Subordinated loan capital	25	0	5
Total issued by other borrowers	1.317	1.178	1.084
Own bonds	0	4	3
Total certificates and bonds	1.415	1.182	1.184

Book value as at 31.12.2003, according to different rating categories

	AAA	AA+/AA/AA-	A+/A/A-	BBB+/B BB/BBB-	Not rated	Total
Government bonds	15					15
Government-guaranteed bonds	33					33
Bonds issued by state enterprises				39		39
Municipality bonds		50				50
Bonds guaranteed by municipalities	2				8	10
Bonds issues by credit institutions	40	35	60		185	320
Banks	16		135		294	445
Other bonds			242	15	221	478
Subordinated loan capital	25					25
Total certificates and bonds	131	85	437	54	708	1.415

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

	31.12.2003	31.12.2002	31.12.2001
Nominal value of own bonds	0	5	3

NOTE 14: SHARES AND EQUITY STAKES IN OTHER COMPANIES

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

	Number of shares	Equity stake	Acquisition cost	Market value	Book value
Aker Kværner	9 240	0,02%	1,0	1,1	1,0
BN Bank	19 000	0,19%	4,3	4,4	4,3
DnB NOR	148 104	0,01%	6,0	6,6	6,0
EDB Business Partner	21 120	0,02%	0,5	0,9	0,5
Ekornes	57 460	0,17%	5,6	7,0	5,6
Frontline	6 600	0,01%	0,7	1,1	0,7
Komplett	17 000	0,29%	2,1	2,5	2,1
Norsk Hydro	44 640	0,02%	15,9	18,3	15,9
Norske Skog	24 420	0,02%	2,6	3,1	2,6
Odffjell A-aksjer	13 000	0,08%	1,9	1,9	1,9
Orkla	66 620	0,03%	9,3	9,9	9,3
Prosafe	37 600	0,11%	5,0	5,0	5,0
RCL	12 540	0,01%	2,3	2,9	2,3
Schibsted	27 600	0,04%	3,1	3,2	3,1
Smedvig A-shares	55 000	0,10%	2,5	2,8	2,5
Solstad Offshore	65 000	0,18%	2,7	3,0	2,7
Sparebanken Møre	9 500	0,17%	1,9	2,3	1,9
Statoil	136 380	0,01%	8,5	10,2	8,5
Storebrand	65 340	0,02%	2,0	2,8	2,0
Tandberg	48 840	0,04%	2,1	2,4	2,1
Telenor	122 760	0,01%	4,2	5,3	4,2
TGS Nopec	34 540	0,14%	2,9	3,1	2,9
Tomra Systems	60 060	0,03%	2,0	2,4	2,0
Visma	36 000	0,12%	2,2	2,4	2,2
Wilhelmsen A-shares	35 920	0,19%	4,7	7,9	4,7
Other quoted shares			3,9	5,4	3,9
Total quoted shares			99,9	117,9	99,9

	Number of shares	Equity share	Acquisition cost	Market value	Book value
Cermaq	5 000	0,06%	2,0		1,0
Icon	12 500	5,71%	1,3		1,1
Marin Vekst	25 000	2,31%	2,5		2,5
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		9,0
Norgesinvestor Pro	50 000	5,00%	5,0		5,0
Norgesinvestor Value	105 000	5,79%	10,1		10,1
Norgesinvestor Vekst	53 400	5,26%	5,3		3,9
The Taylor Trust	2 500 000	4,50%	2,6		0,0
V&I Partners	4 688	2,84%	0,8		0,8
EssNet AB	37 500	0,92%	2,2		2,2
Total non-listed shares			53,3		47,1
Svensk Exportkredit AB			2,0		1,3
- share index-linked bond without capital guarantee			3,4	3,2	3,4
TRP Global High Yield					
Total other securities			5,4		4,7
Total ordinary shares – Parent Bank			158,6		151,7
BBS/BAX	123 172	1,87%	2,4		2,4
Biolnn	770	13,90%	0,8		0,6
Eksportfinans	2 012	1,33%	36,2		36,2
Norsk Kontantservice	715	1,40%	0,8		0,8
Scanpole A-shares	11 000	22,0%	1,1		1,1
Scanpole B-shares	22 047	15,50%	3,1		3,1
Sikon Øst	54 588	10,91%	10,8		10,8
Sucra	3 131 369	11,50%	15,0		15,0
Så Korn Invest	11 250	15,00%	4,5		3,9
Teller	240	3,00%	0,1		0,1
Torgata 22	8 000	50,00%	8,0		8,0
Miscellaneous			3,0		1,2
Total shares intended to be held on a permanent basis – Parent Bank			85,8		83,2
Total shares etc. – Parent Bank			244,4		234,9
Total shares intended to be held on a permanent basis by subsidiaries :					
Miscellaneous			0,0		0,0
Total for Group			244,4		234,9

