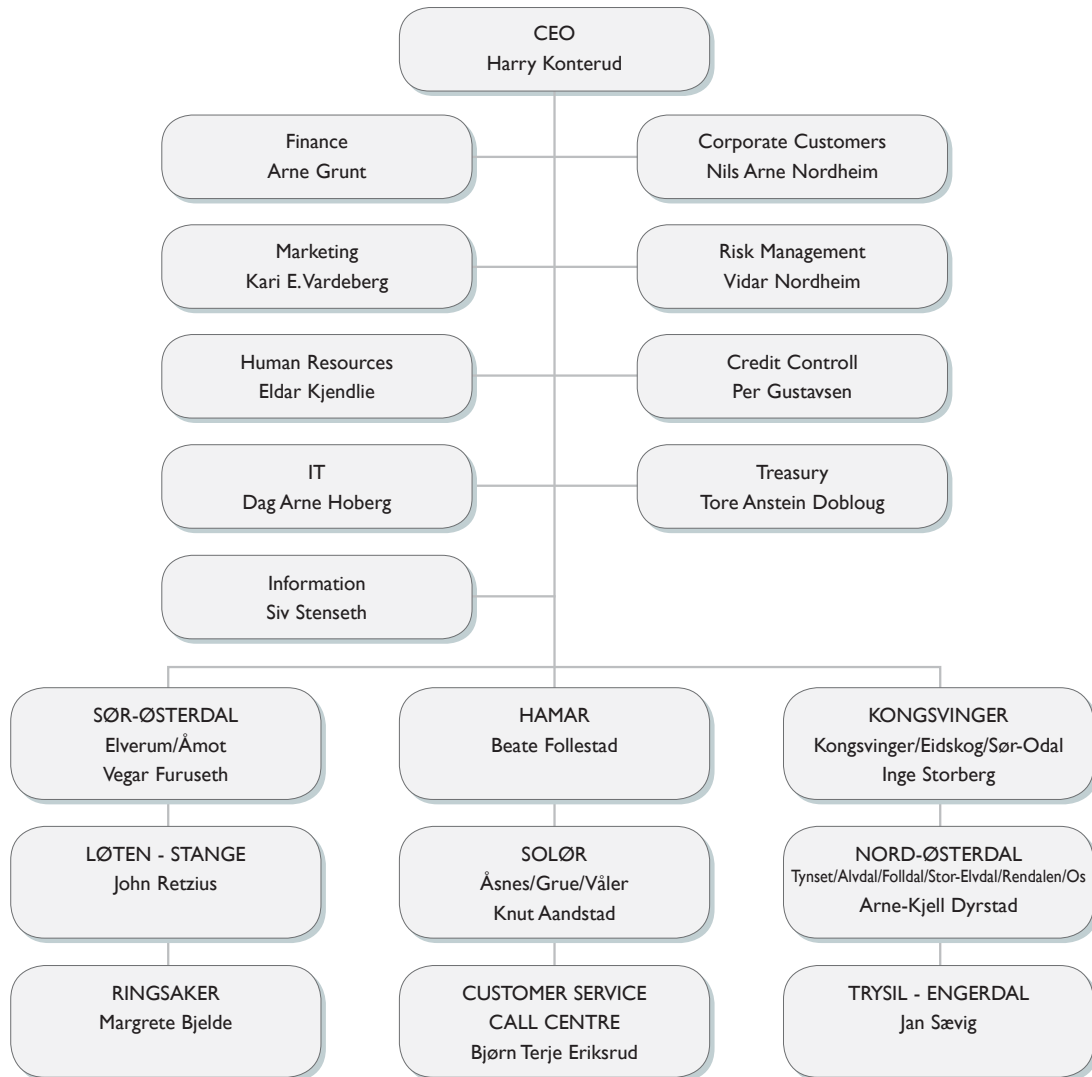


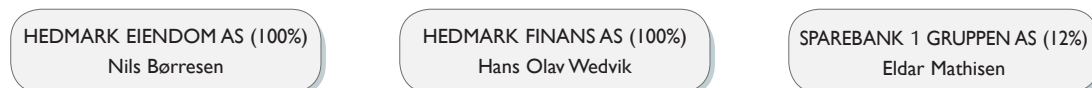
Annual report

2007

Sparebanken Hedmark



Subsidiaries/Associated companies



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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.



