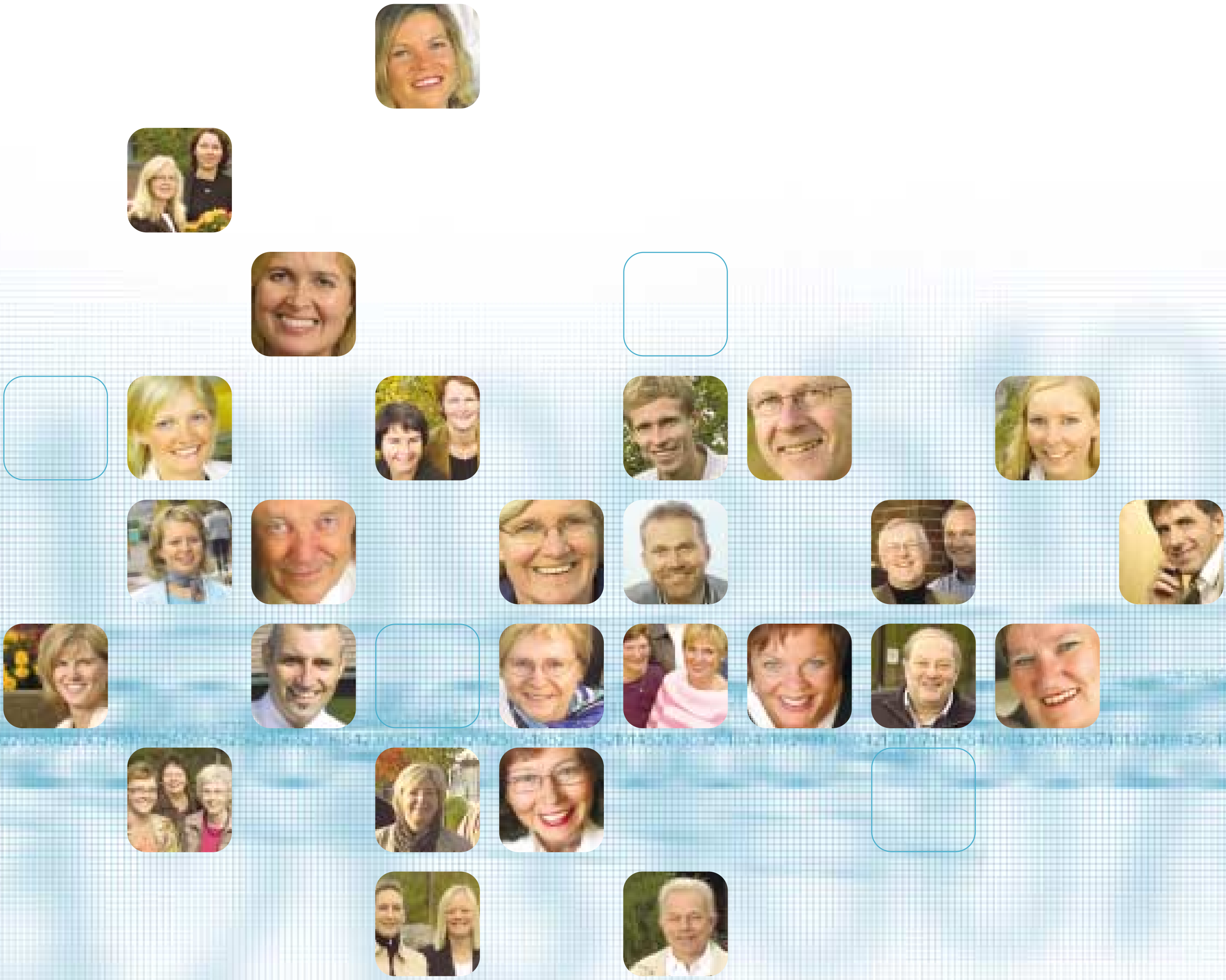
Annual report
2004



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

Sparebanken HEDMARK

Continued growth and wealth creation

Sparebanken Hedmark's values are created through the interaction between our customers and our 450 staff. In this way, during the last 160 years, the Bank has developed into one of Norway's financially strongest savings banks. The Bank earned NOK 360 million in 2004. That is NOK 63 million more than the year before and represents one of the Bank's best ever results.

The improvement in our result in 2004 is due to lower loan losses, a moderate increase in overall costs, coupled with good gains from the Bank's portfolios of shares and bonds. Norway's good economic development and the lowest ever level of domestic interest rates have contributed to the small credit losses. The Bank's assets today total NOK 26.7 billion, making it the sixth largest savings bank in Norway.

More than every other person from Hedmark is a customer of our bank. Customer surveys completed in 2004 show that our customers are very satisfied with the Bank and the competence, service and attitude of our staff. But in order to continue to be a good bank, we have to keep developing. The Bank is therefore making every effort at all times to further enhance our levels of competence and to improve the products and services available to our customers. Through part- and full-time study, our staff have accumulated some 5,000 'study points' since 2002. The competence enhancement programme will continue with the same intensity in 2005.

The Bank also increased its market shares in 2004. Today we have some 155,000 customers. Competition from other banks is getting fiercer all the time, but in spite of this Sparebanken Hedmark is further strengthening its leading position within the county.

Lending was up by 10 per cent last year, the retail banking market posting the biggest growth. Deposits increased by about 6 per cent.

The Bank's equity capital has now passed the NOK 3 billion mark. Our 2004 profit was not sufficiently large to maintain the Bank's capital adequacy at the same level as in 2003. The ratio ended up at 15.4 per cent, down from 15.6 per cent the year before.
A good capital adequacy ratio enables Sparebanken Hedmark to obtain substantial amounts of capital for the benefit of people and businesses in Hedmark. Roughly speaking, the Bank finances half of everything that is going on in the county, the Bank being a very important player as far as local development is concerned.

The Bank is a genuine Hedmark patriot with its head office and the bulk of its customers located here. People from Hedmark who move away from our county mostly choose to maintain their customer relationship with our bank. Through our Internet-linked bank, telebank, e-mail and telephone, most services are available 24 hours a day. But we are in every sense a local bank, with 31 branches in Hedmark.

During its long history, Sparebanken Hedmark has built up valuable local knowledge about Hedmark. Our county has a good basis through sound and reliable people and large natural resources. In the last couple of years we have registered a positive development, with registered growth in the number of jobs in Hedmark. The future challenge will be to realise more good business ideas. Together with local people and businessmen we shall continue to contribute towards growth and development in Hedmark!

Harry Konterud
Managing Director

Sparebanken Hedmark, a modern – 160 years old – savings bank

Sparebanken Hedmark was established 160 years ago. The funds for the required primary capital fund for the Bank's modest beginnings around 1845 were provided by the local municipal granary, which acted as a bank in the local community during the old rural culture in Norway. Since that time, through acquisitions and mergers, the Bank has developed into Hedmark's largest and only regional capital source, a bank with local decision-making capabilities and deep local roots.

Corporate vision

Sparebanken Hedmark shall be the natural first choice for:

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

In accordance with Sparebanken Hedmark's business concept, the Bank shall meet existing and new customers' needs for banking- and financial services. Customers shall find both the Bank and its individual staff members so competent, close and helpful that they would prefer to use Sparebanken Hedmark 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.

Main aims and targets

- Customer satisfaction shall be markedly higher than the levels applicable to our competitors.
- 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 at least 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 capabilities based on professional excellence shall be an important feature by which the Bank is recognised.

In summary, Sparebanken Hedmark

- is a self-owning institution which has no Primary Capital Certificate- (PCC) holders;
- has a unique competitive edge through its local knowledge;
- has some 155,000 customers. More than every other person from Hedmark has a customer relationship with the Bank;
- is close to its customers, with some 450 staff and 31 branches within the county;
- is the leading bank for commerce and industry in Hedmark, financing more than half of all business operations within our county.

Main figures from the accounts (Parent Bank)

	2004	2003	2002	2001	2000
Operating result after credit losses	360	297	284	309	401
Operating result after credit losses as a percentage of average assets	1,45	1,33	1,41	1,70	2,44
Total assets as at 31.12	26.733	23.432	20.984	19.279	17.511
Gross lending as at 31.12	22.699	20.635	18.344	16.685	14.915
Deposits from customers as at 31.12	15.971	15.087	13.895	13.063	11.515
Equity capital as at 31.12	2.947	2.674	2.469	2.269	2.044
Capital adequacy ratio as at 31.12 (%)	15,4	15,6	15,6	15,8	15,3

Annual report for 2004 from the Board of directors

The Norwegian economy
2004 was a good year for the Norwegian economy. The growth of the mainland economy was the strongest in five years, last year's growth having been estimated at 3.5 per cent. However, unemployment only fell marginally and was 4.4 per cent at the end of the year. The surplus on the current account external balance reached at record NOK 240 billion in 2004. The high oil prices during the second half of the year contributed strongly to this record. Norway's petroleum revenue fund passed the NOK 1,000 billion mark during the autumn of 2004.

The consumer price index rose by 0.4 per cent in 2004. This is a record low growth, partly due to low import prices. Annual wage growth has been estimated at 3.8 per cent, the lowest in ten years. In 2004, there was solid growth in real wages, which has triggered increased consumer spending. Households' investment in residential property was up by about 12 per cent and the sale of cars by approximately 30 per cent. Households' outstanding debt increased by more than 11 per cent, three times as much as the annual growth in wages. Higher productivity, low interest rates, increased demand and relatively moderate wage growth improved the levels of profitability within commerce and industry in 2004. There was a relatively small increase in businesses' outstanding debt. The sharp fall in domestic interest rates during the last two years has accordingly reduced the overall interest burden to a considerable extent for many businesses.

Local decelopment within the county of Hedmark
In the 1990s, Hedmark's employment situation was weaker than in the rest of Norway. During the last two years, however, there has been a more positive trend. According to a survey done by the Hedmark and Oppland county municipalities, the job situation has been developing in a more positive way in Hedmark than in the rest of the country. In particular, Hedmarken and the Soer-Oesterdal region have enjoyed good growth. Preliminary accounting figures for 2004 from our corporate customers suggest that commerce and industry in Hedmark is doing well.

Sparebanken Hedmark – the Group
The Sparebanken Hedmark Group consists of the Parent Company, Sparebanken Hedmark, and the following subsidiaries: Hedmark Eiendom AS, Hedmark Finans AS, Hedmark Invest AS, Boligkreditt AS, SH Betalingsautomater AS, Vato AS and Sameiet Nytun. The two companies, Hedmark Invest AS and Boligkreditt AS, did not conduct any business operations during 2004.

At the end of 2004, the Bank owned 50 per cent of Actor Fordringsforvaltning AS, which is treated as a joint venture company in the Bank's accounts. In January 2005, the Bank reduced its equity stake in the company to 40 per cent.

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

The Group 2004 pre-tax result totalled NOK 365 million, up by 20.5 per cent from NOK 303 million the year before. As at 31.12.2004, aggregate assets stood at NOK 26,762 million, having expanded by 14.0 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

Sparebanken Hedmark's customers comprise private persons, the public sector, as well as small and medium-sized businesses located in, or with a connection to Hedmark. Although, to a larger extent the before, we retain contact with customers who move away from the country, some 83 per cent of the Bank's total loans involve customers domiciled in Hedmark.

The Bank's market shares for deposits and loans, both in the retail banking- and corporate banking markets, are just below 50 per cent. TNS Gallup conducted a service quality survey amongst our customers during the autumn of 2004. The customer satisfaction ratio has improved from 74 to 75 within the corporate banking market and from 76 to 78 within the retail banking market. The Board of Directors is very pleased both with the high levels of customer satisfaction and the positive development.

At the end of the year currently under review, the Bank had 31 branches within 22 of the county's municipalities. The Bank also has a customer service centre, which is open in the evenings. The number of customer visits to our branches has been falling, primarily as a result of a strong increase in the use of telecommunications and our Internet-linked bank.

Profit and loss account

The annual financial statements have been prepared on the assumption of a going concern.

The pre-tax result from ordinary operations totalled NOK 360 million, equivalent to 1.45 per cent of average assets. The result was NOK 63 million up on the year before. The improvement is primarily ascribable to lower loan losses, coupled with good gains from the Bank's share- and bond portfolios.

The 2004 result produced a pre-tax return on equity capital of 13.4 per cent, up from12.0 per cent in 2003. In the Board of Directors' opinion, the positive development in the last 12 months and the 2004 result are satisfactory.

Net interest- and credit commission income totalled NOK 654 million. Despite strong balance sheet growth, in cash terms, net interest- and credit commission income has remained at the same level for the last three years. The sharp fall in interest rates in the last two years has reduced the investment return on the Bank's interest-free equity capital by some NOK 120 million. During the same 2-year period, the balance sheet total has expanded by NOK 5.8 billion. The income provided because of the growth in overall business volumes has more or less compensated for the reduced return on the Bank's interest-free equity capital. In relation to average assets, net interest- and credit commission income amounted to 2.63 per cent, down from 2.87 per cent in 2003.

Net other (non-interest) operating income increased from NOK 160 million in 2003 to NOK 203 million in 2004. The improvement is mainly due to a good year in the securities market. Gains from shares, interest-bearing securities, foreign exchange and financial derivatives at NOK 61 million were up by NOK 34 million on the previous year. Commission income from payments transmission services, life insurance and investment products was largely unchanged from the year before.

Operating costs at NOK 447 million amounted to 1.80 per cent of average assets. Corresponding figures for 2003 were NOK 429 million and 1.91 per cent respectively, an improvement in relative terms. In cash terms, costs rose by 4.2 per cent. Operating costs, as a percentage of total income, deducting gains on securities, ended up at 56.1. The 2003 ratio was 55.3.

Losses on loans and guarantees totalled NOK 48 million. Confirmed and specific losses accounted for NOK 43 million, non-specific losses for NOK 5 million. Of the specific and confirmed losses, corporate and retail banking customers accounted for NOK 34 million and NOK 9 million respectively.

Credit losses amounted to 0.21 per cent of gross lending and are at a moderate level and significantly lower than the year before. For the business sector in particular, the good economic background and sharp reduction in interest rates have contributed to lower loan losses for the Bank in 2004 than in 2003.

Profit for the year and allocations

After a NOK 90 million taxation charge, the result from ordinary operations finished up at NOK 270 million. The Fund for Evaluation Differences has been increased by NOK 2 million. The Board of Directors proposes that NOK 4 million is set aside for Donations and that NOK 264 million is transferred to the Savings Bank's Fund.

Equity capital and capital adequacy ratio

Profit for the year has boosted the Bank's equity capital by NOK 266 million. At the end of the year, the Bank's equity capital amounted to NOK 2,947 million, consisting in its entirety of retained profits, equivalent to 11.0 per cent of total assets. The capital adequacy ratio at the end of the year was 15.4 per cent and has remained stable at this level during the last few years.

Balance Sheet

Lending expanded by 10 per cent in the last 12 months. Loan demand during the last two years has been particularly heavy in the retail banking market, but more moderate in the corporate market. There has been a slight reduction in corporate loans, whereas borrowings by retail banking customers were up by 17.6 per cent in 2004. Customers originally from Hedmark who are today domiciled elsewhere account for a gradually larger share of the growth in retail banking. Of the Bank's total loans, 68 per cent goes to retail banking customers. The risk contained in the Bank's lending portfolio remained more or less unchanged.

Deposits from customers totalled NOK 15,971 million at the end of 2004, after a 5.9 per cent increase. The growth was fairly similar for the retail banking- and corporate market. Retail banking customers provide 64 per cent of the Bank's total customer deposits, whose funding of the Bank's loans has been reduced for some time. At the end of the year, total customer deposits amounted to 70 per cent of gross lending, as against 73 per cent the year before.