Market value is only stated if the shares in question are quoted on a stock exchange. Actual value, based on known market prices, would not be obtainable for the remaining shares.

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

	Parent Bank	Group
Opening balance	76,4	76,4
+ Additions	6,9	6,9
- Disposals	0,0	0,0
+/- Reclassifications	0,0	0,0
- Write-downs	0,8	0,8
+ Reversal of write-downs in previous years	0,7	0,7
= Closing balance	83,2	83,2

NOTE 15: FIXED ASSETS

Intangible assets, machinery, fixtures, fittings, transport equipment, bank buildings and other real estate were subject to the following changes in 2003:

Parent Bank						Group				
Goodwill	Other intangible assets	Machinery, fixtures, fittings and transport equipment	Buildings and other real estate	Buildings in the process of construction		Good-will	Other intangible assets	Machinery, fixtures, fittings and transport equipment	Buildings and other real estate	Buildings in the process of construction
9	17	148	215	0	Acquisition cost as at 01.01.01 (incl. amounts previously written up)	13	17	154	245	0
0	0	13	3	6	Ordinary additions during the year	0	0	14	3	6
0	0	3	0	0	Ordinary disposals at acquisition cost during the year	0	0	3	0	0
7	16	110	111	0	Accumulated depreciation/write-downs	11	16	115	129	0
2	1	48	107	6	Book value as at 31.12.03	2	1	50	119	6
2	1	17	8	0	Ordinary depreciation during the year	2	1	17	9	0
5 år	4 år	3 - 10 år	10 - 33 år		Depreciation period (economic life)	5 år	4 år	3 - 10 år	5 - 40 år	No depreciation
Straight line	Straight line	Straight line	Straight line	No depreciation	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	Vacant floor space and buildings under construction	Book value of floor space for own use	Book value of floor space rented out	Book value of vacant floor space and buildings under constr.	Total book value
Hedmark	Bank buildings	25.820	3.801	62	81	13	0	94
Hedmark	Commercial buildings	0	2.062	430	0	10	0	10
Hedmark	Undevel. sites and	0	0	0	0	0	2	2
Hedmark	building plots	0	0	0	0	0	6	6
	Buildings under construction							
Hedmark, Vestfold	Holiday cottages	0	0	0	1	0	0	1
Total – Parent Bank		25.820	5.863	492	82	23	8	113
Hedmark	Commercial buildings	1.531	681	451	6	2	2	10
Misc.	Bank buildings	690	0	0	2	0	0	2
Netted out		1.157	-1.157	0	5	-5	0	0
Total - Group		29.198	5.387	943	95	20	10	125

DESCRIPTION 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.

Goodwill relating to businesses acquired:

	Original amount of goodwill	Accumulated depreciation	Remaining goodwill at 31.12.2003
Gjensidige Bank's operations in Hedmark	9	7	2
Total – Parent Bank	9	7	2
Hedmark Eiendom AS	4	4	0
Total - Group	13	11	2

RENTAL AGREEMENTS

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

Parent Bank	Duration:	Annual rental:	Group	Duration:	Annual rental:
Electronic data communication	1 year	4,5	Electronic data communication	1 year	4,5
Various premises	0,5 – 12 years	5,6	Various premises	0,5 – 12 years	3,2
			Payment terminals	0,25 years	6,2