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Financially strong and ready for the future

2007 was a very good year for Sparebanken Hedmark. The NOK 614 million Group result was the best ever and the best among all Norway's regional savings banks.

It is particularly pleasing to note that the first three places in the bank league are occupied by SpareBank 1 member banks. This shows that the SpareBank 1 concept is right for our time, a good concept which is today preferred by an increasingly large number of customers. It is therefore natural that Sparebanken Hedmark will now be taking the consequences of its new partnership with the SpareBank 1 alliance by changing its logo. After 25 years with the savings bank oak as its trademark and brand, we now have started using the SpareBank 1 alliance's logo and colour profile.

We do this partly in order to share the marketing costs involved with the other member banks in the alliance. Sparebanken Hedmark is a strong regional brand. The products and competence to which we have access through the SpareBank 1 cooperation, further enhance our competitiveness.

Our new area of investment and emphasis, insurance, has already produced good results. During the course of the year under review, a competent and effective insurance organisation was established. I expect the good sales results to continue, enabling us to realise our big ambitions in this area.

In 2007 too, competence development throughout our organisation was given high priority. During the last two years, most of our customer consultants have acquired the necessary qualifications as authorised financial

advisers. In addition, we are now running a comprehensive management development programme for all the Bank's managers.

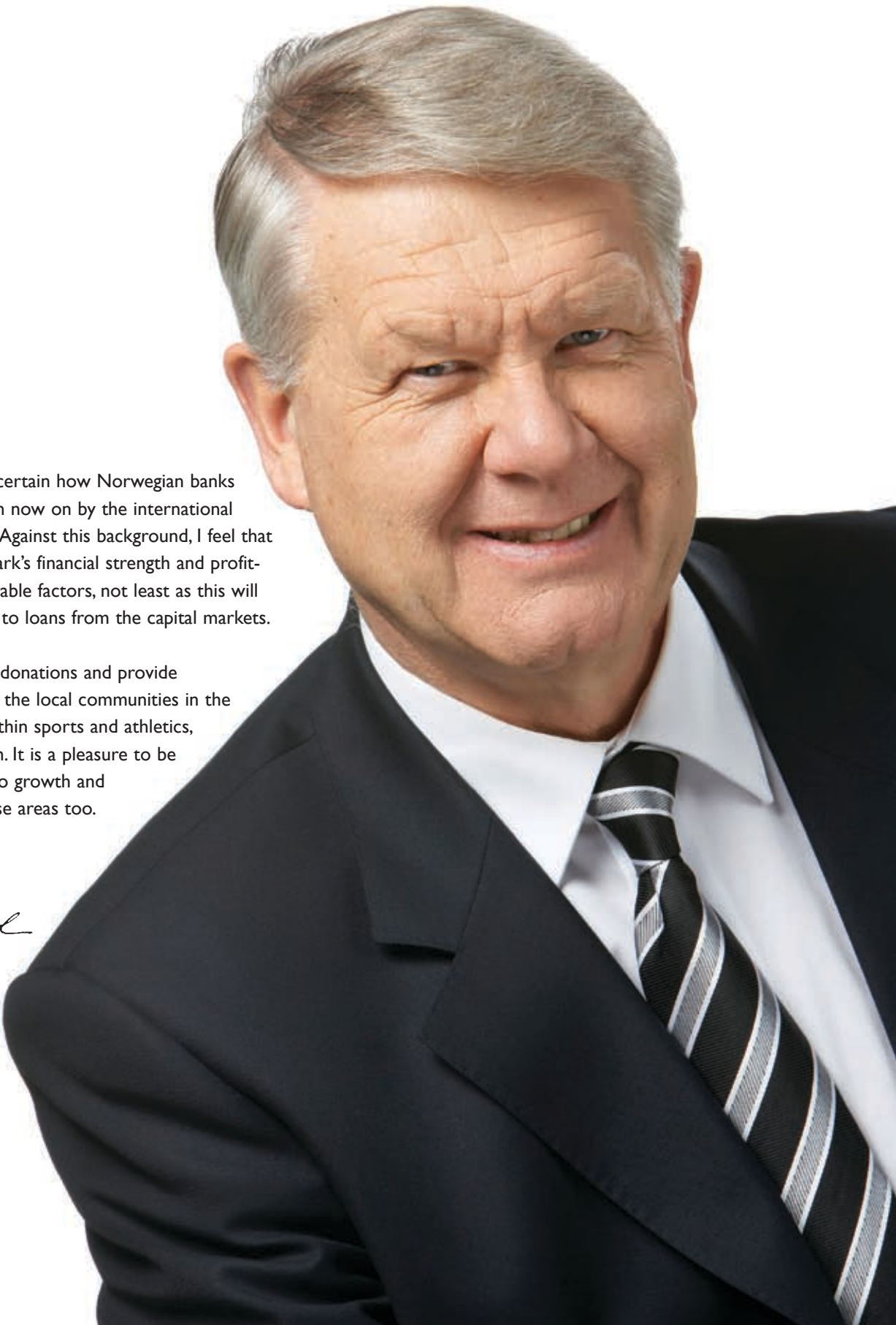
A good general economic situation, satisfied customers, competent employees and a unique corporate culture are all key factors required for producing a good result. I am convinced that the market-related challenges facing us due to weaker economic prospects will be tackled well by our competent and motivated staff.