In view of the strong lending growth, the level of certificate- and bond debt increased by NOK 1,849 million to NOK 6,706 million during the last 12 months, representing 25 per cent of the Bank's balance sheet total. The Bank has become a gradually larger capital importer to Hedmark.

At the end of the year, specific and non-specific loss provisions amounted to NOK 184 million and NOK 235 million respectively, equivalent to 0.8 and 1.0 per cent of gross lending. In the opinion of the Board of Directors, the level of loss provisions is adequate.

Interest rates
After a sharp reduction in interest rates throughout 2003, interest rates kept falling somewhat during the winter of 2004. Short-term money market rates settled at about 2 per cent during the second half of the year. At the end of the year, the yield on 10-year government bonds was under 4 per cent. The level of domestic interest rates is at an historic low. Against this background, the Bank has made a point of informing its borrowers of the possible consequences of a significant rise in interest rates in the future.

In 2004, the Bank's average effective lending rate was 4.6 per cent. This is 2.2 percentage points lower than in 2003. The average deposit rate was 1.5 per cent , as opposed to 3.8 per cent in 2003.

Financial risk and risk management
The Bank's Board of Directors makes all the relevant decisions about the Bank's quality assurance programme, which covers strategic, financial and operational risk, amongst other things also taking care of the annual risk assessment and risk policy for the Bank. Risk management shall ensure that the Bank's risk exposure at all times is known and within the limits agreed by the Board of Directors. In addition, risk management shall contribute to a stable and good return on the Bank's equity capital.

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

The most important financial risk exposure is the credit risk contained in the Bank's lending portfolio. The Bank's Board of Directors has put in place credit policy, both for the retail banking- and corporate markets. The policy documents state that credit shall primarily be granted to customers domiciled in Hedmark or with a connection to the county. On a day-to-day basis, credit risk is managed through delegated lending authority/powers of attorney, routines for credit assessment, as well as reporting- and follow-up requirements. Loans to retail banking customers, who provided the Bank's lending growth in 2004, attract a low level of losses, according to the Bank's experience in this area. The Bank's overall credit risk has therefore not increased to any noticeable extent despite the strong lending growth. The risk classification system shows that the share of low risk loans has risen. This is particularly the case for corporate loans. 87 per cent of the Bank's corporate loans are classified within the groups of low risk and medium risk. In the retail banking sector, 97 per cent of the loans are registered 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.

The Bank's portfolio of interest-bearing securities also involves credit risk for the Bank. The Board of Directors has instituted maximum limits for the Bank's portfolio of interest-bearing securities, and maximum limits for exposure to each commercial/industrial/business sector and to each issuer. As a result of the growth in the Bank's balance sheet and external funding requirements, the Bank's liquidity reserve has been increased. This has largely been achieved by increasing the portfolio of interest-bearing securities. The growth has mainly taken place through the purchase of securities with a low and moderate credit risk. The credit risk contained in the Bank's portfolio of interest-bearing securities has remained more or less unchanged. The bulk of the Bank's portfolio of interest-bearing securities is made up of securities issued or guaranteed by governments, other banks, credit institutions and large, financially strong industrial enterprises. The credit risk contained in the portfolio is regarded as moderate.

The Bank's claims on other credit institutions also involve credit risk. The Board of Directors has fixed maximum limits for exposure to each counterpart in question. The largest single claim involves borrowings by the Bank's subsidiary, Hedmark Finans AS.

The Board of Directors has instituted limits for the Bank's interest rate risk, both for total interest rate risk in connection with a general change in the level of interest rates, and limits for interest rate risk within different interest fixing periods. Regular reports on the Bank's positions in relation to these limits are provided. In 2004, the Bank had a limited exposure to interest rate risk which was gradually reduced throughout the year.

The Bank's exposure to the share market has been reduced somewhat since 2003, representing about 6 per cent of the Bank's equity capital. This is deemed to be moderate.

The Board of Directors has instituted limits for maximum exposure with regard to foreign exchange risk, both on a total basis and for each foreign currency involved. Exposure to foreign exchange risk occurs primarily as a result of trading on behalf of the Bank's customers.

This activity is margin-based, involving only limited net positions in foreign currencies. The Bank has little trading on its own account in foreign currencies; the net exposure to foreign exchange risk is therefore limited. The Bank's Board of Directors has instituted a separate strategy for funding management and funding. This strategy involves limits for the Bank's exposure to funding risk by stipulating requirements with regard to long-term funding, the amount of unutilised drawing rights facilities and the period of time during which the Bank shall be independent upon new funding from the money- and capital markets. In addition, the Bank has introduced targets for its balance sheet structure. There is a minimum requirement of 14 per cent capital adequacy. Furthermore, gross lending is not to exceed 150 per cent of the Bank's customer deposits. Regular reporting on the Bank's positions in relation to these limits is also a requirement. As a result of the differences between deposits and loans increasing in 2004, the Bank's external funding requirement throughout the year increased by about NOK 2.1 billion. In order to counteract the higher funding risk, the Bank established a syndicated drawing rights facility of 125 million euros in 2004. The Bank's liquidity reserve in excess of the minimum statutory requirements was also increased. Furthermore, the Bank has established new business contacts through borrowings in the German Schuldschein market and through funding loans from Nordiske Investeringsbanken and Kredittforeningen for Sparebanker. The market has been characterised by good access to funding at favourable terms and conditions. The Bank's funding risk is regarded as moderate.

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 standard (IFRS)
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. In its Annual Report 2003,
Sparebanken Hedmark stated that it would nevertheless implement the new standards from 1 January 2005. The Bank's project relating to the preparations for the transition to the new accounting standards has been proceeding more or less as planned. However, according to the Bank's electronic data processing department the systems solutions required for handling the new accounting rules with regard to loans will not be ready until the middle of March 2005. In addition, the authorities have decided that banks will not be permitted to apply the new accounting rules in the Parent Bank's accounts until after the third quarter of 2005 at the earliest, even if they start applying these rules to Group accounts with effect from 1 January 2005. As a consequence of this, the Bank's Board of Directors has decided to postpone the transition to the new rules and regulations. The Bank now plans to make the transition to the new accounting standards from 1 January 2006.

Conditions relating to organisation and personnel
Throughout 2004, the work aimed at further enhancing the Bank's overall effectiveness and quality was continued. In cooperation with Handelshøyskolen BI (a business school) the Bank has been implementing a number of study activities. This education is done internally through meetings and lectures at Hamar. In 2004, human resources equivalent to some 25 man-years were invested in further education

Job satisfaction and working environment
In 2004 too, Sparebanken Hedmark completed a survey amongst all staff in order to check on the level of job satisfaction throughout the Bank. For many years, this survey has confirmed that there is a high level of job satisfaction throughout the organisation. The result in 2004 showed the second highest level of job satisfaction ever recorded in the Bank. The results of the survey are discussed through appropriate processes at each branch and department, with all staff participating.

The Bank reviewed its ethical guidelines during the course of 2004.

The Bank has its own senior corporate doctor and a company health service, available at all branches. Absenteeism due to illness in 2004 amounted to 4.2 per cent of total aggregate working time, more or less unchanged from 2002 and 2003. From 1 February 2004, the Bank joined the arrangement, Care in the Workplace. In addition to this, the Bank has implemented certain electronic support procedures and automated routines relating to the follow-up of absenteeism due to illness.

Various measures aimed at helping staff to stay healthy and other preventive health initiatives were continued during 2004. The Bank's work relating to health, environment, safety and security has continued as in previous years.

Equality between the sexes and equal opportunities
Sparebanken Hedmark's aim is to strengthen versatility and flexibility and balance the numbers of men and women in different jobs at all levels throughout the Bank's organisation. Through its personnel management and various development measures, the Bank is creating conditions conducive to equality between the sexes. This work is based on the Bank's strategy- and human resources policy

The Board of Directors consists of 3 women and 6 men. The Bank's Board of Trustees comprises 24 women and 48 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 2004, 43 per cent of all vacant managerial positions announced were filled by women.

Salary is agreed on the basis of the content and requirements of the position in question, and in relation to education, experience and personal qualifications. Analyses taking into account structural circumstances show that women and men are paid the same salary for the same job.

Prospects for 2005

Norway's economic growth is expected to continue in 2005. Both Norges Bank and the Central Bureau of Statistics expect the country's gross national product to grow by more than 3 per cent this year. High private consumption, increased capital investment and higher exports will contribute towards this development. Interest rates are still likely to be low, but there might be a moderate increase during 2005.

The combination of an expected positive economic development and a low level of domestic interest rates would suggest that businesses' and households' debt servicing ability ought to be satisfactory. Against the background of expectations of gradually better levels of revenue generation within commerce and industry, credit losses in 2005 should also be moderate. The strong credit growth within the retail banking market during the last two years is likely to ease off somewhat in 2005. The Board of Directors expects credit demand from corporate customers to increase somewhat in 2005. A marginally lower profit for the Bank this year than in 2004 has been factored into the 2005 budget.

Hamar, 17 March 2005

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

Presentation of the bank's Board of directors

Syver Aalstad, 68, 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, 48, Deputy Chairman
Heiberg is a business school graduate and the Managing Director of Nordic Paper A/S. He has been a member of the Board since 1995.
He lives in the municipality of Vaaler.

Ole Jacob Holen, 57, 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 Oldertrøen, 36, member of the Board.
Røsten Oldertrøen is the owner and General Manager of Gave & Interiørbutikken Årstider; her educational background is in business administration.
She was appointed to the Board of Directors in the spring of 2003.
She lives in the municipality of Tynset.

Jan Wibe, 63, member of the Board
Wibe is a BI (business school) graduate, with post-graduate management education from UCLA, Los Angeles, and works as an adviser at Aetat Hedmark. He is a member of the County Board.
He has been a member of the Board of Directors since the spring of 2004.
He lives in the municipality of Hamar.

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, 60, 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, 41, 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, 44, 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, 61, member of the Board.
Konterud is a business school graduate and has been Sparebanken Hedmark's Chief Executive Officer and a member of the Board of Directors since 1985.
He lives in the municipality of Hamar.

Profit and Loss Account

(Ammounts in NOK million)

Parent Bank					Group		
2004	2003	2002		Notes	**2004**	2003	2002
			Interest receivable and similar income				
31	63	70	Interest receivable and similar income from loans to and claims on credit institutions		**16**	38	33
998	1.320	1.545	Interest receivable and similar income from loans to and claims on customers	4, 8	**1.050**	1.377	1.603
42	66	83	Interest- and similar income from certificates, bonds and other interest-bearing securities		**42**	66	83
22	24	8	Other interest- and similar income		**23**	24	8
1.093	**1.473**	**1.706**	**Total interest receivable and similar income**		**1.131**	**1.505**	**1.727**
			Interest payable and similar costs				
24	19	18	Interest- and similar costs payable on liabilities to credit institutions	16	**24**	19	18
221	541	759	Interest- and similar costs payable on deposits from and liabilities to customers	16	**220**	539	756
171	230	242	Interest- and similar costs payable on securities issued	16	**171**	230	242
23	40	20	Other interest payable and similar costs	2, 18	**23**	41	22
439	**830**	**1.039**	**Total interest payable and similar costs**		**438**	**829**	**1.038**
654	**643**	**667**	**Net interest- and credit commission income**		**693**	**676**	**689**
			Dividends and other income from securities with variable yield				
11	7	7	Income from shares, unit trust certificates and other securities with variable yield		**11**	7	7
5	5	4	Income from equity stakes in associated companies	1	**5**	5	4
13	16	12	Income from equity stakes in Group companies	1	**0**	0	0
29	**28**	**23**	**Total dividends and other income from securities with variable yield**		**16**	**12**	**11**
			Commissions and income from banking services				
9	8	7	Guarantee commissions		**9**	8	7
123	121	122	Other fees and commission income	3	**155**	149	153
132	**129**	**129**	**Total commissions and income from banking services**		**164**	**157**	**160**
			Commissions payable and and costs relating to banking services				
0	0	0	Guarantee commissions		**0**	0	0
37	36	35	Other fees and commission costs		**43**	38	37
37	**36**	**35**	**Total commissions payable and costs relating to banking services**		**43**	**38**	**37**
			Net value change and gains/losses on f/x and securities classified as currrent assets				
31	27	2	Net value change and gains/losses on certificates, bonds and other interest-bearing securities	13	**31**	27	2
35	19	-26	Net value change and gains/losses on shares and other securities with variable costs	14	**35**	19	-26
-5	-19	-6	Net value change and gains/losses on foreign exchange and financial derivatives	22	**-5**	-19	-6
61	**27**	**-30**	**Total net value change and gains/losses on f/x and securities classified as current assets**		**61**	**27**	**-30**
			Other operating income				
6	7	6	Operating income form real estate		**5**	6	6
12	5	8	Other operating income		**20**	13	15
18	**12**	**14**	**Total other operating income**		**25**	**19**	**21**
203	**160**	**101**	**Net other operating income**		**223**	**177**	**125**

Parent Bank					Group		
2004	2003	2002		Notes	**2004**	2003	2002
			Wages, salaries and general administration costs				
165	140	177	Wages and salaries	4, 18	**184**	157	193
36	51	41	Pensions	4, 18	**38**	52	42
39	33	37	Social costs	18	**43**	35	41
240	224	255	Sub-total		**265**	244	276
146	140	135	Administration costs	18	**155**	147	141
386	**364**	**390**	**Total wages, salaries and administration costs**		**420**	**391**	**417**
			Depreciation etc. of fixed- and intangible assets				
27	28	30	Ordinary depreciation		**29**	30	33
0	0	1	Write-downs		**0**	0	1
27	**28**	**31**	**Total depreciation etc. of fixed- and intangible assets**	15	**29**	**30**	**34**
			Other operating costs				
14	**15**	15	Operating costs relating to real estate		**15**	16	15
20	22	20	Other operating costs	5, 15	**29**	30	27
34	**37**	**35**	**Total other operating costs**		**44**	**46**	**42**
447	**429**	**456**	**Total operating costs**		**493**	**467**	**493**
			Losses on loans, guarantees etc.				
48	78	53	Losses on loans		**56**	84	58
0	-1	2	Losses on guarantees etc.		**0**	-1	2
0	0	4	Credit losses on certificates, bonds and other interest-bearing securities		**0**	0	4
48	**77**	**59**	**Total losses on loans, guarantees etc.**	8	**56**	**83**	**64**
			Write-down/reversal of write-down and gains/losses on securities classified as fixed assets				
2	0	-2	Write-down/reversal of write-down		**2**	0	-2
0	0	29	Gains/losses	6	**0**	0	29
2	**0**	**-31**	**Total write-down/reversal of write-down and gains/losses on securities cld. as fixed assets**		**2**	**0**	**-31**
360	**297**	**284**	**Pre-tax result from ordinary operations**		**365**	**303**	**288**
90	**83**	**82**	**Tax payable on ordinary result**	7	**95**	**89**	**86**
270	**214**	**202**	**Result from ordinary operations after tax**		**270**	**214**	**202**
270	**214**	**202**	**Result for the accounting year**		**270**	**214**	**202**
			Transfers and allocations				
0	4	0	Transferred from Fund for Evaluation Differences		**5**	0	0
0	**4**	**1**	**Total transfers**	19	**5**	**0**	**0**
2	0	0	Transferred to Fund for Evaluation Differences		**0**	0	6
264	216	201	Transferred to the Savings Bank's Fund		**264**	216	201
4	2	2	Transferred to Donations		**4**	2	2
			Transferred to/from Group capital		**7**	-4	-7
270	**218**	**203**	**Total allocations**	19	**275**	**214**	**202**
270	**214**	**202**	**Total tranfers and allocations**		**270**	**214**	**202**