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

NOTE 16: LIABILITIES

Parent Bank							Group						
NOK	EU R	SE K	USD	Misc	Total	Eff. int. rate		NOK	EU R	SE K	USD	Misc	Total
16	0	0	0	0	16	1,22%	No agreed maturity	15	0	0	0	0	15
202	83	0	0	3	288	5,47%	Agreed maturity	201	83	0	0	3	287
218	83	0	0	3	304	4,84%	Liabilities to credit insts.	216	83	0	0	3	302
14.513	24	15	14	2	14.568	3,74%	No agreed maturity	14.478	24	15	14	2	14.533
519	0	0	0	0	519	4,60%	Agreed maturity *)	518	0	0	0	0	518
15.032	24	15	14	2	15.087	3,76%	Deposits from and liabilities to customers	14.996	24	15	14	2	15.051
1.783	0	0	0	0	1.783	5,25%	Debt evidenced by certificates	1.783	0	0	0	0	1.783
0	0	0	0	0	0	(3,74%)	Own certificates	0	0	0	0	0	0
3.170	0	0	0	0	3.170	5,29%	Bond debt	3.170	0	0	0	0	3.170
-96	0	0	0	0	-96	(3,95%)	Own bonds	-96	0	0	0	0	-96
4.857	0	0	0	0	4.857	5,36%	Borrowings through issuance of securities	4.857	0	0	0	0	4.857
20.107	107	15	14	5	20.248	4,15%	Total	20.069	107	15	14	5	20.210

*) NOK 125 million of which is accounted for by equity-linked bank deposits, i.e. this type of deposit does not pay 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 sale- and repurchase agreements.

Deposits from/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 securities issued: 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.

DEPOSITS FROM CUSTOMERS ACCORDING TO DEBTORS' PRIVATE/BUSINESS ADDRESSES

Parent Bank				Group		
2003	2002	2001		2003	2002	2001
13.642	12.651	11.804	Hedmark county	13.606	12.625	11.768
1.288	1.098	1.122	The rest of Norway	1.288	1.098	1.122
157	146	137	Other countries	157	146	137
15.087	13.895	13.063	Total deposits	15.051	13.869	13.027

CUSTOMER DEPOSITS ACCORDING TO SIZE (PARENT BANK)

	Retail banking	Corporate sector	Total
Total deposits per customer over NOK 100 mill.	0	617	617
Total deposits per customer, NOK 50 – 100 mill.	52	172	224
Total deposits per customer, NOK 10 – 50 mill.	55	1.199	1.254
Total deposits per customer, NOK 2 – 10 mill.	680	1.230	1.910
Total deposits per customer under NOK 2 mill.	8.856	2.226	11.082
Total customer deposits at 31.12.03	9.643	5.444	15.087

BOND LOAN DETAILS

ISIN-number	Ticker	Nominal amount	Of which own bonds account for	Coupons	Inst./repayment structure	Final maturity
NO 001008529.3	SBHE04	170	96	3m NIBOR + 0,15%	Bullet	05.02.2004
NO 001005455.4	SBHE02	500	0	7,25%	Bullet	30.05.2005
NO 001020182.5	SBHE13	420	0	3m NIBOR + 0,07%	Bullet	14.10.2005
NO 001007392.7	SBHE00	80	0	0,00%*)	Bullet	20.12.2005
NO 001000264.5	SBHE64	500	0	5,70%	Bullet	15.02.2006
NO 001009794.2	SBHE11	45	0	0,00%*)	Bullet	25.07.2006
NO001012505.7	SBHE12	51	0	0,00%*)	Bullet	01.03.2007
NO 001018430.2	SBHE08	300	0	5,70%	Bullet	22.06.2007
NO 001017760.3	SBHE06	250	0	5,70%	Bullet	14.02.2008
NO 001017761.1	SBHE07	250	0	3m NIBOR + 0,18%	Bullet	14.02.2008
NO 001018393.2	SBHE09	300	0	5,80%	Bullet	16.09.2009
NO 001008644.0	SBHE03	300	0	6,97%	Bullet	28.02.2011
Total		3.166	96			

*) Share-indexed bond loans

In addition, the following new issues were arranged before 31.12.2003, but with payment in 2004:

ISIN-number	Ticker	Nominal value	Of which own bonds account for	Coupons	Payment	Maturity
NO 001021111.3	SBHE14	50	0	5,20%	14.01.2004	14.01.2014
Total		50	0			

After 01.01.2004, the loan was further increased to a total nominal value of NOK250 million.