Large resources have been invested in order to improve the Bank's credit- and risk management. Our aim is to become an approved IRB-bank during the course of a couple of years. Such an approval will confirm that the Bank's control and risk management are of the high quality which will safeguard the Bank against any financial setbacks during a downturn in the economy.

The situation in the international financial markets remains unsettled. American banks have been irresponsible as far as their lending policies are concerned and this has produced a knock-on effect among banks throughout the world. The trust between banks has been impaired and this has brought about increased funding costs.

Our annual result for 2007 shows that we still manage to further improve our financial strength. This will stand us in good stead.



A portrait of Harry Konterud, an older man with grey hair, wearing a dark suit, white shirt, and a striped tie. He is smiling slightly and looking towards the camera.

No one knows for certain how Norwegian banks will be affected from now on by the international economic situation. Against this background, I feel that Sparebanken Hedmark's financial strength and profitability will be favourable factors, not least as this will ensure good access to loans from the capital markets.

Each year, we make donations and provide sponsorships within the local communities in the Hedmark region, within sports and athletics, culture and research. It is a pleasure to be able to contribute to growth and development in these areas too.

Hamar, 4 March 2008

A handwritten signature in black ink, reading "Harry Konterud".

Harry Konterud
Chief Executive Officer

This is Sparebanken Hedmark

The Bank dates back to 1845. Funds provided by local granaries, local communities, municipalities and private persons formed the basis for the first savings banks in Norway.

Mergers

The Bank is the result of mergers of former, independent savings banks in Hedmark. Through several mergers, 22 local savings banks have developed into Hedmark's largest source of capital, with the Bank's head office located in Hamar. Sparebanken Hedmark took its present name in 1982.

A cornerstone

Sparebanken Hedmark is today a cornerstone in the local communities throughout the region of Hedmark with its many branches located in 20 of the county's 22 municipalities. The Bank offers a broad range of products and services within the areas of loans, deposits, insurance and payments transmission.

Growth and development

As the leading player within our market area we assume responsibility for growth and development by providing financing to private persons and businesses wanting to realise good ideas. In this way, the Bank helps people to be able to build, live and work here.

Donations to the local communities

Sparebanken Hedmark has long traditions with regard to transferring parts of its profit back into the local communities. This is done through annual donations to clubs and associations and for other good causes. Sparebanken Hedmark also sponsors popular types of sport and other activities for children and young people, involving financial support amounting to many millions of kroner each year. In addition, the Bank has a separate Donations Fund, which provides financial support for larger projects within culture, research and education.

Business concept

Sparebanken Hedmark shall offer existing and new customers complete and comprehensive banking-, finance- and insurance products geared to the future. Sparebanken Hedmark shall be so competent, close and committed to its customers that private persons, businesses and public sector entities prefer to have a long-term relationship with the Bank.

Vision

Creating together.

Values

Competent, near, involved.

Local knowledge and roots

Sparebanken Hedmark is today a self-owning institution with no Primary Capital Certificate-holders. The Bank's local knowledge and roots represent a unique competitive advantage. Sparebanken Hedmark has some 160,000 customers and is close to its market, with 29 branches, whose total staff is equivalent to 460 man-years.