Balance Sheet

(Amounts in NOK million)

Parent Bank 2004	Parent Bank 2003	Parent Bank 2002	ASSETS	Notes	Group 2004	Group 2003	Group 2002
324	**328**	**175**	**Cash-in-hand and claims on central banks**		**324**	**328**	**175**
			Loans to and claims on credit institutions				
101	30	171	Loans to and claims on credit institutions - without agreed maturity or notice of withdrawal		**101**	30	171
862	659	641	Loans to and claims on credit institutions - with agreed maturity or notice of withdrawal		**130**	58	89
963	**689**	**812**	**Total net loans to and claims on credit institutions**	1, 8	**231**	**88**	**260**
			Loans to and claims on customers				
0	0	0	Leasing agreement (financial leasing)		**619**	488	450
1.026	1.268	1.173	Overdraft- and working credit facilities		**1.025**	1.268	1.173
513	315	495	Building loans		**513**	315	495
21.160	19.052	16.676	Repayment loans		**21.557**	19.263	16.862
22.699	**20.635**	**18.344**	**Total loans before specific and non-specific loss provivions**	1, 4, 8	**23.714**	**21.334**	**18.980**
184	165	130	Specific loss provisions	8	**190**	169	135
235	230	220	Non-specific loss provisions	8	**246**	238	227
22.280	**20.240**	**17.994**	**Total net loans to and claims on customers**		**23.278**	**20.927**	**18.618**
3	**2**	**3**	**Repossessed assets**	12	**4**	**5**	**7**
			Certificates, bonds and other interest-bearing securities with fixed yield				
			Issued by the government and other public sector borrowers				
207	98	0	Certificates and bonds		**207**	98	0
			Issued by other borrowers:				
1.908	1.317	1.178	Certificates and bonds		**1.908**	1.317	1.178
15	0	4	Own bonds, certificates etc.		**15**	0	4
2.130	**1.415**	**1.182**	**Total certificates, bonds and other interest-bearing securities with fixed yield**	8, 13, 21	**2.130**	**1.415**	**1.182**
			Shares, unit trust certificates and other securities with variable yield				
180	234	230	Shares, unit trust certificates and Primary Capital Certificates)PPCs)		**180**	234	230
0	1	1	Other securities		**0**	1	1
180	**235**	**231**	**Total shares (and other securities with variable yield)**	14	**180**	**235**	**231**
			Equity stakes in associated companies				
6	6	6	Equity stakes in other associated companies		**6**	6	6
6	**6**	**6**	**Total equity stakes in associated companies**	1, 25	**6**	**6**	**6**
			Equity stakes in Group companies				
302	79	83	Equity stakes in credit institutions		**0**	0	0
15	15	16	Equity stakes in other Group companies		**0**	0	0
317	**94**	**99**	**Total equity stakes in Group companies**	1	**0**	**0**	**0**
			Intangible assets				
0	2	3	Goodwill	15	**0**	2	4
41	39	35	Deferred tax benefit	7	**48**	48	45
1	1	2	Other intangible assets	15	**1**	1	2
42	**42**	**40**	**Total intangible assets**		**49**	**51**	**51**
			Fixed assets				
50	48	52	Machinery, furniture, fixtures, fittings and transport equipment		**54**	50	54
165	113	112	Buildings and other real estate		**176**	125	125
215	**161**	**164**	**Total fixed assets**	15	**230**	**175**	**179**
			Other assets				
7	2	0	Financial derivatives	22	**7**	2	0
28	29	23	Other assetsd	17	**80**	36	45
35	**31**	**23**	**Total other assets**		**87**	**38**	**45**
			Prepaid costs, not yet incurred; accrued income, not yet received				
197	166	213	Accrued income, not yet received		**198**	168	214
			Prepaid costs, not yet incurred				
20	18	31	Over-funding of pension costs	4	**23**	21	35
21	11	11	Other prepaid costs, not yet incurred		**22**	11	11

Parent Bank 2004	2003	2002	LIABILITIES AND EQUITY CAPITAL	Notes	Group 2004	2003	2002
			Liabilities to credit institutions				
41	16	6	Loans and deposits from credit institutions - without agreed maturity or notice of withdrawal		**27**	15	4
481	288	149	Loans and deposits from credit institutions - with agreed maturity or notice of withdrawal		**481**	287	149
522	**304**	**155**	**Total liabilities to credit institutions**	1, 16	**508**	**302**	**153**
			Deposits from and liabilities to customers				
15.377	14.568	13.437	Deposits from and liabilities to customers - without agreed maturity		**15.327**	14.533	13.411
594	519	458	Deposits from and liabilities to customers - with agreed maturity		**594**	518	458
15.971	**15.087**	**13.895**	**Total deposits from and liabilities to customers**	1, 16	**15.921**	**15.051**	**13.869**
			Borrowings through the issuance of securities				
3.110	1.783	1.675	Certificates and other short-term borrowings		**3.110**	1.783	1.675
-29	0	-45	Own non-amortised certificates		**-29**	0	-45
3.737	3.170	2.466	Bond debt		**3.737**	3.170	2.466
-112	-96	-100	Own non-amortised bonds		**-112**	-96	-100
6.706	**4.857**	**3.996**	**Total liabilities from the issuance of securities**	16	**6.706**	**4.857**	**3.996**
			Other liabilities				
26	26	11	Financial derivatives	22	**26**	26	11
0	0	0	Margin payments debited and other open accounts with customers		**29**	14	7
205	166	176	Other liabilities	17	**210**	174	186
231	**192**	**187**	**Total other liabilities**		**265**	**214**	**204**
244	**210**	**188**	**Incurred costs and prepaid income, not yet accrued**		**302**	**255**	**228**
			Provisions for incurred costs and liabilities				
106	98	62	Pension liabilities	4	**107**	99	63
0	0	0	Deferred tax	7	**0**	0	0
0	1	2	Specific loss provisions for guarantee liabilities	8	**0**	1	2
6	8	30	Other provisions for incureed costs and liabilities	18	**6**	8	30
112	**107**	**94**	**Total provisions for incurred costs and liabilities**		**113**	**108**	**95**
23.786	**20.757**	**18.515**	**Total liabilities**		**23.815**	**20.787**	**18.545**
			Equity capital				
17	15	19	Fund for Evaluation Differences		**1**	6	6
2.930	2.666	2.450	Savings Bank's Fund		**2.930**	2.666	2.450
			Other Group capital		**16**	9	13
2.947	**2.681**	**2.469**	**Total equity capital**	19	**2.947**	**2.681**	**2.469**
26.733	**23.438**	**20.984**	**TOTAL LIABILITIES AND EQUITY CAPITAL**	9, 10, 11	**26.762**	**23.468**	**21.014**
			Contingent liabilites:				
771	699	657	Guarantees	1, 4, 8, 20	**771**	699	657
0	0	0	Book value of debt secured by mortgages etc.	21	**0**	0	0
1.500	1.264	1.106	Book value of assets pledged as collateral security for mortgage debt etc.	21	**1.500**	1.264	1.106
			Liabilities				
3	6	3	Other liabilities	23, 24	**3**	6	3
3	**6**	**3**	**Total liabilities**		**3**	**6**	**3**

Hamar, 31 December 2004/ 17 March 2005

Syver Aalstad
Chairman

Richard H. Heiberg

Randi Dørum

Marith Brekke

Atle Bratås

Gro Røsten Oldertrøen

Jan Wibe

Ole Jakob Holen

Harry Konterud
Managing Director

Notes to the account

General background
The annual financial statements for 2004 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. 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 the Bank alone or together with subsidiaries owns 50 per cent of other companies and such equity stakes are deemed to be permanent, and the Bank exercises 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 certificates and bonds, 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.

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 t-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 Financial Regulatory Agency of Norway's (FRAN) rules and 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 four different groups:
- trading portfolio
- other current assets
- financial instruments intended to be held on a permanent basis
- hedging transactions

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. Only financial derivatives positions which comply with the criteria mentioned in the above paragraph, Hedging Assessment, are classified as hedging transactions.

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 and shown in the balance sheet 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.

Hedging transactions
Financial derivatives which hedge risks relating to the Bank's fixed interest rate loans, certificate loans, bond loans, fixed interest rate deposits and equity-linked bank deposits in connection with which share dividends are received are kept out of the balance sheet as the hedged items involved are shown in the accounts at original acquisition cost without any value adjustment having been made for the hedged risk in question. Other financial derivatives are shown in the balance sheet in accordance with the principles described above.

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. In the same way, depreciation of larger IT development projects begins from the time the solution is ready to be applied.

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 nominal value and any difference between nominal 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 liablities

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, only premiums/discounts relating to bond investment hedged through interest rate swaps and discount in respect of zero coupon securities were subject to accrual accounting until the maturity dates in question as an adjustment to interest income. With effect from 2004, premiums/discounts on all certificate- and bond placements are to be handled in this way. This change in accounting principles resulted in a NOK 0.1 million reduction in the Bank's equity capital as at 1.1.2004. The financial impact on the profit and loss account for 2002 and 2003 is not significant. 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
Boligkreditt AS	Hamar	100%	100%
Hedmark Eiendom AS	Hamar	100%	100%
Hedmark Finans AS	Hamar	100%	100%
Hedmark Invest AS	Hamar	100%	100%
Sameiet Nytun*)	Tynset	100%	100%
SH-Betalingsautomater AS	Hamar	100%	100%
Vato AS	Hamar	100%	100%

*) Sameiet Nytun is 50% 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 2004	Equity capital as at 31.12.2004
Ringen Eiendommer AS	Ringsaker	100%	1,2	4,2
Stor-Elvdal Hytteforum AS	Stor-Elvdal	100%	-0,3	-1,2

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 time of acquisition	Book value as at 31.12.2003	Addition s during the year	Result booked as income	Dividend for the year	Book value as at 31.12.2004	Book value of goodwill as at 31.12.2004	Other surplus values at 31.12. 2004	Depreciation of goodwill during the year	Depreciation of other surplus values during the year
Boligkreditt AS	0,1	0,1	0,0	0,1	0,0	0,0	0,1	0,0	0,0	0,0	0,0
Hedmark Eiendom AS	5,5	2,0	8,4	0,0	2,5	2,8	8,1	0,3	0,0	0,3	0,0
Hedmark Finans AS	285,0	285,0	78,7	215,0	8,3	0,0	302,0	0,0	0,0	0,0	0,0
Hedmark Invest AS	1,0	1,0	1,0	0,0	0,0	0,0	1,0	0,0	0,0	0,0	0,0
Sameiet Nytun	3,3	3,3	2,4	0,0	0,7	1,0	2,1	0,0	0,0	0,0	0,0
SH-Betalings-automater AS	0,8	0,8	1,4	0,0	0,7	1,3	0,8	0,0	0,0	0,0	0,0
Vato AS	4,8	1,3	2,4	0,0	0,3	0,0	2,7	0,0	0,0	0,0	0,0
Total	**300,5**	**293,5**	**94,3**	**215,1**	**12,5**	**5,1**	**316,8**	**0,3**	**0,0**	**0,3**	**0,0**

BOOK VALUE OF JOINT VENTURE OPERATIONS

	Acquisition cost	Part of equity capital's book value at time of acquisition	Book value at at 31.12.2003	Additions during the year	Result booked as income	Dividend for the year	Book value as at 31.12.2004	Book value of goodwill as at 31.12.2004	Other surplus values at 31.12. 2004	Depreciation of goodwill during the year	Depreciation of other surplus values during the year
Actor Fordrings-forvaltning AS	5,3	4,6	6,4	4,5	5,2	9,7	6,4	0,0	0,0	0,0	0,0
Total	**5,3**	**4,6**	**6,4**	**4,5**	**5,2**	**9,7**	**6,4**	**0,0**	**0,0**	**0,0**	**0,0**

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

CHANGES IN GROUP CIRCUMSTANCES

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

2004
During the second quarter of year, the Bank established a wholly-owned subsidiary, Boligkreditt AS, with an equity capital of NOK 0.1 million.

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 were 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.

INTRA-GROUP ITEMS RELATING TO SUBSIDIARIES (PARENT BANK)

Consolidated companies				**Non-consolidated companies**		
2004	2003	2002		2004	2003	2002
447	601	552	Loans and claims			
285	0	0	Equity and related capital			
732	601	552	Total loans to and claims on credit institutions			
8	8	9	Loans to and claims on customers	8	8	9
14	2	2	Liabilities to credit institutions			
50	36	26	Deposits from and liabilities to customers	1	1	1
0	0	0	Guarantee liabilities			

INTRA-GROUP ITEMS RELATING TO JOINT VENTURE- AND ASSOCIATED COMPANIES

	Joint venture operations		
	2004	2003	2002
Deposits from and liabilities to customers	7	11	11
Guarantee liabilities	18	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, debt 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 compoany'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 collection agency		Sundry		Netted out		Total for Group	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Net extra int. income	640	619	53	58	0	-1	0	0	0	0	0	0	693	676
Net internal int. income	14	24	-14	-25	0	2	0	0	0	-1	0	0	0	0
Net other extr. inc.	184	137	-3	0	29	27	5	5	8	8	0	0	223	177
Net other int. income	2	2	0	0	0	0	0	0	2	2	-4	-4	0	0
Operating costs	420	401	16	11	25	22	0	0	7	7	-4	-4	464	437
Deprecia-tion	27	28	1	0	0	0	0	0	1	2	0	0	29	30
Losses on loans etc.	48	77	8	6	0	0	0	0	0	0	0	0	56	83
Write-down, losses/gains	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Result after tax	252	193	8	11	3	4	5	5	2	3	0	-2	270	214
Total assets	26.404	23.317	1.088	738	50	35	6	11	18	22	-804	-655	26.762	23.468
Equity capital	2.931	2.667	302	79	8	8	6	6	7	11	-306	-90	2.948	2.681
Invested in fixed assets	86	22	1	1	2	0	0	0	0	0	0	0	89	23

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 at all times, the member banks have to pay an annual levy and, in case of need, provide some collateral security (see Note 20). In 2004, the two funds, SBGF and the Commercial Banks' Guarantee Fund, were merged into one fund. In this connection, all savings banks were exempted from payment of a levy for the years 2004, 2005 and 2006. Annual costs relating to the guarantee fund arrangement are booked as Other interest costs.