NOTE 17: BREAKDOWN OF OTHER ASSETS AND OTHER LIABILITIES

Other liabilities

Parent Bank				Group		
2003	2002	2001		2003	2002	2001
26	9	11	Expected dividends and Group contributions	5	5	0
1	0	2	Anticipated recoveries from bankruptcy proceedings relating to previous loan commitments	1	0	2
0	0	0	Leasing contracts not discounted	7	6	15
2	14	5	Other assets	23	34	24
29	23	18	Total other assets	36	45	41

Other liabilities

Parent Bank				Group		
2003	2002	2001		2003	2002	2001
89	110	91	Tax incurred	94	119	105
10	9	11	Tax deductions	11	10	12
55	48	45	Liabilities relating to payment transmission services	55	48	45
12	9	15	Other liabilities	14	9	20
166	176	162	Total other liabilities	174	186	182

NOTE 18: PROVISIONS FOR INCURRED COSTS AND LIABILITIES

Description of the basis for these provisions

In 2002, as part of the ongoing project aimed at further developing the Bank, the Board of Directors introduced a package consisting of various measures, the purpose of which was to enhance overall levels of effectiveness and professional skills throughout the organisation. The elements of this package of measures which related 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, were all provided for in the Bank's annual accounts for 2002. At the end of that year, it was not yet known for certain how many of the Bank's employees who would apply to take advantage of the various measures involved. In view of this, the level of provisions was calculated on the basis of assumptions allowing for this uncertainty, and on assumptions of future wage growth. In 2003, agreements were entered into with the employees in question and the level of the provisions was adjusted accordingly through the profit and loss account that year. The costs have been discounted to show their present value. In addition, the amount included in the accounts includes smaller provisions for other liabilities.

Breakdown of the provisions involved

Parent Bank				Group		
2003	2002	2001		2003	2002	2001
30	0	0	Provisions as at 01.01	30	0	0
0	30	0	Provisions raised during the accounting year	0	30	0
-2	0	0	Payments – in the accounting year – which have been registered in conjunction with the provisions made	-2	0	0
-7	0	0	Provisions transferred to pension provisions	-7	0	0
-16	0	0	Reversal of provisions during the accounting year	-16	0	0
3	0	0	Increase in provisions due to the interest impact of discounting	3	0	0
8	30	0	Provisions as at 31.12	8	30	0

The costs have been allocated in the accounts as shown in the table below (figures are identical for Parent Bank and Group):

	2003	2002	2001
Other interest costs	3	0	0
Wages and salaries	-17	21	0
Pensions	-4	4	0
Social costs	-2	3	0
Administration costs	-2	2	0
Total	-22	30	0

NOTE 19: EQUITY CAPITAL

Breakdown of equity capital movements

Parent Bank

	Fund for Evaluation Differences	Savings Bank's Fund	Total equity capital
Equity capital as at 31.12.2002	19	2.450	2.469
Result for the accounting year	-4	218	214
Donations		-2	-2
Equity capital as at 31.12.2003	15	2.666	2.681

Group

	Fund for Evaluation Differences	Savings Bank's Fund	Other Group capital	Total equity capital
Equity capital as at 31.12.2002	6	2.450	13	2.469
Result for the accounting year		218	-4	214
Donations		-2		-2
Equity capital as at 31.12.2003	6	2.666	9	2.681

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 comprise the following factors:

- Claims on governments: 0 per cent of book value
- Claims on state enterprises: 10 per cent of book value
- Claims on counties, municipalities and financial institutions: 20 per cent of book value
- Claims secured by house mortgages within 80 per cent of assessed value: 50% 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		
2003	2002	2001		2003	2002	2001
			Calculation basis:			
16.102	14.742	13.458	Assets not forming part of the trading portfolio	16.625	15.210	13.875
522	471	386	Off-balance sheet items not forming part of the trading portfolio	521	471	358
584	510	468	Items forming part of the trading portfolio	584	510	468
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
-18	-22	-23	Use of equity method of accounting in the accounts	-6	-6	0
-396	-352	-307	Loss provisions	-408	-364	-316
16.792	15.347	13.980	Total weighted asset calculation basis	17.314	15.819	14.383
			Core capital:			
2.681	2.469	2.269	Equity capital as shown in the balance sheet	2.681	2.469	2.269
-15	-19	-23	Fund for Evaluation Differences	-6	-6	0
			Minority interests	0	0	0
			Adjustment for discrepancy between Group in accounting- and capital adequacy context	7	6	7
-42	-40	-15	Intangible assets	-52	-51	-23
-11	-22	-27	Net pension resources	-15	-26	-31
2.613	2.388	2.204	Core capital	2.615	2.392	2.222
			Deductions to be made for:			
-2	-2	-2	Equity and related capital participations in other financial institutions	-2	-2	-2
2.611	2.386	2.202	Total equity and related capital	2.613	2.390	2.220
15,55%	15,55%	15,76%	Capital adequacy ratio	15,09%	15,11%	15,43%

NOTE 20: GUARANTEE LIABILITIES ACCORDING TO PURPOSE

Parent Bank				Group		
2003	2002	2001		2003	2002	2001
512	500	455	Payment guarantees	512	500	455
141	121	150	Contract guarantees	141	121	150
1	1	1	Loan guarantees	1	1	1
22	22	33	Other guarantees	22	22	5
23	13	5	SBGF	23	13	5
699	657	644	Total guarantee liabilities	699	657	616
4	4	14	- of which has been counter-guaranteed by other financial institutions	4	4	14

NOTE 21: ASSETS PLEDGED AS COLLATERAL SECURITY

Figures for Parent Bank and Group are identical.

The following liabilities are secured by assets pledged as collateral:

	2003	2002	2001
Access to borrowings/loans raised from Norges Bank	0	0	100

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

	2003	2002	2001
Certificates, bonds and other interest-bearing securities	1.264	1.106	977
Total book value of collateralised assets	1.264	1.106	977

NOTE 22: FINANCIAL DERIVATIVES

Figures for Parent Bank and Group are identical.

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

	Curr- ency	Nominal amount as at 31.12.2003	Market value at 31.12.2003	Average nominal amount for the year
Trading portfolio:				
Interest rate-related	NOK	400	0	212
Other activities:				
Hedging transactions	NOK	1.872	90	1.899
Other transactions	NOK	845	-26	1.119
<i>Interest rate-related</i>	<i>NOK</i>	<i>2.716</i>	<i>64</i>	<i>3.018</i>
Hedging transactions	NOK	306	4	225
<i>Interest rate- and equity capital-related</i>	<i>NOK</i>	<i>306</i>	<i>4</i>	<i>225</i>
<i>Foreign currency-related</i>		<i>2.020</i>	<i>-7</i>	<i>1.412</i>

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:

- to hedge risk relating to items on and off the Bank's balance sheet;
- customer transactions;
- 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 is largely matched by opposite amounts of excess or shortfall of the value 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- and equity capital-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 so-called 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, repaying 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 23: OTHER LIABILITIES

Parent Bank				Group		
2003	2002	2001		2003	2002	2001
6	3	4	Securities subscribed for, against future settlement	6	3	4
6	3	4	Total other liabilities	6	3	4

NOTE 24: LOAN ADMINISTRATION, CUSTODIAL/TRUST SERVICES ETC.

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 83 million as at 31.12.2003.

Cash Flow Statement

(Amounts in NOK million)