A shareholder in SpareBank 1 Gruppen AS

In July 2006, the Bank acquired a 12 per cent equity stake in SpareBank 1 Gruppen AS. This joint venture cooperation ensures the Bank's competitiveness through effective IT-services, purchasing arrangements and the transfer of competence. The purpose is to join forces nationally, using the member banks' local strength. In this way, customers located in areas other than Hedmark will benefit from a better, overall range of products and services available throughout Norway. They may now use the SpareBank 1 alliance's 340 branches.

The market area

Hedmark is the third largest county in Norway. Hedmark's population of 190,000 inhabitants represents over 4 per cent of Norway's total population. The county benefits from varied nature and scenery, from agricultural fields in the south to large areas of forests in the east, and mountainous regions in the north. Large parts of these mountainous areas are protected. Norway's largest lake, Mjøsa, and the country's longest river, Glomma, are important elements in our cultural landscape. The overall transport requirements are large and the county has the second largest public road network in Norway. Hedmark is in parts thinly populated, almost half of the county's inhabitants living in the municipalities of Hamar, Ringsaker, Stange and Loten. Hedmark's industry and commerce is varied and Hedmark is Norway's largest county for agriculture and forestry. Employment according to industrial and commercial sectors shows that most people work within industry, building and construction, wholesale- and retail trade, hotels, restaurants and the public sector. Unemployment fell in 2007 and is similar to the average level for Norway as whole, 1.7 per cent. Demand for labour has been increasing, mostly within the health- and care sectors, but also in industry-based sectors.

Our ambition is to be a good bank for all these customer groups through a decentralised organisation with good professional competence and substantial local decision-making powers.

2007 – a review of the year

- Sparebanken Hedmark increases the rates of interest for deposits and loans seven times during the course of the year. The lowest rate of interest for house mortgage loans is 6.35 per cent at the start of 2008. The changes happen due to the increases in interest rates in the money market.
- A new corporate employment agreement is entered into with the Bank's staff. One of the features is a more flexible working time arrangement.
- At the end of March we close the doors to customers of the former SpareBank 1 Oslo's branch in Hamar. All customers are transferred to Sparebanken Hedmark.
- Tore Anstein Dobloug from Furnes is appointed as General Manager, Finance. He was previously a General Manager at Sparebanken Hedmark's Corporate Customer Department.
- Sparebanken Hedmark sells its shares (40 per cent) in Actor Fordringsforvaltning AS to SpareBank 1 Gruppen AS.
- Some 150 of the Bank's staff receive their certificates which cover the Bank's own and national requirements for providing advisory financial services.
- A total of NOK 31 million is set aside for donations, of which NOK 25 million is transferred to the Bank's Donations Fund. NOK 6 million is distributed as ordinary donations. During the last two years, a total of NOK 7.9 million has been allocated from the Donations Fund for artificial grass football pitches throughout Hedmark.
- In June, the Hedmark Business Indicator shows that local people's optimism about their own and the country's economy is on the same level as the national average – despite expectations of interest rate increases. 80 per cent of the people in the survey say that they have financial reserves.
- In June, the Bank raises a loan amounting to EUR 115 million in the German Schuldschein market.
- The Bank's market share of retail banking customers in the municipality of Ringsaker exceeds 50 per cent.
- The Bank introduces an electronic warning system making it easy for staff to comment on any circumstances deserving to be criticised.
- In September, the Bank switches to SpareBank 1's telephone bank, a new share trading solution through the Internet-linked bank and at the dealing table. At about the same time, the Bank gets new Internet pages as a result of its cooperation with SpareBank 1.
- John Retzius from Moelv is appointed as branch manager at Løten-Stange. He was previously a regional director for NHO Innlandet.
- Sparebanken Hedmark acquires a 10.7 per cent shareholding in SpareBank 1 Boligkreditt.
- The Bank is reorganised at Østerdalen. Arne Kjell Dyrstad becomes a General Manager for the municipalities of Nord-Østerdal, including Rendalen and Stor-Elvdal. Vegar Furuseth becomes a General Manager for the Sør-Østerdal department, including Elverum and Åmot.
- Over 600 senior customers take part in a 4-day trip to Hardanger and Bergen.
- The Board of Directors enters into an agreement with the Bank's CEO, Harry Konterud, who will continue in his job until his 67th birthday in 2010.
- The Bank starts the sale of agricultural insurance and in that connection, more than 30 staff participate in a training programme.
- Our main employees' representative for 10 years, Atle Brataas, is succeeded by Espen Juel Larsen from Elverum.
- A health-promoting project called Aktiv Bedrift is implemented in cooperation with HMS Ost. In this way, staff are encouraged to be more active with regard to physical exercise.
- The Bank's efforts aimed at young people are producing good results. 70 per cent of the youths invited to a meeting at the Bank after their 18th birthday accept the invitation.
- From the end of the year we offer MasterCard. Customers who have both bank cards and credit cards may use the cards without cost to buy goods and services in Norway and abroad.
- Customers who do all their banking- and insurance business with us are offered a significant discount on insurances.
- The Bank exceeds 100,000 log-ons at the Internet-linked bank in one week.
- PRO, a loyalty bonus programme for small and medium-sized businesses, is established at the Bank.