Parent Bank				Group		
2004	2003	2002		2004	2003	2002
0	14	13	Costs relating to SBGF	0	14	13

NOTE 3: FEE- AND COMMISSION INCOME

Parent Bank				Group		
2004	2003	2002		2004	2003	2002
6	6	6	Fees from securities trading	6	6	6
97	93	94	Fees from payment transmission services	97	93	94
7	7	7	Commissions from insurance-related services	7	8	8
0	0	0	Fees from real estate brokerage- and management	29	26	22
13	14	15	Other fees	16	16	23
123	**120**	**122**	**Total**	**155**	**149**	**153**

NOTE 4: PERSONNEL-RELATED MATTERS

NUMBER OF EMPLOYEES

Parent Bank		Group
476	Average number of staff employed during the accounting year	520

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

The following amounts were charged to the profit and loss account in 2004:

(Amounts in NOK)	Chief Executive Officer	Members of the Board of Directors	Members of the Board of Trustees	Members of the Control Committee
Salaries/fees	1.632.883	824.000	188.000	272.700
Other remuneration	28.231	47.004	16.375	10.114
Year's pension accruals	455.028			

LOANS AND GUARANTEES EXTENDED TO STAFF AND ELECTED REPRESENTATIVES

Parent Bank			Group	
Loans	Guarantees		Loans	Guarentees
1,7	0,0	Chairman of the Board of Trustees, Christen Engeloug	1,7	0,0
23,1	0,2	Other members of Board of Trustees*)	23,1	0,2
0,0	0,0	Syver Aalstad, Chairman of the Board of Directors	0,0	0,0
2,4	0,0	Ricarhd Heiberg, member of the Board of Directors	2,4	0,0
0,9	0,0	Jan Wibe, member of the Board of Directors	0,9	0,0
1,3	0,0	Gro Røsten Oldertrøen, member of the Board of Directors	1,3	0,0
0,0	0,0	Other members of the Board of Directors	0,0	0,0
0,4	0,0	Members of the Control Committee	0,7	0,0
0,9	0,0	Chief Executive Officer	0,9	0,0
290,7	0,0	Employees*)	290,8	0,0
321,4	**0,2**	**Total**	**321,8**	**0,2**

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

TOTAL INTEREST RATE SUBSIDY OF STAFF LOANS DURING THE PERIOD

Parent Bank		Group
2,6	Annual cost of interest rate subsidy of staff loans	2,8

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 Chief Executive Officer (CEO) relating to early retirement. In accordance with this agreement, the CEO 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 CEO an amount corresponding to 65 per cent of his leaving salary in the event of his leaving the Bank 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 team and heads of department who were over 50 years of age on 1.1.2001. This gives these managers the option 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		
2004	2003	2002		2004	2003	2002
5,3%	6,0%	7,0%	Rate of discounting	5,3%	6,0%	7,0%
5,3%	6,0%	7,0%	Expected rate of return on pension resources invested	5,3%	6,0%	7,0%
4,0%	3,3%	3,3%	Wage- and salary adjustment	4,0%	3,3%	3,3%
2,5%	2,5%	2,5%	Basic 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%	50,0%	Overall propensity to make withdrawals under the statutory early retirement pension scheme (referred to as SERPS below)	25,0%–50,0%	25,0%–50,0%	25,0%–50,0%
100,0%	100,0%	i.a.	Overall propensity to make withdrawals under SERPS, with agreement in place	100,0%	100,0%	i.a.

The rate of discounting has been calculated as follows for 2004:

Yield on 10-year government bonds	4,0%
Addition for further duration (1):	0,7%
Difference between above yield and swap interest rate (2):	0.2%
Credit spread on first-class credit bonds (3):	0,4%
Rate of discounting:	5,3%

(1) Addition for pension liabilities' duration in excess of 10 years
(2) Calculated on the basis of 10 years' duration
(3) Assumed credit spread for the best Norwegian industrial bonds of 10 years' duration

The arrangement comprises the following number of people:

	Parent Bank	**Group**
Employees	524	569
Retired staff	162	162

The total pension costs for the year have been arrived at as follows :

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
13	5	18	Present value of pension accruals during the year	14	5	19
18	5	23	Interest cost in respect of incurred liabilities	18	5	23
-14	0	-14	Expected return on invested pension resources	-14	0	-14
6	1	7	Apportioned financial impact of changes in estimates, and differences between actual and expected return on invested funds	6	1	7
0	1	1	Employer's social security contributions	0	2	2
23	**12**	**35**	**Pension costs**	**24**	**13**	**37**

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

	Parent Bank				**Group**	
2004	2003	2002		2004	2003	2002
35	51	35	Pension costs as shown in the above table	37	52	36
0	-4	4	Pension provisions relating to the 'package of effectiveness measures' (see note 18)	0	-4	4
1	4	2	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	1	4	2
36	51	41	Pension costs according to the profit and loss account	38	52	42

Pension liabilities and pension resources funded by accumulation of reserves:

Parent Bank 2004	2003	2002		Group 2004	2003	2002
-366	-299	-238	Estimated incurred liabilities	-376	-305	-242
285	264	256	Estimated value of pension resources	295	272	264
101	53	13	Impact of changes in estimates, not shown in the profit and loss account, and difference between actual and expected return on invested funds	104	54	13
0	0	0	Employer's social security contributions	0	0	0
20	**18**	**31**	**Net pension resources**	**23**	**21**	**35**

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

Parent Bank 2004	2003	2002		Group 2004	2003	2002
94	89	60	Estimated incurred liabilities	95	90	60
-1	-3	-5	Impact of changes in estimates, not shown in the profit and loss account, and difference between actual and expected return on invested funds	-1	-3	-5
13	12	7	Employer's social security contributions	13	12	8
106	**98**	**62**	**Pension liabilities shown in the balance sheet**	**107**	**99**	**63**

Actual rate of return on pension resources and their composition:
The Bank's pension resources consist of bank deposits, as well as government bonds and bonds issued by financial institutions. The actual rate of return on the Bank's pension resources in the last three years was as follows: 6.4% in 2002, 5.4% in 2003 and 3.4% in 2004.

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	614.000	818.500
Advisory services	45.900	45.900
Total, excl. value added tax	659.900	864.400
Value added tax	158.376	207.456
Total	**818.276**	**1.071.856**

NOTE 6: LARGE INDIVIDUAL TRANSACTIONS

Parent Bank 2004	2003	2002		Group 2004	2003	2002
		29	Gain from the sale of shares in Actor Fordringsforvaltning AS			29
0	0	29	Total gain included under 'Write-downs and gains/losses on securities held on a long-term basis'	0	0	29

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		
31.12.04	31.12.03	31.12.02	**Tax-increasing temporary differences**	31.12.04	31.12.03	31.12.02
0	0	0	Accelerated depreciation	0	0	0
20	18	31	Pension resources	23	21	35
0	0	1	Balance relating to differences	0	0	1
5	2	2	Account registering gains	6	3	3
25	20	34	Total tax-increasing temp. differences	29	24	39
			Tax-reducing temporary differences			
47	37	40	Decelerated depreciation	69	69	78
0	0	7	Unrealised losses and 'RISK'-adjustments of trading portfolio of shares	0	0	7
0	7	3	Write-down of other ordinary shares	0	7	3
1	0	7	Write-down of ordinary bonds	1	0	7
0	2	2	Write-down of long-term shareholdings	0	2	2
0	1	1	Changed value of long-term shareholdings at the start of the year	0	1	1
106	98	62	Pension liabilities	107	99	63
6	8	30	Provisions for costs and liabilities	6	8	30
13	7	6	Other differences	17	10	9
173	160	158	Total tax-reducing temporary differences	200	196	200
-148	**-140**	**-124**	**Net temporary differences**	**-171**	**-172**	**-161**
7	6	9	Deferred tax (28%)	8	7	11
48	45	44	Deferred tax benefit (28%)	56	55	56
-41	**-39**	**-35**	**Book value of net deferred tax**	**-48**	**-48**	**-45**
-2	**-4**	**-29**	**Change in net deferred tax during the year,**	**0**	**-3**	**-33**
			of which acquisitions and disposals accounted for	0	0	0
-2	**-4**	**-29**	**Result-related change in net deferred tax during the year**	**0**	**-3**	**-33**

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

In accordance with the accounting standard in respect of tax payable on the result achieved, the socalled deferred 'RISK'-adjustment must be taken into consideration. This refers to the future overall impact on the difference between tax-related and accounting value, when calculating deferred tax on assets in associated companies and subsidiaries. In view of the change in rules introduced in 2004 relating to the taxation of shareholders, the financial impact of this is different for 2004 compared with previous years.

2004
Gains and losses on the sale of shares no longer form part of the basis for calculation of tax. No temporary differences therefore arise which have to be taken into consideration as far as any equity stakes in limited companies are concerned. However, allowance must be made for deferred tax/tax benefit relating to temporary differences involving subsidiaries regarded as participating partners.

2003 og 2002
The permanent differences have no significant impact on deferred tax in the actual cases in question. In practice, this means that one can ignore temporary differences relating to joint venture operations, associated companies and subsidiaries. However, deferred tax relating to temporary differences as a result of depreciation of surplus values (excess of purchase price over net assets acquired) must be taken into consideration. Deferred tax/tax benefit in respect of temporary differences in connection with subsidiaries regarded as participating partners must also be taken into account.

Parent Bank				**Group**		
31.12.04	31.12.03	31.12.02		31.12.04	31.12.03	31.12.02
0	12	16	Temporary differences relating to subsidiaries	0	0	0
0	6	6	Temporary differences relating to associated companies and joint venture operations	0	6	6
0	**18**	**22**	**Total temporary differences – according to the equity method of accounting – on which no deferred tax has been included in the accounts**	**0**	**6**	**6**

Reconciliation of tax charge:

Parent Bank				**Group**		
2004	2003	2002		2004	2003	2002
101	83	80	28% tax payable on ordinary result	102	85	81
			+/- Permanent differences:			
1	1	1	Non-deductible costs	1	1	1
-8	0	0	Non-taxable income	-8	0	0
94	84	81	28% tax payable on result after permanent differences	95	86	82
-3	-2	-2	Share dividends	-3	-2	-2
-5	-6	-4	Shares of results from subsidiaries, associated companies and joint venture businesses	-1	-2	-1
0	0	0	Share of result from subsidiary taxed on 'participant basis'	0	0	0
4	3	28	Change in temporary differences affecting tax payable for the year	2	2	33
90	79	103	Tax payable on ordinary result	93	84	112
-2	-4	-29	Change in deferred tax on ordinary result	0	-3	-33
88	75	74	Tax payable on ordinary result	93	81	79
-7	-1	0	Under-/over-provision for tax the year before	-7	-1	-1
81	74	74	Total tax payable on result	86	80	78
9	9	8	Wealth tax	9	9	8
90	**83**	**82**	**Total taxation cost**	**95**	**89**	**86**

NOTE 8: CREDIT RISK

Credit risk is defined as 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

Total loan loss costs for the year:

	Parent Bank				**Group**	
2004	2003	2002		2004	2003	2002
19	35	23	Change in specific loss provisions during the period	20	34	25
5	10	20	+ Change in non-specific loss provisions during the period	8	11	21
19	27	5	+ Period's confirmed losses against which specific loss provisions were made in previous years	21	31	7
13	12	14	+ Period's confirmed losses against which no specific loss provisions were made in previous years	16	15	15
8	6	9	- Recoveries in respect of previous periods' confirmed losses	9	7	10
48	**78**	**53**	**= Period's total loan loss costs**	**56**	**84**	**58**

Total guarantee loss costs for the year:

	Parent Bank				**Group**	
2004	2003	2002		2004	2003	2002
-1	-1	2	Change in specific loss provisions during the period	-1	-1	2
0	0	0	+ Change in non-specific loss provisions during the period	0	0	0
1	0	0	+ Period's confirmed losses against which specific loss provisions were made in previous years	1	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
0	**-1**	**2**	**= Period's total guarantee loss costs**	**0**	**-1**	**2**

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

Parent Bank				Group		
2004	2003	2002		2004	2003	2002
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	0	5	+ Period's confirmed losses against which no specific loss provisions were made in previous years	0	0	5
0	0	1	- Recoveries in respect of previous periods' confirmed losses	0	0	1
0	**0**	**4**	**= Period's credit loss costs on securities**	**0**	**0**	**4**

Total credit loss costs for the year:

Parent Bank				Group		
2004	2003	2002		2004	2003	2002
18	34	25	Change in specific loss provisions during the period	19	33	27
5	10	20	+ Change in non-specific loss provisions during the period	8	11	21
20	27	5	+ Period's confirmed losses against which specific loss provisions were made in previous years	22	31	7
13	12	19	+ Period's confirmed losses against which no specific loss provisions were made in previous years	16	15	20
8	6	10	- Recoveries in respect of previous periods' confirmed losses	-9	7	11
48	**77**	**59**	**= Period's total credit loss costs**	**56**	**83**	**64**

Specific loan loss provisions:

Parent Bank				Group		
2004	2003	2002		2004	2003	2002
165	130	107	Specific loss provisions as at 01.01	169	134	110
19	27	5	- Period's confirmed losses against which specific loss provisions were made in previous years	21	31	7
14	16	11	+ Increased specific loss provisions during the period	15	17	11
45	62	36	+ New specific loss provisions during the period	49	65	40
21	16	19	- Reversal of specific loss provisions during the period	22	16	19
184	**165**	**130**	**= Specific loss provisions as at 31.12**	**190**	**169**	**135**

Specific guarantee loss provisions:

Parent Bank 2004	2003	2002		Group 2004	2003	2002
1	2	0	Specific loss provisions as at 01.01	1	2	0
1	0	0	- Period's confirmed losses against which specific loss provisions were made in previous years	1	0	0
0	0	0	+ Increased specific loss provisions during the period	0	0	0
0	0	2	+ New specific loss provisions during the period	0	0	2
0	1	0	- Reversal of specific loss provisions during the period	0	1	0
0	**1**	**2**	**= Specific loss provisions as at 31.12**	**0**	**1**	**2**

Non-specific loss provisions:

Parent Bank 2004	2003	2002		Group 2004	2003	2002
230	220	200	Non-specific loss provisions as at 01.01	238	227	207
5	10	20	+/- Period's non-specific loss provisions	8	11	20
235	**230**	**220**	**Non-specific loss provisions at 31.12**	**246**	**238**	**227**

No provisions for non-specific guarantee losses were made in 2002, 2003 or 2004.

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

Parent Bank 2004	2003	2002	2001	2000		Group 2004	2003	2002	2001	2000
225	281	239	200	167	Commitments (gross) in default (over 90 days)	248	294	255	216	176
56	50	46	39	24	Specific loss provisions made against these commitments	62	54	51	43	27
169	**231**	**193**	**161**	**143**	**Commitments (net) in default (over 90 days)**	**186**	**240**	**204**	**173**	**149**

Parent Bank 2004	2003	2002	2001	2000		Group 2004	2003	2002	2001	2000
454	485	210	197	257	Other commitments (gross) against which loss provisions have been raised	454	485	210	197	257
128	115	84	68	76	Specific loss provisions made against these commitments	128	115	84	67	76
326	**370**	**126**	**129**	**181**	**Net other commitments against which specific loss provisions have been raised**	**326**	**370**	**126**	**130**	**181**

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	33	33
- Previous periods' loan interest booked as income during the period	3	3
- Period's accrued interest, not booked as income, on loans no longer in the balance sheet	2	2
+Period's accrued interest, not booked as income, on loans which have been identified as bad and doubtful	4	4
= Accrued interest, not booked as income, on loans in the balance sheet as at 31.12	**32**	**32**

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 **)			Loans (gross) in default*)			Other (gross) bad and doubtful loans *)			Specific loss provisions			Non-specific loss provisions		
	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002
Total – retail banking	15.357	13.063	10.970	11	9	9	356	270	250	119	141	113	29	22	26	23	20	24	77	66	56
Agriculture and forestry	1.750	1.513	1.463	10	20	9	238	220	226	28	11	17	19	44	40	8	10	12			
Industry and mining	418	568	534	67	83	69	130	147	180	16	13	9	37	46	32	28	36	18			
Building and construction; water- and power supply	568	682	621	339	328	328	233	179	273	5	22	17	216	223	9	33	26	6			
Retail- and wholesale trade; hotels and restaurants	924	1.016	904	106	104	85	314	209	222	29	25	24	62	68	59	34	40	44			
Real estate management; business services	2.901	3.126	3.239	159	83	99	461	335	223	16	50	46	72	66	30	44	27	16			
Miscellaneous	781	667	613	56	49	45	138	181	95	12	19	13	19	16	14	14	6	12			
Total – corporate banking	7.342	7.572	7.374	737	667	635	1.514	1.271	1.219	106	140	126	425	463	184	161	145	108	158	164	164
Total loans/guarantees extended to customers	**22.699**	**20.635**	**18.344**	**748**	**676**	**644**	**1.870**	**1.541**	**1.469**	**225**	**281**	**239**	**454**	**485**	**210**	**184**	**165**	**132**	**235**	**230**	**220**
Credit institutions	963	689	812	0	0	0	78	74	48	0	0	0	0	0	0	0	0	0			
SBGF				23	23	13															
Total loans and guarantees	**23.662**	**21.324**	**19.156**	**771**	**699**	**657**	**1.948**	**1.615**	**1.517**	**225**	**281**	**239**	**454**	**485**	**210**	**184**	**165**	**132**	**235**	**230**	**220**