Parent Bank			Group		
2003	2002	2001	2003	2002	2001
8 436	6 582	5 887	8 780	6 887	6 176
		Year's instalments on repayment loans etc. to customers			
		Change in advance rental payments relating to leasing	5	2	0
-10 723	-7 775	-7 448	-11 136	-8 148	-7 792
-124	-335	64	-124	-335	64
86	-148	-300	86	-148	-300
1 347	1 527	1 424	1 403	1 547	1 477
6	9	12	6	10	12
0	-3	16	0	-3	16
0	0	-2	1	1	-5
-972	-143	-347	-979	-187	-352
		Cash flow from lending activities (A)			
1 131	775	1 550	1 122	784	1 557
61	57	-2	61	57	-2
-541	-760	-724	-539	-757	-721
651	72	824	644	84	834
		Cash flow from deposit activities (B)			
-229	4	-123	-229	4	-123
36	-30	-11	36	-30	-11
71	88	86	71	88	86
5	4	7	5	4	7
-117	66	-41	-117	66	-41
		Cash flow from securities investments ©			
-18	-100	-74	31	-38	-3
51	56	50	26	56	18
33	-44	-24	57	18	15
		Cash flow from deposits with credit institutions (D)			
176	166	134	211	204	187
-444	-415	-396	-481	-453	-438
-108	-91	-108	-117	-101	-118
-2	-2	-2	-2	-2	-2
11	-9	2	9	0	-28
5	-20	1	5	-15	20
11	-1	-17	19	-19	-37
-351	-372	-386	-356	-386	-416
		Remaining cash flow from remaining operations (E)			
-756	-421	26	-751	-405	40
		CASH FLOW FROM OPERATIONS (A+B+C+D+E=F)			
148	-286	421	148	-286	421
3 704	3 246	2 545	3 704	3 246	2 545
-2 197	-2 270	-2 937	-2 197	-2 270	-2 937
-650	-145	0	-650	-145	0
-220	-223	-224	-220	-223	-224
785	322	-195	785	322	-195
		Cash flow from funding operations (G)			
-22	-17	-24	-23	-18	-26
1	6	2	1	7	3
-7	0	-22	-7	0	-19
0	37	15	0	1	15
11	15	29	7	12	9
-17	41	0	-22	2	-18
		Cash flow from investment in fixed assets (H)			
		Impact on liquidity of acquisition and disposal of subsidiaries (I)	0	20	-3
		Payments received from the sale of minority interests (J)	0	0	0
		Dividends paid to minority shareholders (K)	0	0	0
12	-58	-169	12	-61	-176
		CHANGE IN LIQUID FUNDS (F+G+H+I+J+K+)			
346	404	573	346	407	583
358	346	404	358	346	407
		Liquid funds as at 01.01			
		Liquid funds as at 31.12			
		Liquid funds as at 31.12 consist of:			
328	175	349	328	175	349
30	171	55	30	171	58
358	346	404	358	346	407
		Total liquid funds as at 31.12			

Report for 2003 from the Control Committee

In accordance with Law relating to Financial Activities, the Savings Bank' Act and its own instructions and work plan, the Control Committee has monitored the Bank's activities in 2003.

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.

As in previous years, 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 attended the Committee's meetings and explained about the financial auditing involved.

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. The Committee has focused in particular on bad and doubtful debts and commitments involving high credit risk. 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.

During its examination of the proposed annual financial statements for the Parent Bank, including the Board of Directors' Annual Report and Accounts, the Auditor's Report, as well as similar documentation in respect of the Bank's subsidiaries, especially Hedmark Finans AS, 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. No circumstances of any significant importance in relation to the Bank's capital adequacy and operations necessitating a briefing to be given to the Bank's Board of Trustees or the Banking, Insurance and Securities Commission have been discovered.

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 2003.

Hamar, 12 March 2004

The Control Committee of Sparebanken Hedmark

Auditor's report from 2003

To Sparebanken Hedmark's Board of Trustees

We have audited Sparebanken Hedmark's annual accounts for the 2003 accounting year, which show a NOK 214 million profit for the year for the Parent Bank and a profit of NOK 214 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 2003, 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.
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Hamar, 12 March 2004
ANDERSENS REVISJONSBYRÅ AS

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

Actor Fordringsforvaltning AS

Hamar, Gjøvik and Oslo
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www.actor.no

Actor Fordringsforvaltning AS (Actor) was established in 1974 and is today owned by Terra Gruppen AS (50 per cent) and Sparebanken Hedmark (50 per cent). As Norway's only bank-owned debt collection company, and with nearly 70 financial institutions as its customers, Actor is today well positioned as a leading provider of debt collection services within the banking- and financial services industry. The company is growing strongly and to a large extent also provides services within the areas of ordinary invoice-based collection, recovery of debt (if necessary by legal proceedings), claims administration, and other loss-reducing- as well as legal advisory services. Actor's operations cover the whole of Norway and the company also assists a number of foreign banks located in Norway. Through its network of partners and contacts, Actor is also able to provide debt collection services in other countries. The company's debt collection portfolio today totals about NOK 1.3 billion.