Annual Report for 2007 from the Board of Directors



Richard Heiberg
Chairman (Born in 1956)

Heiberg is a business school graduate and the Managing Director of Nordic Paper A/S. He has been a member of the Board since 1995. He lives in the municipality of Våler.

The Norwegian economy

The growth in the gross national product for Mainland Norway has been estimated at 5.8 per cent in 2007. This is the strongest growth since 1971, and in line with the growth for 1985. This is the fourth consecutive year with growth in excess of 4 per cent.

Private households' spending has been increasing sharply for several years. In 2007, it was 22 per cent higher than in 2003, when the boom started. Last year's increase was 6.7 per cent. The rise in consumer spending is largely due to the strong real wage growth in recent years. From 2006 to 2007, wage growth has been estimated to end up at 5.7 per cent, whereas the rate of inflation (KPI) was 0.8 per cent.

House prices rose on average by some 11 per cent from 2006 to 2007. However, following several years of strong price rises for residential property, the average price of existing homes fell by just under 3 per cent from June to December 2007.

In 2007, the aggregate credit growth in Norway finished up at 14.5 per cent. Credit growth in the private market was falling throughout the year, whereas the corporate market produced an increasing rate of growth. The growth in private households' debt has been higher than the increase in incomes in recent years, and households' gross debt in relation to income has therefore increased.

Since the summer of 2005, Norges Bank's key policy rate has gone up from 1.75 to 5.25 per cent at the end of 2007. However, the level of interest rates is still at a low level compared with the average for the last 20-year period.

The registered jobless level has been falling markedly during the last two years. At the end of 2007, unemployment was around 2.5 per cent. This is the lowest level since 1988. Employment in terms of the number of man-years involved was 3.5 per cent higher than in 2006.

The surplus on the external balance of payments has been estimated at NOK 320 billion in 2007. This is somewhat lower than the year before, but the surplus amounts to around 14 per cent of Norway's gross national product. Oil- and gas production was somewhat reduced, but this was to a large extent compensated for by higher prices in 2007.

Oslo Stock Exchange's main index was up by 11 per cent in 2007, as against 32 per cent in 2006. In January 2008, after 5 years of very strong growth in the main index, there were significant falls both on the Norwegian and most international stock exchanges.

Turbulence in the securities market

The second half of 2007 was characterised by unsettled conditions in the international credit markets. The turbulence was triggered by the problems in the US market for housing loans with bad security. Through the summer of 2007, the credit rating agencies therefore started to downgrade the value of these loans. This brought about uncertainty in the international credit markets. The turbulence in the credit markets has meant higher funding costs for American banks in particular, but European banks have also been affected by the unsettled conditions.

Against the background of a strong national economy, coupled with Norwegian banks' good operations and financial strength, the consequences have been smaller in our country. Norwegian banks' funding costs, calculated in the form of the applicable margin over money market interest rates, have nevertheless increased markedly. Sparebanken Hedmark is a borrower in the Norwegian bond' and certificate markets. This has meant that the Bank's funding costs have increased.

However, financially strong banks with a high ratio of overall deposit coverage will be less vulnerable in unsettled times. In 2007, the magazine, *The Banker*, rated Sparebanken Hedmark as the financially strongest bank of all the larger banks in Norway.