Group

	Gross loans			Guarantees			Unutilised allocation **)			Loans (gross) in default*)			Other (gross) bad and doubtful loans *)			Specific loss provisions			Non-specific loss provisions		
	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002
Total – retail banking	15.586	13.199	11.091	11	9	9	356	270	250	123	145	117	29	22	26	24	21	25	79	68	57
Agriculture and forestry	1.855	1.603	1.566	10	20	9	238	220	226	32	12	19	19	44	40	8	10	13			
Industry and mining	455	598	554	67	83	69	130	147	180	16	13	9	37	46	32	29	36	18			
Building and construction; water- and power supply	688	771	699	339	328	328	233	179	273	11	23	21	216	223	9	33	26	7			
Retail- and wholesale trade; hotels and restaurants	1.061	1.090	967	106	104	85	314	209	222	32	26	24	62	68	59	35	40	44			
Real estate management; business services	2.895	3.119	3.310	159	83	99	461	333	221	17	50	47	72	66	30	44	27	16			
Sundry	1.174	954	793	56	49	45	138	181	95	17	25	18	19	16	14	17	9	14			
Total – corporate banking	8.128	8.135	7.889	737	667	635	1.514	1.269	1.217	125	149	138	425	463	184	166	148	112	166	170	170
Total loans and guarantees extended to customers	**23.714**	**21.334**	**18.980**	**748**	**676**	**644**	**1.870**	**1.539**	**1.467**	**248**	**294**	**255**	**454**	**485**	**210**	**190**	**169**	**137**	**245**	**238**	**227**
Credit institutions	231	88	260	0	0	0	25	25	0	0	0	0	0	0	0	0	0	0			
SBGF				23	23	13															
Total loans and guarantees	**23.945**	**21.422**	**19.240**	**771**	**699**	**657**	**1.895**	**1.564**	**1.467**	**248**	**294**	**255**	**454**	**485**	**210**	**190**	**169**	**137**	**245**	**238**	**227**

*) The customer's aggregate outstanding loans and guarantees are included even if only one or more of that customer's loans are in default or booked as a loss.
**) Also applies to unutilised guarantee facilities/limits

LOANS AND GUARANTEES ACCORDING TO DEBTORS' PRIVATE OR BUSINESS ADDRESSES

Parent Bank Loans 2004	Parent Bank Loans 2003	Parent Bank Loans 2002	Parent Bank Guarantees 2004	Parent Bank Guarantees 2003	Parent Bank Guarantees 2002		Group Loans 2004	Group Loans 2003	Group Loans 2002	Group Guarantees 2004	Group Guarantees 2003	Group Guarantees 2002
18.777	17.411	15.763	458	444	411	Hedmark County	19.330	17.789	16.122	458	444	411
3.863	3.178	2.535	289	232	245	Rest of Norway	4.325	3.499	2.812	289	232	245
59	46	46	1	0	1	Other countries	59	46	46	1	0	1
22.699	**20.635**	**18.344**	**748**	**676**	**657**	**Total loans and guarantees**	**23.714**	**21.334**	**18.980**	**748**	**676**	**657**

Parent Bank Retail banking	Parent Bank Loans Corporate banking	Parent Bank Total		Group Retail banking	Group Loans Corporate banking	Group Total
12.221	6.556	18.777	Hedmark County	12.328	7.002	19.330
3.077	786	3.863	Rest of Norway	3.199	1.126	4.325
59	0	59	Other countries	59	0	59
15.357	**7.342**	**22.699**	**Total loans as at 31.12.2004**	**15.586**	**8.128**	**23.714**

LOANS BROKEN DOWN BY AMOUNTS (PARENT BANK)

	Retail banking	Corporate banking	Total
Total loans per customer over NOK 100 mill	0	382	382
Total loans per customer, NOK 50 – 100 million	0	323	323
Total loans per customer, NOK 10 – 50 mill.	44	1.942	1.986
Total loans per customer, NOK 1 – 10 mill.	6.428	3.519	9.947
Total loans per customer under NOK 1 mill.	8.885	1.176	10.061
Total gross loans to customers as at 31.12.2004	**15.357**	**7.342**	**22.699**

LARGE COMMITMENTS

According to the Financial Regulatory Agency of Norway's (FRAN) rules and regulations, socalled 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 limiit. No commitment must exceed 25 per cent of the Bank's net equity and related capital and the aggregate amount of all socalled large commitments must not exceed 800 per cent of the Bank's net equity and related capital.

Parent Bank Total commitments before weighting	Parent Bank Weighted amount as % of net equity and related capital	Parent Bank Number of commitments		Group Total commitments before weighting	Group Weighted amount as % of net equity and related capital	Group Number of commitments
1.087	0,0%	1	Credit institutions	0	0,0%	0
629	22,0%	1	Customers	629	21,9%	1
1.716	22,0%	2	All large commitments	629	21,9%	1
1.087	**0,0%**		**Largest single commitment**	**629**	**21,9%**	

LOANS AND GUARANTEES ACCORDING TO DIFFRENT 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 (ablity 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. Collateral- and other 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				2004	Group			
Gross loans	Guarantees*)	Unutilised part of facility **)	Specific loss provisions		Gross loans	Guarantees*)	Unutilised part of facility **)	Specific loss provisions
16.516	518	1.192	0	Low risk	17.009	518	1.192	0
4.662	138	492	0	Medium risk	4.949	138	491	1
816	27	115	0	High risk	1.051	27	115	5
705	65	71	184	Default ***)	705	65	72	184
22.699	**748**	**1.870**	**184**	**Total**	**23.714**	**748**	**1.870**	**190**

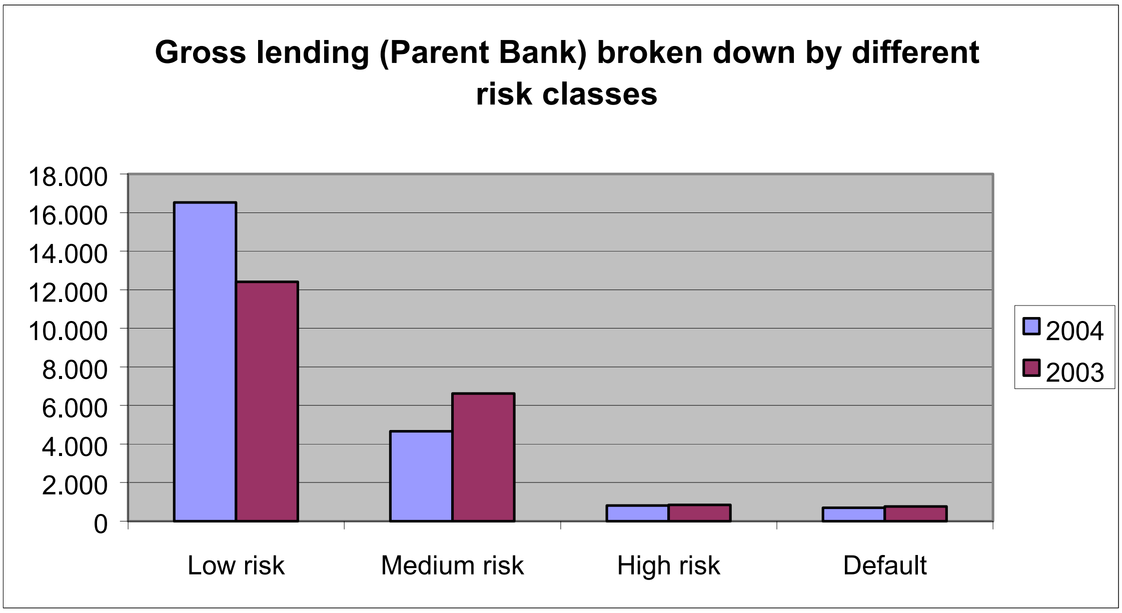
*) to which must be added NOK 23 million guarantees relating to SBGF
**) also comprises unutilised guarantee limits
***) The definition of the risk class, 'Commitments in default', is different to the definition applied to such commitments in the accounts. As an example of this, for the Parent Bank, all commitments against which specific loss provisions have been raised are defined as commitments in default.

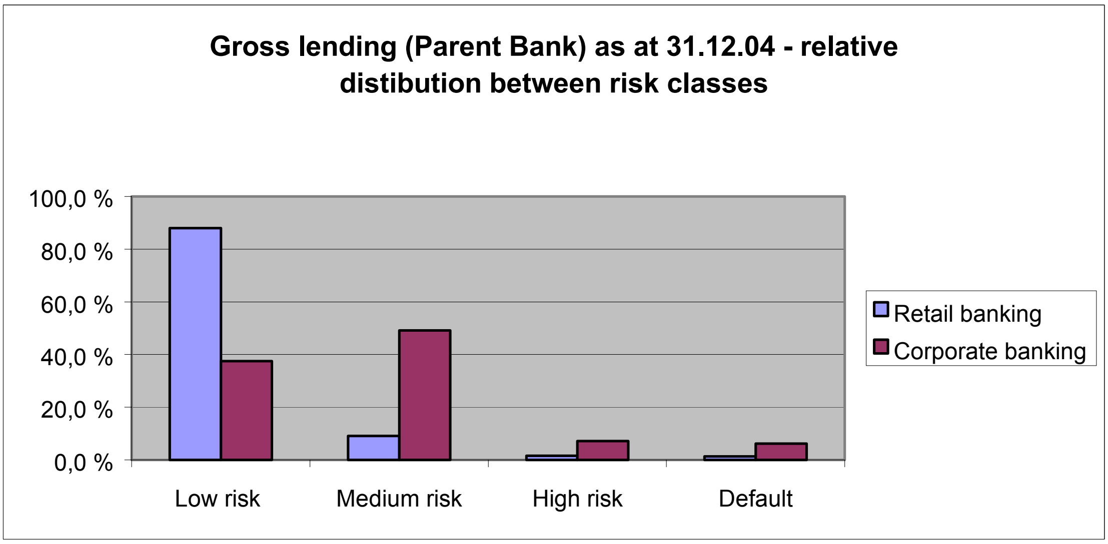
Parent Bank				2003	Group			
Gross loans	Guarantees*)	Unutilised part of facility**)	Specific loss provisions		Gross loans	Guarantees*)	Unutilised part of facility **)	Specific loss provisions
12.410	308	536	0	Low risk	12.739	308	534	0
6.617	284	827	0	Medium risk	6.776	284	827	1
852	37	104	0	High risk	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 31.12.2003, the share of low risk commitments measured in relation to gross loans has increased by about 13 percentage points throughout the year. The share classified as commitments in default has been reduced by just under 1 percentage point since the year before. The share of gross loans within the high risk group has been reduced by 0.5 percentage points during the last 12 months.

In the case of the corporate market, the share of low risk customers was increased by about 27 percentage points. However, the medium risk group shrank by some 26 percentage points, and the two groups involving high risk and commitments in default by a total of 1 percentage point. In the retail banking market, loans to low risk customers were up by about 2 percentage points during the last 12 months, whereas loans to medium risk customers were down by approximately 1 percentage point.The shares relating to the remaining groups remained more or less unchanged.





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 2004, the Bank's loan losses amounted to 0.22 per cent of gross lending as at 31.12.2004. In relation to gross loans, next year's losses are expected to end up at the same level as in 2004. Credit losses were low in 2004 as a result of strong economic development and the low level of domestic interest rates. In view of expectations of rising interest rates, credit losses during the next few years are likely to be somewhat larger than in 2004. Internal organisational measures implemented in order to strengthen the management of credit risk are nevertheless expected to help bring about a situation in which credit losses during the next few years – measured as losses as a percentage of gross lending – will remain at a moderate level. Credit losses will probably come mostly from the corporate banking sector, within the high- and to some extent medium risk groups. The risk premium factored into the Bank's margins for these groups of borrowers should cover the losses which are likely to be incurred.

SUBORDINATED LOAN CAPITAL PARTICIPATIONS IN OTHER INSTITUTIONS AND COMPANIES

Parent Bank				Group		
2004	2003	2002		2004	2003	2002
285	0	0	Loans to and claims on credit institutions	0	0	0
2	25	25	Loans to and claims on customers	2	25	25
0	25	0	Certificates, bonds and other interest-bearing securities	0	25	0
287	**50**	**25**	**Total subordinated loan capital**	**2**	**50**	**25**

NOTE 9: FUNDING RISK

Funding risk is defined as the risk of the Bank being unable to meet its repayment obligations 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, agreements relating to drawing rights, liquidity reserve, and collateralised securities pledged as security for borrowings from Norges Bank (Bank of Norway). 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 would suggest, due to extraordinary payments made etc.
- Access to borrowings from Norges Bank and drawing rights agreements entered into with other banks. As at 31.12.2004, Sparebanken Hedmark had access to borrowings from Norges Bank as well as drawing rights facililties 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 1.161 mill	NOK 0 mill	
Drawing rights facilities	EUR 125 mill	EUR 0 mill	22.06.2009

- that the Bank maintains a liquidity reserve in excess of the statutory minimum requirements incorporated in the rules and regulations relating to liquidity and funding:

Cash and claims on central banks	NOK 323 mill.
Interest-bearing securities within liquidity reserve requirements	NOK 1.598 mill.
Total liquid funds included with regard to liquidity reserve. reqts.	NOK 1.921 mill.
Liquidity reserve requirement as at 31.12.04:	NOK 1.346 mill.
Excess liquidity:	NOK 575 mill.
Claims on credit institutions without maturity:	NOK 101 mill.
Interest-bearing securities in excess of liquidity reserve reqt.	NOK 537 mill.
Listed shares:	NOK 48 mill.
Total liquidity reserve:	**NOK 1.261 mill.**

Group: **Remaining life until maturity**

	Curr-ency	Up to 1 month	1-3 months	3 months - 1 year	1 - 5 years	Over 5 years	No remain-ing life	Totalt
Cash and claims on central banks	NOK	324						324
	Curr.							
Loans to and claims on credit institutions	NOK	67						67
	Curr.	111	45	8				164
Loans to and claims on customers *)	NOK	368	1.265	1.905	6.004	13.157		22.699
	Curr.	5	5	20	175	374		579
Certificates, bonds and other int.-b. secs. **)	NOK	355		153	936	686		2.130
	Curr.							
Other assets with remaining life	NOK	170	40	102	43	35		390
	Curr.	7		2				9
Assets without remaining life	NOK						400	400
	Curr.							
Total assets	**NOK**	**1.284**	**1.305**	**2.160**	**6.983**	**13.878**	**400**	**26.010**
	Curr.	**123**	**50**	**30**	**175**	**374**		**752**
Liabilities to credit institutions	NOK	5		200	10	65		280
	Curr.	24			204			228
Deposits from and liabi-lities to customers	NOK	15.719		99	72			15.890
	Curr.	31						31
Borrowings through the issuance of securities	NOK	100	925	2.951	1.773	957		6.706
	Curr.							
Other liabilities with remaining life	NOK	182	132	182	46	135		677
	Curr.	3						3
Equity capital	NOK						2.947	2.947
Total liabilities and equity capital	**NOK**	**16.006**	**1.057**	**3.432**	**1.901**	**1.157**	**2.947**	**26.500**
	Curr.	**58**			**204**			**262**
Net funding exposure on balance sheet items	NOK	-14.722	248	-1.272	5.082	12.721	-2.547	-490
	Curr.	65	50	30	-29	374		490
Off balance sheet financial derivatives – payments made and received	NOK	325	222	-57				490
	Curr.	-325	-222	57				-490
Net total for all items	**NOK**	**-14.397**	**470**	**-1.329**	**5.082**	**12.721**	**-2.547**	**0**
	Curr.	**-260**	**-172**	**87**	**-29**	**374**	**0**	**0**

*) Overdraft- and working capital credit facilities are classified within the period of 1-3 months. Building loans are shown 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 four elements:

- basis risk
- yield curve risk
- spread risk
- administrative interest rate risk

The Bank's Board of Directors has fixed a limit for total interest rate risk, both with regard to basis risk and yield curve 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 parallet 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	312	5
Derivatives	300	0
Total trading portfolio		5
Bonds	1.818	43
Fixed rate loans	888	21
Fixed rate deposits	0	0
Loans evidenced by certificates	-3.110	-12
Own portfolio of certificate loans	29	0
Bond loans	-3.721	-108
Own portfolio of bond loans	112	1
Other fixed interest rate financing	481	-1
Derivatives – net	3.761	48
Total other financial instruments		-8
Total int. rate risk on fixed rate positions		**-3**

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:

31.12.2003: -21
31.03.2004: -12
30.06.2004: -12
30.09.2004: -15
31.12.2004: -3

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 a rise in interest rates, it is not unimportant how such a rise occurs. However, the Bank's positions as at 31.12.2004 would suggest that it would make a gain from a rise in interest rates, within all the time periods in question. 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 involved.