Actor's head office is located in Hamar with branches in Oslo and Gjøvik. Through its 30-year old history, the company has developed a strong base of professional competence, currently employing 21 well qualified staff, 8 of whom hold an official licence for debt collection, and 3 lawyers on a permanent basis.

The debt collection market is still growing; in 2003, Actor received approximately 7,500 new orders.

Hedmark Eiendom AS

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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.

Hedmark Eiendom AS achieved its best ever result in 2003. The company brokered the sale of 1,076 properties, up by 15 per cent on the year before. This represented about 35 per cent of all property sales in Hedmark, including flats owned through housing co-operatives. For the market as a whole, approximately

1 per cent fewer properties were sold than in 2002 The company's pre-tax profit amounted to NOK 5.8 million, more than 12 per cent up on the previous year.

The property market in Hedmark was a little slow during the first half of 2003, but picked up in the second half of the year, largely due to falling interest rates. Prices for residential- and holiday properties within the county rose by about 5 per cent.

The brokerage of residential property sales accounts for the largest part of the company's business. The market for existing homes has been good and stable, whereas the market for new homes has been slow. However, falling interest rates had a positive impact, this market also picking up towards the end of the year ; it is expected to be good in 2004. More and more people wish to live in a central location and this continues to be a strong trend.

The market for holiday cottages was characterised by less demand for expensive properties, whereas inexpensive cottages costing up to about NOK 1.4 million were selling well. During the last few years, Hedmark Eiendom AS has positioned itself as the leading real estate broker for cottages in Trysil, brokering approximately 35 per cent of the cottages sold within the municipality

The market for commercial properties remained sluggish throughout the year but there are clear signs of improvement in 2004. The company has many large commercial properties for sale on its books or such properties being prepared for sale. A separate department for the sale of commercial properties has been established.

At the end of 2003, the company employed 28 permanent staff, equivalent to 27 man-years. From March, the company will have 30 staff, almost half of whom are state authorised real estate brokers or lawyers.

During the winter of 2004, the company will open a new branch at Moelv. The branch will be located at Sparebanken Hedmark's existing local branch.

The competition within the real estate brokerage market is fierce. Last year, three of the firms reorganised and changed management, probably due to unsatisfactory results. Hedmark Eiendom AS has done well despite the competition and increased its market share
2004 will be another year with strong competition and brokers' commissions under pressure. Marketing and customer service will be very important in order to maintain market share. Local roots and cooperation with Sparebanken Hedmark are two important elements in the battle for customers.

Hedmark Finans AS

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www.hedmark-finans.no

Hedmark Finans AS was established in 1996 and is a fully-owned subsidiary of Sparebanken Hedmark.

The company's core product areas comprise leasing of tangible movable property, leasing of cars, and vendor's lien-related financing. The latter category mainly targets the market for private customers, whereas leasing finance is directed exclusively 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 and, since its establishment, has provided financing totalling NOK 2.6 billion. In 2003, new leasing- and vendor's lien-related financing agreements amounting to NOK 431 million were completed, the best result in the company's history. At the end of 2003, aggregate assets amounted to NOK 738 million. Customers within the counties of Hedmark and Oppland accounted for 69 per cent of the company's total lending portfolio.

Hedmark Finans AS expects to be able to boost overall business volumes in 2004, partly by extending its product range with a new product, 'car administration'

	Hedmark Eiendom AS	Actor Fordrings- forvaltning AS	Hedmark Finans AS
Result before tax (1.000 kr)	5.815	15.159	15.051
Equity capital (1.000 kr)	7.734	12.870	78.696
Total assets (1.000 kr)	21.808	33.694	738.281
Number of staff	28	21	12
Number of branches	4	3	1
Sparebanken Hedmark's equity stake	100%	50%	100%