Local development within the county of Hedmark

In cooperation with TNS Gallup, Sparebanken Hedmark has a survey done each quarter in order to find out about local people's opinions and expectations as far as their own finances and the country's economy are concerned. Throughout 2007, the Hedmark Economic Indicator remained at a high level, significantly higher than in 2006. This means that local people's financial optimism was a dominant feature during the year.

Since 2000, Østlandsforskning has 'checked the pulse' of the Inland Districts through its Inland Districts Index. The 2007 index shows that the region is currently enjoying a period of strong economic growth within most parts of industry and commerce. The general growth is partly attributable to those industries which are doing well within its markets and which are able to take advantage of the period of strong economic expansion in Norway. In the same way as the rest of the country, the building- and construction sector has enjoyed strong growth. Improved purchasing power has brought about increased output within the retail- and wholesale trade, and in the private service sector.

NHO's (Confederation of Norwegian Business and Industry) Economic Barometer for the Inland Districts also showed that industry and commerce were doing well. However, the Barometer did show that businesses expect lower growth in 2008.



Gunnar Martinsen
Deputy Chairman (Born in 1965)

Martinsen is a lawyer and a partner in the firm of lawyers, Thommessen Krefting Greve Lund AS. He was appointed to the Board of Directors in 2006. He lives in the municipality of Ringsaker.



Siri J. Strømmevold
Member of the Board (Born in 1961)

Strømmevold is an IT engineer, with 15 years' experience from the oil industry, including Mobil Expl., Statoil and Saga Petroleum. She is today the General Manager of Tynset Bokhandel. She was appointed to the Board of Directors in 2006. She lives in the municipality of Tynset.

Transition to international accounting standards (IFRS)

With effect from 01.01.2005, all listed companies changed to the international accounting standards. Companies which have bond loans, such as Sparebanken Hedmark, completed the transition from 01.01.2007. The change in accounting principles mainly affect provisions for pensions liabilities and the value assessment of securities and other financial instruments. The new accounting principles put more emphasis on market-based value assessment. In the future, therefore, the Bank's result could vary more from year to year due to changes in the level of interest rates and the market value of securities.

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, SH-Tynset AS, Ringen Eiendommer AS and Stor-Elvdal Hytteforum AS. The three companies, Hedmark Invest AS, Boligkreditt AS and SH-Betalingsautomater AS did not conduct any business operations in 2007, and Stor-Elvdal Hytteforum AS has been in the process of being wound up in 2007. The two largest subsidiaries, Hedmark Eiendom AS and Hedmark Finans AS, earned an after-tax profit of NOK 6 and 11 million respectively in 2007.

Sparebanken Hedmark owns 12 per cent of the shares in SpareBank 1 Gruppen AS, which owns 100 per cent of the shares in SpareBank 1 Livsforsikring AS, SpareBank 1 Skadeforsikring AS, Odin Forvaltning AS and Bank1 Oslo AS. The company also owns 90 per cent of Actor Fordringsforvaltning AS and 24.5 per cent of First Securities AS. SpareBank 1 Gruppen AS achieved a very good result in 2007. The company's preliminary after-tax result totalled NOK 1,177 million. Sparebanken Hedmark's share of the result, which is included as income in the Group profit and loss account, amounted to NOK 141 million.

The Group's 2007 result before tax was NOK 614 million, equivalent to 1.66 per cent of average assets. Corresponding figures for the year before were NOK 507 million and 1.54 per cent respectively. The profit for 2007 is the best ever.

The pre-tax result for the Group is made up as follows:

Pre-tax result for the Parent Bank	NOK 464 million
Share of SpareBank 1 Gruppen AS's result, after deduction of dividend	NOK 129 million
Hedmark Eiendom AS	NOK 4 million
Hedmark Finans AS	NOK 11 million
Other companies and eliminations	
Pre-tax result for the Group	<u>NOK 614 million</u>

As at 31.12.2007, the Group's equity capital totalled NOK 4,067 million.

The capital adequacy ratio was 13.2 per cent.

Sparebanken Hedmark's Head Office is located in Hamar. Most of the Group's operations are conducted in the county of Hedmark.

The Group's operations do not cause pollution of the external environment to any appreciable extent.