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 exposure	Total
Cash and claims on central banks	218					106	324
Loans to and claims on credit institutions	177	46	8				231
Loans to and claims on customers	763	21.483	220	751	61		23.278
Certificates, bonds and other int.-b. securities	220	894	356	223	437		2.130
Other interest-bearing assets					23		23
Non-interest-bearing assets						776	776
Total assets	**1.378**	**22.423**	**584**	**974**	**521**	**882**	**26.762**
Liabilities to credit institutions	94	214	200				508
Deposits from and liabilities to customers	15.921						15.921
Borrowings through the Issuance of secutiries	620	1.325	2.281	1.523	957		6.706
Other interest-bearing liabilities					107		107
Non-interest-bearing liabilities						573	573
Equity capital						2.947	2.947
Total liabilities and equity capital	**16.635**	**1.539**	**2.481**	**1.523**	**1.064**	**3.520**	**26.762**
Net interest rate exposure on balance sheet	-15.257	20.884	-1.897	-549	-543	-2.638	0
Off b/s financial derivatives affecting interest rate exposure	-688	-828	515	610	420	-29	0
Net interest rate exposure	**-15.945**	**20.056**	**-1.382**	**61**	**-123**	**-2.667**	**0**
Net interest rate exp. as % total assets	-59,6%	74,9%	-5,2%	0,2%	-0,5%	10,0%	0,0%

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 2004, 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 currencies and for individual currencies. All significant foreign exchange positions are hedged at all times. As at 31.12.2004, 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	Others	**Total**
Cash-in-hand and claims on central banks	0	0	0	0	0	0	**0**
Loans to and claims on credit institutions	37	14	3	23	72	17	**166**
Loans to and claims on customers	18	40	10	41	470	1	**580**
Certificates, bonds and other interest-bearing securities	0	0	0	0	0	0	**0**
Shares	0	0	2	0	0	0	**2**
Other assets	0	0	0	0	5	1	**6**
Total assets	55	54	15	64	547	19	**754**
Liabilities to credit institutions	0	204	9	0	0	15	**228**
Deposits from and liabilities to customers	4	10	15	0	0	2	**31**
Other liabilities	-2	16	-1	0	3	1	**17**
Total liabilities items	2	230	23	0	3	18	**276**
Forward exchange contracts	-53	169	8	-65	-545	-3	**-489**
Total net position	**0**	**-7**	**0**	**-1**	**-1**	**-2**	**-11**

The Bank's foreign exchange risk, calculated as a total net position, changed during the year currently under review, from –NOK 10 million as at 31.12.2003 to –NOK 11 million as at 31.12.2004.

NOTE 12: REPOSSESSED ASSETS

Repossessed assets are assets which have been acquired by the Group as part of the process of recovering/collecting 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 plots and sites	1	0,1
1	0,5	Commercial- and industrial property	1	0,5
1	2,3	Holiday homes	1	2,3
6	0,1	Motor vehicles etc.	14	1,4
9	**3,0**	**Total**	**17**	**4,3**

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

	2004			2003			2002		
	Acquisition cost	Value shown in b/s	Market value	Acquisition cost	Value shown in b/s	Market value	Acquisition cost	Value shown in b/s	Market value
Trading portfolio, quoted secs., NOK	313	313	313	114	114	114	0	0	0
Total trading portfolio	313	313	313	114	114	114	0	0	0
Other current assets, not quoted, in NOK	1.118	1.134	1.138	1.110	1.134	1.139	1.002	1.003	1.003
Other current assets, quoted, in euro	682	683	684	166	167	168	158	158	158
Other current assets, quoted, in NOK	0	0	0	0	0	0	17	21	21
Total other current assets	1.800	1.817	1.822	1.276	1.301	1.307	1.177	1.182	1.182
Total as at 31.12	**2.113**	**2.130**	**2.135**	**1.390**	**1.415**	**1.421**	**1.177**	**1.182**	**1.182**

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 2004, the average effective rate of interest on the Bank's holdings of certificates and bonds ended up at 3.76 per cent.

Breakdown of securities shown in the accounts at market value

	2004	2003	2002
Value shown in the balance sheet	312,5	113,9	0,0
-Acquisition cost	313,0	113,6	0,0
=Unrealised gains/losses	-0,5	0,3	0,0
-Unrealised gains/losses at the start of the year	0,3	0,0	-0,2
=Year's value change incorporated in the p&l account	-0,8	0,3	0,2

Securities incorporated in the balance sheet at market value comprise the trading portfolio only. No value changes have therefore been shown as a direct adjustment to the equity capital.

Securities are assessed and included in the balance sheet either at their prices quoted at the stock exchanges in question or at their estimated present value based on the securities' contract-related cashflow, discounted at a rate of interest corresponding to the swap rate of interest at the end of the year, to which a credit spread fixed for each item of securities is added.

Value incorporated in balance sheet according to different debtor categories

	2004	2003	2002
Bonds issued or guaranteed by government	207	48	0
Municipal bonds	0	50	0
Total issued by public sector borrowers	207	98	0
Government-guaranteed bonds	300	0	0
State enterprises	200	39	0
Bonds guaranteed by municipalities	2	10	3
Credit institutions	447	320	291
Banks	457	445	433
Other bonds	502	478	451
Subordinated loan capital	0	25	0
Total issued by other borrowers	1.908	1.317	1.178
Own bonds	15	0	4
Total certificates and bonds	**2.130**	**1.415**	**1.182**

Book value as at 31.12.2004, according to differrent rating categories

	AAA	AA+/AA/ AA-	A+/A/A-	BBB+/B BB/BBB-	Not rated	Total
Governments	207					207
Government-guaranteed	300					300
State enterprises		100		100		200
Guaranteed by municipalities	2					2
Credit institutions	142				305	447
Banks			250	40	167	457
Other bonds	47		45	50	360	502
Own bonds					15	15
Total certificates and bonds	**698**	**100**	**295**	**190**	**847**	**2.130**

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

	31.12.2004	31.12.2003	31.12.2002
Nominal value of own bonds	15	0	5

NOTE 14: SHARES AND EQUITY STAKES IN OTHER COMPANIES

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

	Number of shares	Equity stake	Acquisition cost	Market value	Book value
Ekornes	23.000	0,1%	3,2	3,0	3,2
Farstad Shipping	21.000	0,1%	1,6	1,6	1,6
Gresvig	31.000	0,2%	1,3	1,3	1,3
Komplett	23.000	0,2%	1,0	1,1	1,0
Norsk Hydro	11.500	0,0%	5,8	5,5	5,8
Odfjell A-shares	16.000	0,1%	3,1	3,4	3,1
Orkla	14.000	0,0%	2,6	2,8	2,6
Prosafe	20.000	0,1%	3,3	3,2	3,3
Schibsted	13.500	0,0%	2,3	2,3	2,3
Smedvig A-shares	36.500	0,1%	3,4	3,7	3,4
Solstad Offshore	40.000	0,1%	2,7	2,7	2,7
Sparebanken Møre	6.400	0,1%	1,8	1,8	1,8
Statoil	52.000	0,0%	5,0	4,9	5,0
TGS Nopec	18.000	0,1%	2,5	2,8	2,5
Wilh Wilhelmsen A-shares	36.500	0,1%	5,0	5,7	5,0
Yara	25.500	0,0%	2,0	2,0	2,0
Total – quoted shares NOK			**46,6**	**47,8**	**46,6**

	Number of shares	Equity stake	Acquisition cost	Book value
Cermaq	50.000	0,1%	2,0	1,7
Icon	25.000	5,7%	1,4	1,4
Marin Vekst	25.000	2,3%	2,5	2,3
Norgesinvestor	22.981	1,7%	2,5	2,5
Norgesinvestor II	90.000	2,7%	9,0	9,0
Norgesinvestor Long Short	100.000	13,8%	10,0	9,6
Norgesinvestor Pro	50.000	5,0%	5,0	5,0
Norgesinvestor Value	105.000	5,8%	10,1	10,1
Norgesinvestor Vekst	53.400	5,3%	5,3	2,8
Syncrotec	2.500.000	3,5%	2,6	0,0
Total - non-listed shares NOK			**50,4**	**44,4**
EssNet AB	37.500	0,4%	2,2	2,2
Total - non-listed shares foreign currencies			**2,2**	**2,2**
Total ordinary shares – Parent Bank			**99,2**	**93,2**

	Number of shares	Equity stake	Acquisition cost	Book value
BBS/BAX	180.380	2,7%	6,1	6,1
BioInn	770	13,9%	0,8	0,4
Eksportfinans	2.012	1,3%	36,2	36,2
Kredittforeningen for Sparebanker	920	1,8%	0,9	0,9
Norsk Kontantservice	715	1,4%	0,8	0,8
Scanpole A-shares	19.453	13,0%	1,9	1,9
Scanpole B-shares	22.047	15,5%	3,1	3,1
Sikon Øst	54.588	10,9%	11,7	10,8
Sucra	3.131.369	7,7%	15,0	15,0
Såkorn Invest	11.250	15,0%	4,5	2,1
Teller	240	3,0%	0,1	0,1
Torgata 22	16.000	50,0%	8,0	8,0
Miscellaneous			2,4	1,3
Total shares intended to be held on a permanent basis – Parent Bank			**91,5**	**86,7**
Total shares etc. – Parent Bank			**190,7**	**179,9**
Shares intended to be held on a permanent basis – owned by subsidiaries				
Sundry			0,1	0,1
Total for Group			**190,8**	**180,0**

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

None of the Bank's shares were shown in the balance sheet at market values as at 31.12.2004.

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

	Parent Bank	**Group**
Opening balance	83	83
+ Additions	6	6
- Disposals	0	0
+/-Reclassifications	0	0
- Write-downs	2	2
+ Reversal of previous years' write-downs	0	0
= Closing balance	**87**	**87**

NOTE 15: FIXED ASSETS

Intangible assets, machinery, fixtures, fittings, transport equipment, bank buildings and other real estate were subject to the following changes in 2004:

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, and transport equipment	Buildings and other real estate	Buildings in the process of construction
9	17	158	218	6	Acquisition cost as at 01.01.04 (incl. amounts previously written up)	12	17	164	248	6
0	1	18	3	64	Ordinary additions during the year	0	1	21	3	64
9	0	14	9	0	Ordinary disposals at acquisition cost during the year	9	0	17	9	0
0	17	112	117	0	Accumulated depreciation/write-downs	3	17	114	136	0
0	**1**	**50**	**95**	**70**	**Book value as at 31.12.04**	**0**	**1**	**54**	**106**	**70**
2	1	16	8	0	Ordinary depreciation during the year	2	1	17	9	0
5 år	4 år	3 - 10 år	10 - 33 år	No depreciation	Depreciation period (economic life)	5 år	4 år	3 - 10 år	5 - 40 år	No depreciation
Straight line	Straight line	Straight line	Straight line		Depreciation plan	Straigth 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 CATEGORES OF REAL ESTATE

Location	Type of property	Floor space for own use	Florr space rented out	Vacant floor space and buildings under constr.	Book value of floor space for own use	Book value of floor space rented out	Book value of vacant floor space and buil. under contr.	Total book value
Hedmark	Bank buildings	25.735	3.312	586	74	13	0	87
Hedmark	Commercial buildings	0	690	208	0	3	0	3
Hedmark	Undevel. sites	0	0	0	0	0	0	0
Hedmark	Buildings under construction	0	0	5.300	0	0	71	71
Hedmark, Vestfold	Holiday cottages	0	0	0	4			4
Total - Parent Bank		**25.735**	**4.002**	**6.094**	**78**	**16**	**71**	**165**
Hedmark	Commercial buildings	1.531	681	451	5	2	1	8
Misc.	Bank buildings	690	0	0	2	0	0	2
Netted out		1.202	-1.202	0	5	-5	0	0
Total - Group		**29.158**	**3.481**	**6.545**	**90**	**13**	**72**	**175**

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 bais over a period of 5 years.

Goodwill relating to businesses acquired:

	Original amount of goodwill	Accumulated depreciation	Remaining goodwill at 31.12.2004
Total - Parent Bank	**0**	**0**	**0**
Hedmark Eiendom AS	4	4	0
Total - Group	**4**	**4**	**0**

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	5 years	3.6	Electronic data communication	5 years	3.6
Various premises	0.5 – 11 years	5.6	Various premises	0.5 – 12 years	3.2
			Payment terminals	0.25 år	6.4

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

The Bank's stable funding consists of:
- equity capital
- deposits from customers
- liabilities to credit institutions – with agreed maturity
- borrowings through the issuance of securities

As at 31.12.2004, the last two funding categories related to the following funding sources:

Funding loans from foreign banks:	NOK 200 million
German Schuldscheinlån (Euro 25 millioner):	NOK 204 million
Loan from Nordiska Investeringsbanken:	NOK 65 million
Loan from Kredittforeningen for Sparebanker:	NOK 10 million
Other loans from credit institutions:	NOK 2 million
Certificate loans:	NOK 3.110 million
Own portfolio of certificate loans:	NOK -29 million
Ordinary bond loans:	NOK 3.561 million
Index-linked bond loans:	NOK 176 million
Own portfolio of bond loans:	NOK -112 million
Total:	NOK 7.187 million

Parent Bank								Group					
NOK	EUR	SEK	USD	Other	Total	Eff. int. rate		NOK	EUR	SEK	USD	Other	Total
17	0	9	0	15	41	3,80%	No agreed maturity	3	0	9	0	15	27
277	204	0	0	0	481	3,08%	Agreed maturity	277	204	0	0	0	481
294	**204**	**9**	**0**	**15**	**522**	**3,24%**	**Liabilities to credit institutions**	**280**	**204**	**9**	**0**	**15**	**508**
15.346	10	15	4	2	15.377	1,42%	No agreed maturity	15.296	10	15	4	2	15.327
594	0	0	0	0	594	1,99%	Agreed maturity*)	594	0	0	0	0	594
15.940	**10**	**15**	**4**	**2**	**15.971**	**1,44%**	**Deposits from and liabilities to customers**	**15.890**	**10**	**15**	**4**	**2**	**15.921**
3.110	0	0	0	0	3.110	2,34%	Debt evidenced by certificates	3.110	0	0	0	0	3.110
-29	0	0	0	0	-29	(2,78%)	Own certificates	-29	0	0	0	0	-29
3.737	0	0	0	0	3.737	3,46%	Bond debt	3.737	0	0	0	0	3.737
-112	0	0	0	0	-112	(5,23%)	Own bonds	-112	0	0	0	0	-112
6.706	**0**	**0**	**0**	**0**	**6.706**	**2,98%**	**Borrowings through issue of securities**	**6.706**	**0**	**0**	**0**	**0**	**6.706**
22.940	**214**	**24**	**4**	**17**	**23.199**	**1,89%**	**Total**	**22.876**	**214**	**24**	**4**	**17**	**23.135**

*) NOK 140 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 accrued interest, not yet due, and any price differences relating to sale- and repurchase agreements are taken into consideration.

Deposits from/liabilities to customers: When calculating the effective rate of interest, both capitalised and accrued interest, not yet due, and the financial impact of any hedging transactions – relating to equity-linked banks deposits – entered into, are taken into consideration.

Borrowings through securities issued: When calculating the effective rate of interest, both capitalised and accrued interest, not yet due, and any premium/discount and underwriting commisssons, the latter two elements being subject to accrual accounting, and the financial impact of any hedging transactions entered into, are taken into consideration.

DEPOSITS FROM CUSTOMERS ACCORDING DEBTORS' PRIVATE/BUSINESS ADDRESSES

Parent Bank				Group		
2004	2003	2002		2004	2003	2002
14.260	13.642	12.651	Hedmark County	14.210	13.606	12.625
1.558	1.288	1.098	Rest of Norway	1.558	1.288	1.098
153	157	146	Other countries	153	157	146
15.971	**15.087**	**13.895**	**Total deposits**	**15.921**	**15.051**	**13.869**

CUSTOMER DEPOSITS ACCORDING TO SIZE OF DEPOSITS (PARENT BANK)

	Retail banking	Corporate banking	Total
Total deposits per customer over NOK 100 mill.	0	725	725
Total deposits per customer NOK 50 – 100 mill.	78	446	524
Total deposits per customer - NOK 10 – 50 mill.	124	967	1.091
Total deposits per customer - NOK 2 – 10 mill.	777	1.289	2.066
Total deposits per customer - NOK 2 mill.	9.283	2.282	11.565
Total customer deposits as at 31.12.04	**10.262**	**5.709**	**15.971**

BOND LOAN DETAILS

ISIN-number	Ticker	Nominal amount	Of which own bonds account for	Coupon	Repayment structure	Last maturity
NO 001005455.4	SBHE02	500	92	7,25%	Bullet	30.05.2005
NO 001020182.5	SBHE13	420	3	3m NIBOR + 0,07%	Bullet	14.10.2005
NO 001007392.7	SBHE00	80	12	0,00%*)	Bullet	20.12.2005
NO 001000264.5	SBHE64	500	12	5,70%	Bullet	15.02.2006
NO 001009794.2	SBHE11	45	0	0,00%*)	Bullet	25.07.2006
NO001012505.7	SBHE12	51	8	0,00%*)	Bullet	01.03.2007
NO 001018430.2	SBHE08	300	0	5,70%	Bullet	22.06.2007
NO 001017760.3	SBHE06	335	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
NO 001021111.3	SBHE14	640	0	5,20%	Bullet	14.01.2014
Total		3.721	127			

*) Share-indexed bond loans

NOTE 17: BREAKDOWN OF OTHER ASSETS AND OTHER LIABILITIES

Other assets

Parent Bank				Group		
2004	2003	2002		2004	2003	2002
10	26	9	Expected dividends and Group contributions	5	5	5
1	1	0	Anticipated recoveries from bankruptcy proceedings relating to previous loan commetments	1	1	0
0	0	0	Leasing contracts not discounted	13	7	6
17	2	14	Other assets	61	23	34
28	**29**	**23**	**Total other assets**	**80**	**36**	**45**

Other liabilities

Parent Bank				Group		
2004	2003	2002		2004	2003	2002
100	89	110	Tax incurred	102	94	119
10	10	9	Tax deductions	11	11	10
56	55	48	Liabilities relating to payments transmission services	56	55	48
39	12	9	Other liabilities	41	14	9
205	**166**	**176**	**Total other liabilities**	**210**	**174**	**186**

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 rretirement 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 the year, it was not yet known for certain how many of the Bank's employees 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- and salary growth. In 2003, agreements were entered into with the employees in question and the level of provisions was adjusted accordingly. The costs have been discounted to show their present value. In addition, the amount incorporated in the accounts includes smaller provisions for other liabilities.

Breakdown of the provisions involved

Parent Bank				Group		
2004	2003	2002		2004	2003	2002
8	30	0	Provisions as at 01.01	8	30	0
1	0	30	Provisions raised during the accounting year	1	0	30
-4	-2	0	Payments – in the accounting year – which have been registered in conjunction with the provisions made	-4	-2	0
0	-7	0	Provisions transferred to pension provisions	0	-7	0
0	-16	0	Reversal of provisions during the accounting year	0	-16	0
1	3	0	Increase in provisions due to the interest impact of discounting	1	3	0
6	**8**	**30**	**Provisions as at 31.12**	**6**	**8**	**30**

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

	2004	2003	2002
Other interest costs	1	3	0
Wages and salaries	-2	-17	21
Pensions	0	-4	4
Social costs	-1	-2	3
Administration costs	0	-2	2
Total	-2	-22	30

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 31.12.2003	15	2.666	2.681
Result for the accounting year	2	268	270
Donations		-4	-4
Equity capital as at 31.12.2004	**17**	**2.930**	**2.947**

Group

	Fund for Evaluation Differences	Savings Bank's Fund	Other Group capital	Total equity capital
Equity capital as at 31.12.2003	6	2.666	9	2.681
Result for the accounting year	-5	268	7	270
Donations		-4		-4
Equity capital as at 31.12.2004	**1**	**2.930**	**16**	**2.947**

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 FRAN'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 per cent of book value
- Other assets: 100 per cent of book value
- In addition, there are special rules for the weighting of items in the Bank's trading portfolio, foreign exchange positions and items of an off-balance sheet category.
-

Parent Bank				Consolidated		
2004	2003	2002		2004	2003	2002
			Calculation basis:			
17.611	16.102	14.742	Assets not forming part of the trading portfolio	18.014	16.625	15.210
595	522	471	Off-balance sheet items not forming part of the trading portfolio	595	521	471
901	584	510	Items forming part of the trading portfolio	901	584	510
0	0	0	Calculation basis for foreign exchange risk	0	0	0
-10	-2	-2	Equity- and related capital in other financial institutions subject to relevant regulations, paragraph 7, sub-sections e and f	-10	-2	-2
-21	-18	-22	Use of equity method of accounting in the accounts	-1	-6	-6
-419	-396	-352	Loss provisions	-436	-408	-364
18.657	**16.792**	**15.347**	**Total calculation basis**	**19.063**	**17.314**	**15.819**
			Core capital:			
2.947	2.681	2.469	Equity capital as shown in the balance sheet	2.947	2.681	2.469
-17	-15	-19	Fund for Evaluation Differences	-1	-6	-6
			Adjustment for discrepancy between Group in accounting- and capital adequacy context	6	7	6
-42	-42	-40	Intangible assets	-50	-52	-51
-14	-11	-22	Net pensions resources	-16	-15	-26
2.874	2.613	2.388	Core capital	2.886	2.615	2.392
			Deductions having been made for:			
-10	-2	-2	Equity- and related capital participations in other financial institutions	-10	-2	-2
2.864	**2.611**	**2.386**	**Total equity and related capital**	**2.876**	**2.613**	**2.390**
15,35%	**15,55%**	**15,55%**	**Capital adequacy ratio**	**15,09%**	**15,09%**	**15,11%**

NOTE 20: GUARANTEE LIABILITIES ACCORDING TO PURPOSE

Parent Bank 2004	Parent Bank 2003	Parent Bank 2002		Group 2004	Group 2003	Group 2002
562	512	500	Payment guarantees	562	512	500
163	141	121	Contract guarantees	163	141	121
1	1	1	Loan guarantees	1	1	1
22	22	22	Other guarantees	22	22	22
23	23	13	Savings Banks' Guarantee Fund	23	23	13
771	**699**	**657**	**Total guarantee liabilities**	**771**	**699**	**657**
3	4	4	- of which have been counter-guaranteed by other financial institutions	3	4	4

NOTE 21: ASSETS PLEDGED AS COLLATERAL SECURITY

Figures for the Parent Bank and Group are identical.

The following liabilities are secured by assets pledged as collateral:

	2004	2003	2002
Access to borrowings/loans raised from Norges Bank	0	0	0

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

	2004	2003	2002
Certificates, bonds and other interest-bearing securities	1.500	1.264	1.106
Total book value of collateralised assets	**1.500**	**1.264**	**1.106**

NOTE 22: FINANCIAL DERIVATIVES

Figures for the Parent Bank and Group are identical.

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

	Curr-ency	Nominal amount At 31.12.2004	Market value At 31.12.2004	Average nominal amount for the year
Trading portfolio:				
Interest rate-related	NOK	300	0	556
Other activities:				
Hedging transactions	NOK	2.635	124	2.434
Other transactions	NOK	708	-30	719
Interest rate-related	*NOK*	*3.343*	*94*	*3.153*
Hedging transactions	NOK	321	17	305
Interest rate- and equity capital-related	*NOK*			
Foreign currency-related		*3.575*	*2*	*3.031*

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

The bulk of the Bank's financial derivatives business is accounted for by hedging transactions and customer-related transactions where corresponding, opposite transactions are entered into for hedging reasons. The actual value of such hedging transactions 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').

In the case of interest rate-related derivatives, the uncertainty is related to the positions' future cash flow, coupled with the uncertainty of future interest rate developments. 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- 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 socalled share certificates are swapped for ordinary interest rate terms. A share certificate has a high interest coupon, added to which there is a stipulation that the repayment in question must be made in a certain share instead of the certificate's nominal value if the price of the share in question at a fixed time in the future is lower than the price agreed at the outset of the transaction.

In the case of interest rate- and share-related derivatives, the uncertainty is related to the positions' future cash flow, coupled with the uncertainty of future developments of interest rates and share prices. 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.

In the case of foreign currency-related derivatives, the uncertainty is related to the positions' future cash flow, coupled with the uncertainty of future developments of foreign currency prices. 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.

Breakdown of derivatives shown in the balance sheet at market value

	2004	**2003**	**2002**
Value as shown in the balance sheet	-16,3	-34,0	-10,4
Acquisition cost	0,0	0,0	0,0
Unrealised gains/losses	-16,3	-34,0	-10,4
Unrealised gains/losses at the start of the year	-34,0	-10,4	-1,4
Value change shown in profit and loss account during the year	**17,7**	**-23,6**	**-9,0**

Derivatives shown in the accounts at market value only comprise derivatives in the Bank's trading portfolio or hedging transactions with value change incorporated in the profit and loss account. In view of this therefore, no value changes have been adjusted against the equity capital.

Derivatives are assessed and included in the balance sheet at their estimated present value based on the position's contract-based cash flow, based on interest rate- and foreign currency conditions on the accounting day in question.

NOTE 23: OTHER LIABILITIES

Parent Bank				**Group**		
2004	2003	2002		**2004**	2003	2002
3	6	3	Securities subscribed for, against future settlement	3	6	3
3	**6**	**3**	**Total other liabilities**	**3**	**6**	**3**

NOTE 24: LOAN ADMINISTRATION, CUSTODIAL- AND TRUST SERVICES

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 86 million as at 31.12.2004.

NOTE 25: EVENTS OCCURRING AFTER 31.12.2004

In January 2005, the Bank sold some shares in Actor Fordringsforvaltning AS, after which the Bank's equity stake was reduced from 50 to 40 per cent. The sale produced an accounting gain of NOK 12.7 million, which has been booked as income in the first quarter of 2005.

Cash Flow Statement

(Amounts in NOK million

Parent Bank				Group		
2004	2003	2002		2004	2003	2002
9.369	8.436	6.582	Year's instalments on repayment loans etc. to customers	9.742	8.780	6.887
			Change in advance rental payments relating to leasing	13	5	2
-11.619	-10.723	-7.775	Newly discounted repayment loans etc. to customers during the year	-12.312	-11.136	-8.148
115	-124	-335	Change in balance relating to foreign currency loans	115	-124	-335
44	86	-148	Change in balance relating to credits	44	86	-148
990	1.347	1.527	Interest- and commissions receivable from loans	1.042	1.403	1.547
8	6	9	Recoveries in respect of previous years' confirmed loan losses	8	6	10
4	0	-3	Change in expected recoveries relating to bankruptcies	4	0	-3
-1	0	0	Change in repossessed assets	1	1	1
-1.090	**-972**	**-143**	**Cash flow from lending activities (A)**	**-1.343**	**-979**	**-187**
809	1.131	775	Change in customer deposits - no agreed maturity	795	1.122	784
75	61	57	Change in customer deposits - with agreed maturity	75	61	57
-221	-541	-760	Interest payable to customers	-220	-539	-757
663	**651**	**72**	**Cash flow from deposit activities (B)**	**650**	**644**	**84**
-661	-229	4	Change in securities held on a short-term basis	-661	-229	4
48	36	-30	Gains/losses on securities held on a short-term basis	48	36	-30
39	71	88	Interest received from bonds and certificates	40	71	88
6	5	4	Dividends received on shares held on a short-term basis	5	5	4
-568	**-117**	**66**	**Cash flow from securities trading C**	**-568**	**-117**	**66**
-203	-18	-100	Change in claims on credit institutions - with agreed maturity	-72	31	-38
22	51	56	Interest received from deposits with credit institutions	8	26	56
-181	**33**	**-44**	**Cash flow from deposits with credit institutions (D)**	**-64**	**57**	**18**
176	176	166	Other income	214	211	204
-472	-444	-415	Operating costs payable	-521	-481	-453
-82	-108	-91	Payment of taxes	-86	-117	-101
-4	-2	-2	Donations	-4	-2	-2
-15	11	-9	Change in other assets	-44	9	0
7	5	-20	Change in items subject to accrual accounting	6	5	-15
25	11	-1	Change in other liabilities	40	19	-19
-365	**-351**	**-372**	**Remaining cash flow from current operations (E)**	**-395**	**-356**	**-386**
-1.541	**-756**	**-421**	**CASH FLOW FROM OPERATIONS (A+B+C+D+E=F)**	**-1.720**	**-751**	**-405**
219	148	-286	Change in deposits from credit institutions	206	148	-286
5.940	3.704	3.246	Net proceeds received from issuance of securities	5.940	3.704	3.246
-3.737	-2.197	-2.270	Repayments made at maturity of borrowings evidenced by securities	-3.737	-2.197	-2.270
-361	-650	-145	Own securities repurchased	-361	-650	-145
-191	-220	-223	Interest payable on funding loans	-190	-220	-223
1.870	**785**	**322**	**Cash flow from funding operations (G)**	**1.858**	**785**	**322**
-86	-22	-17	Invested in fixed- and intangible assets	-89	-23	-18
13	1	6	Sale of fixed- and intangible assets at sales price	13	1	7
-225	-7	0	Purchase of long-term securities	-11	-7	0
0	0	37	Sale of long-term securities	0	0	1
36	11	15	Dividends received from fixed assets	16	7	12
-262	**-17**	**41**	**Cash flow from investment in fixed assets (H)**	**-71**	**-22**	**2**
			Impact on liquidity of acquisition and sale of subsidiaries (I)	0	0	20
67	**12**	**-58**	**CHANGE IN LIQUID FUNDS (F+G+H+I)**	**67**	**12**	**-81**
358	346	404	Liquid funds as at 01.01	358	346	407
425	358	346	Liquid funds as at 31.12	425	358	326
			Liquid funds as at 31.12 consist of;			
324	328	175	Cash-in-hand and claims on central banks	324	328	175
101	30	171	Deposits with and claims on other banks - with no agreed maturity	101	30	171
425	**358**	**346**	**Total liquid funds as at 31.12**	**425**	**358**	**346**

Report for 2004 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 2004.

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, in the case of the Bank's customers, its own staff and elected representatives. 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
the Financial Regulatory Agency of Norway'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 Financial Regulatory Agency of Norway 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 2004.

Hamar, 17 March 2005

The Control Committee of Sparebanken Hedmark

Auditor's report from 2004

To Sparebanken Hedmark's Board of Trustees

We have audited Sparebanken Hedmark's annual accounts for the 2004 accounting year, which show a NOK 270 million profit for the year for the Parent Bank and a profit of NOK 270 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 2004, and of the result and cash flows in the accounting year, in accordance with good Norwegian accounting practice
- the Bank's management has fulfilled its duties of ensuring that all registration and documentation of account information has been done in a proper and clear manner, in compliance with applicable laws and good Norwegian accounting practice
- the information relating to the annual accounts contained in the Annual Report, the assumption of a going concern and the proposal for allocation of the profit for the year are consistent with the annual accounts and in accordance with applicable laws, rules and regulations.

Hamar, 17 March 2005
ANDERSENS REVISJONSBYRÅ AS

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

Consequences of the new international accounting standars (IFRS)

As mentioned in the Annual Report 2004, the Board of Directors has decided to postpone the transition to the new international accounting standards. The Bank nevertheless wants to show the most important effects such a transition will have. An evaluation of the effects this transition would have had on the Group's equity capital as at 01.01.2005, if the Bank were to have chosen to make the transition to the new accounting standards on that date, has therefore been done. In connection with this evaluation, the following points should be made:

- The Bank has not yet made a final decision about all the principles involved and the consequences of the transition to the new accounting standards. The figures shown in the calculations below must accordingly be regarded as preliminary estimates.
- The foreign currency-, interest rate- and share price conditions at the end of the year form the initial basis for the calculations. The actual changes in the Bank's equity capital will depend on the foreign exchange-, interest rate- and share price conditions the day on which the Bank actually makes the transition to the new accounting standards. In view of movements in the markets, the actual impact on the Group's equity capital may therefore turn out to be significantly different from the figures shown in the table below.
- The calculations are based on the understanding and interpretation of the IFRS standards at the present time. These new standards are in the process of being developed and may therefore have been amended by the time the Bank makes the transition. In addition, the interpretation and implementation of the standards may have changed by the time the Bank makes the switch to the new standards. These circumstances may result in the actual effects on the Group's equity capital turning out to be different from the figures shown below.
- In cases where the calculations of the various values involved are not based on known market values in liquid markets, those value assessments will be subject to a significant amount of judgment, opinion and discretion.

The most important effects on the Bank's accounts of the new accounting standards will be as follows:

- All financial instruments are to be shown in the balance sheet at market value. Any value changes will partly be adjusted through the profit and loss account and partly in relation to the equity capital. This may produce larger variations both in the overall result and equity capital than what is the case on the basis of today's rules and regulations in this connection.
- The rate of discounting applied to the computation of the Bank's pension liabilities shall be based on market interest rates on the accounting day in question. This may produce larger variations both in pension costs and pension liabilities than what is the case against the background of the historical practice within this area.
- Provisions for employer's social security contributions and pension liabilities shall be calculated on actual liabilities, whereas today such provisions are assessed on net pension liabilities after adjusting for non-amortised discrepancies in estimates and differences between actual and expected return on the funds in question.
- Establishment fees for loans are to be booked as income according to the effective interest rate method. This will reduce the Bank's equity capital at the time of conversion, as all establishment fees according to today's accounting rules are booked as income straight away. However, over time, this change is not expected to produce significant effects on the profit and loss account compared with current practice.
- The rules relating to the treatment of loan losses and the inclusion of interest as income in this connection will be changed. Today, specific losses are essentially booked as the difference between the commitment's book value and the assessed value of the collateral security provided. In accordance with the new rules, losses are to be booked as the difference between the commitment's book value and the estimated present value of the commitment's anticipated cash flow. Non-specific loss provisions will be replaced by group provisions for loans. As a main rule, these will also have to be based on present value considerations. The Bank has so far not calculated the effects of this.
- The requirements relating to a breakdown of larger construction items and the establishment of separate depreciation schedules for the various separate items are expected to reduce the level of annual depreciation relating to the Bank's buildings and real estate.

- Derivatives factored into products such as equity-linked bank deposits and index bonds will have to be separated out from the main contracts and shown in the accounts at their market value.
- Some companies of which the Bank owns between 20 and 100 per cent are today not consolidated as the equity stakes in question are not intended to be permanent. These companies will have to be shown in the account as associated companies or will have to be consolidated as subsidiaries according to IFRS, whose criteria for non-consolidation are stricter.

Evaluation of the impact on the Group's equity capital as at 01.01.2005 if the Bank were to have made the transition to the new accounting standards as at 01.01.2005:

	Explanatory notes		
Book value of equity capital as at 31.12.2004			2.947
Differences which would increase the equity capital:			
Surplus values – not shown in accounts – relating to interest-bearing securities	1	5	
Surplus values – not shown in accounts – relating to quoted shares	2	1	
Surplus values – not shown in accounts – relating to unlisted shares	3	74	
Change relating to the way in which companies are consolidated	4	14	
Changes in principles relating to real estate	5	75	
Value of off-balance sheet interest rate derivatives	6	48	
Value of off-balance sheet equity capital-related derivatives	7	18	
Provisions for donations during the year	8	4	
Other differences	9	1	
Total equity capital-increasing differences		240	240
Differences which would reduce the equity capital:			
Establishment fees booked as income	10	-47	
The separating out of incorporated (referred to on previous page) derivatives	11	-18	
Pension provisions – 'corridor effects' as at 01.01.04	12	-50	
Pension provisions – changed basis for employer's social security contributions	13	-12	
Deferred tax on net equity capital changes	14	-5	
Total equity capital-reducing differences		-132	-132
Differences not estimated:			
Loss provisions relating to loans and guarantees	15		
Estimated equity capital if conversion had taken place on 01.01.05			3.055

Explanatory notes

1. Interest-bearing securities, except those in the Bank's trading portfolio, are today shown in the accounts at the lower of book- and market value. In accordance with IFRS's rules and regulations, such securities are to be shown in the accounts at their market values.
2. Shares not part of the Bank's trading portfolio are today shown in the accounts at the lower of book- and market value. In accordance with IFRS's rules and regulations, such shares are to be shown in the accounts at their market values. In this assessment, quoted shares are valued at the remaining purchase price on the accounting day in question.

3. Shares not part of the Bank's trading portfolio are today shown in the accounts at the lower of book- and market value. In accordance with IFRS's rules and regulations, such shares are to be shown in the accounts at their market values. The value assessment of unlisted shares is to a large extent based on best judgment. Smaller share items are not valued, but shown at book value.
4. The Bank today has equity stakes of between 20 and 100 per cent in some companies without these companies being treated in the Bank's accounts as subsidiaries, associated companies or

joint venture businesses, due to the fact that such equity stakes are not intended to be permanent. IFRS's criteria for non-consolidation are stricter and these companies will have to be consolidated.

5. The breakdown of real estate portfolios, resulting in changes in depreciation schedules, is regarded as a change of principles. In addition, any write-ups already done are cancelled out. The impact of these two factors will be shown in relation to the equity capital as at 01.01.
6. Off-balance sheet interest rate derivatives, e.g. interest rate derivatives which are not part of the Bank's trading portfolio, or which do not hedge placements in interest-bearing securities, are assessed at market value on the accounting day in question.
7. Market value of equity capital-related derivatives hedging the risk relating to equity-linked bank deposits or index bonds.
8. Donations are not classified as liabilities until they have been finally approved by the Bank's Board of Trustees.
9. This, amongst other things, comprises the transition from the average principle to the 'first in,first out' principle with regard to the calculation of gains on placements in interest-bearing securities, as well as the transition from straight line accrual accounting of any premium or discount relating to interest-bearing securities and securities-related liabilities to the application of the effective interest rate method.
10. Accrual accounting applied to establishment fees over the expected time period involved. The amount refers to the reversal of that part of the establishment fees which has already been booked as income and which will be booked as income during the coming years.
11. Negative value of issued share index options relating to equity-linked bank deposits and index bonds. These options shall be separated out of the main contract and shown in the Bank's accounts at market value.
12. Discrepancies etc. – not incorporated in the profit and loss account – relating to pension liabilities as at 01.01.2004, adjusted for profit and loss inclusion in 2004.
13. Employer's social security contributions are calculated on pension liabilities before 'corridor effects' are taken into consideration, not on net pension liabilities, as is the case today.
14. Deferred tax on the abovementioned changes.
15. The financial impact on the Bank's loss provisions has not yet been calculated.

Actor Fordringsforvaltning AS

Hamar, Gjøvik and Oslo

In 2004, Actor Fordringsforvaltning AS (Actor) strengthened its position as a leading provider of debt collection services within the Norwegian banking- and financial services industry. This is partly due to the fact that Sparebanken Sør has become a new, big customer, having transferred its entire debt collection portfolio to Actor.

Today, Actor is Norway's only bank-owned debt collection agency, having more financial institutions amongst its customers than any other Norwegian companies of this kind. Sparebanken Hedmark acquired the company in 1990, owning all its shares until 2002. Today, Terra-Gruppen owns 50 per cent of Actor's shares. At the beginning of 2005, Sparebanken Hedmark sold 10 per cent of its shares to Sparebanken Sør. As a result of Actor's growth in recent years, Sparebanken Hedmark's share of the company's turnover has fallen to about one fifth.

In 2004, Actor received some 7,000 new orders. This involved a small reduction compared with 2003 and has to be viewed in connection with today's low level of domestic interest rates. The company's level of debt collection services within banking and financing has decreased significantly as a result of private households' improved financial position. In spite of this, total turnover was up from NOK 33.7 million in 2003 to NOK 34.7 million in 2004.

The NOK 14.5 million result before tax was a little down on the year before, when the company earned NOK 15.2 million. The company's overall competence has been further strengthened and extra costs have been involved in order to deal with new customers in 2005. Two new positions have been established and Actor today employs 24 people. Four of the company's staff are lawyers on a permanent employment basis and nine of its employees hold a licence to conduct debt collection business. During the course of last year, Actor established its own IT platform and appointed an IT manager. The administrative work is now done much more effectively and big customers today submit their orders electronically.

In 2004, Actor increased its share capital from NOK 3 million to NOK 12 million. The company today manages a claims portfolio of NOK 1.5 billion. This includes services such as ordinary invoice-based collection, recovery of debt (if necessary by legal proceedings), claims administration, legal advisory services and other loss-reducing services. Actor's operations are conducted on a nationwide basis and the company also assists foreign banks located in Norway. Through its network of partners and contacts, Actor is also able to provide debt collection services in other countries.

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Hedmark Eiendom AS

Hamar, Kongsvinger, Elverum, Brumunddal and Moelv

The property market in Hedmark was very strong in 2004. This was mainly due to low interest rates, a stable employment situation and private households' generally good financial position. The market for new houses has also been good. Many people want to live in centrally located apartments – a trend which has continued.

Hedmark Eiendom AS is a fully-owned subsidiary of Sparebanken Hedmark and the leading real estate brokerage company in Hedmark with branches in the biggest and most densely populated places within the county. A new branch was established at Moelv in 2004. The two branches at Ringsaker today share premises with Sparebanken Hedmark. This will contribute towards mutually positive cooperation between the two companies.

In 2004, the company sold 1,126 properties, amounting to NOK 1.3 billion, up by some 17 per cent on the year before. This involved about 32 per cent of all properties sold in Hedmark in 2004. In the county as a whole, the sale of properties was up by 8.5 per cent on 2003. Prices rose by approximately 10 per cent for residential property and by about 5 per cent for holiday cottages.

The sale of residential property accounts for the largest part of the company's business (82 per cent measured on the basis of the number of properties sold). The second most important part involves holiday cottages (about 10 per cent), small farms accounting for some 6 per cent and commercial and industrial property for 2 per cent.

In 2004, some 570 holiday cottages were sold in Hedmark, up by about 15 per cent. Hedmark Eiendom sold approximately 20 per cent of these cottages. The company will make every effort to market itself as Hedmark's real estate brokerage company with local knowledge. The company has real estate brokerage offices at Trysil and Moelv, providing very good coverage of the large holiday cottage areas within the county.

The general competition between real estate brokers in the county – the number of whom has now gone up to 14 – has become fiercer than before. The downward pressure on commission levels is likely to continue.

In the future, we shall focus on the further training and development of our staff, within the areas of sales and customer service. The company employs 31 people on a permanent basis, the equivalent of 30.3 man-years. Last year, four of our brokers became state authorised real estate brokers. More than half of the company's staff are now state authorised real estate brokers or lawyers.

In 2004, Hedmark Eiendom established a separate department for the sale of commercial and industrial property. The new unit has received many new orders. Commercial and industrial property often takes a long time to sell, a typical feature of this market. The sale of the Haslemoen military camp and its buildings is the biggest single piece of business the company has done so far.

Hedmark Eiendom feels that the cooperation with its parent company is most useful. This will be further developed in order to be as well prepared as possible to meet future challenges.

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Hedmark Finans AS

Hamar

Hedmark Finans AS's new sales of services increased substantially, reaching a very good level in 2004. 'Car administration' was introduced as a new product and this has been an exciting and challenging investment for the company.

Hedmark Finans AS is a wholly-owned subsidiary of Sparebanken Hedmark. Since the company's establishment in 1996, it has developed into a significant player in the areas of leasing and vendor's lien-related financing within Hedmark and Oppland. The company's core business areas are the financing of liquid assets such as the leasing of tangible movable property and assets, cars, vendor's lien-based car financing, camping vehicles and motorcycles. Vendor's lien-based financing is mainly done within the market of private individuals, whereas leasing-based financing is done only in the business market.

2004 was an exciting and challenging year for Hedmark Finans. The company received new contracts worth about NOK 700 million, up by 47 per cent on 2003 and the best ever since it was originally established. Of this, leasing accounted for NOK 326 million, vendor's lien-based financing for NOK 325 million and 'car administration' services for NOK 42 million. So far, 'car administration' represents about 4 per cent of the company's total balance sheet.

In view of the higher business volumes both within leasing and vendor's lien-based financing, coupled with the establishment of the 'car administration' system, overall manning levels were increased from 12 to 17 employees in 2004. In addition, Sparebanken Hedmark provided NOK 500 million in order to boost the company's equity and related capital enabling Hedmark Finans to finance its growth.

At the end of the year, the company's balance shet total passed NOK 1 billion. The pre-tax result amounted to NOK 11.5 million, down from NOK 15.5 million in 2003. The reduction is principally attributable to capital investment in connection with the new business area, 'car administration', coupled with increased non-specific loss provisions due to higher business volumes.

Hedmark Finans expects the 'car administration' services to bring about significant volume growth in business during the next few years. Credit demand will increase due to a larger number of new customers requiring the company's services in 2005, the increase expected to be on the same level as in 2004.

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	Hedmark Eiendom AS	**Actor Fordringsforv.AS**	**Hedmark Finans AS**
Result befor tax (1.000 kr)	3.986	10.352	11.525
Equity capital (1.000 kr)	7.784	12.870	301.982
Total assets (1.000 kr)	21.012	34.238	1.087.906
Number of staff	31	24	17
Number of branches	6	3	1
Sparebanken Hedmark's equity stake	100%	50%	100%