Sparebanken Hedmark – The parent bank Profit and Loss Account

With reference to the Accounting Act's requirements regarding the contents of the Annual Report and Accounts from the Board of Directors, it is hereby confirmed that the accounts are based on the assumption of a going concern.

The pre-tax result totalled NOK 464 million, equivalent to 1.27 per cent of average assets. The result ratio is somewhat better than the average for the Norwegian savings banks industry as a whole.

In 2006, the Bank's profit before tax was NOK 462 million, or 1.40 per cent of average assets.

The result in 2007 produced a pre-tax return on equity capital of 13.1 per cent, as opposed to 14.2 per cent a year earlier. In the Board of Directors' opinion, the profit is satisfactory in relation to the Bank's targets.

Net interest income totalled NOK 789 million, which was NOK 38 million up on the year before. The increase amounted to 5.1 per cent, but the Bank's average assets were some 11 per cent higher than the previous year. The reason for the moderate growth in net interest income is that the difference between lending- and deposit rates of interest has shrunk. This shows that competition for customers intensified further in 2007.

Net commission income totalled NOK 125 million, up by NOK 12 million on the year before. 2007 is the first year the Bank has been selling SpareBank 1's insurance products, following the discontinuation of cooperation with Gjensidige at the end of 2006. The income growth in 2007 came entirely from the insurance area.

Income from financial investment, associated companies, joint ventures and Group companies totalled NOK 116 million. Dividends from the Bank's shareholdings in SpareBank 1 Gruppen AS and Sucra AS, coupled with the gain from the sale of 40 per cent of the shares in Actor AS, totalled NOK 60 million. Dividends from other shares and gains on securities amounted to NOK 56 million.



Jan Wibe

Member of the Board (Born in 1942)

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



Grethe G. Fossum

Member of the Board (Born in 1945)

Fossum has a university degree – cand. mag. – and a background as a teacher. She is a former member of the Norwegian parliament and is today Department Manager of Sykehuset Innlandet, Kongsvinger. She was appointed to the Board of Directors in 2006. She lives in the municipality of Grue.

Operating costs at NOK 562 million represented 1.53 per cent of average assets. The corresponding figures for 2006 were NOK 493 million and 1.50 per cent respectively.

Operating costs represent 53.9 per cent of total income, compared with 51.9 per cent in 2006.

The increased costs are mainly due to the fact that in 2007 the Bank's overall manning levels increased by about 30 man-years. The increase is ascribable to the efforts put into the sale of insurance products from SpareBank 1 Livsforsikring AS and SpareBank 1 Skadeforsikring AS. The increase in manning levels is part of the work aimed at further strengthening the Bank's market position as a financial provider of banking- and insurance products.

Losses on loans and guarantees totalled NOK 16 million. Individual losses amounted to NOK 8 million and collective write-downs totalled NOK 8 million. The retail banking- and corporate sectors accounted for NOK 12 million and NOK 4 million respectively of total credit losses. In recent years, the level of credit losses has been very moderate and amounted to 0.05 per cent of gross lending in 2007.

Profit for the year

After a taxation cost of NOK 114 million, the result finished up at NOK 350 million. Against the background of the good result, the Board of Directors proposes that this year too an amount of NOK 6 million is set aside for donations and NOK 25 million for the Donations Fund, which is mainly used for projects within the areas of culture, education and research. Furthermore, it is proposed that NOK 319 million is transferred to the Savings Bank's Fund.

Equity capital and capital adequacy ratio

The Bank's equity capital at the end of the year under review totalled NOK 3,840 million, equivalent to 10.1 per cent of total assets. The equity capital consists in its entirety of retained earnings. The capital adequacy ratio was 13.9 per cent. In 2007, the capital adequacy ratio is for the first time calculated according to the Basel II rules and regulations. The change in the rules and regulations applied has brought about a 0.8 percentage point improvement in the capital adequacy ratio compared with the end of 2006.

Balance Sheet

During the course of the year, assets expanded by 6.6 per cent, standing at NOK 38.0 billion at the end of 2007. Sparebanken Hedmark is the sixth largest savings bank in Norway.

Gross loans to customers totalled NOK 31.4 billion, up by 7.7 per cent during the last 12 months. Growth within the retail banking- and corporate sectors was 9.1 and 4.7 per cent respectively, the two areas accounting for 70 and 30 per cent respectively of aggregate loans. The 7.7 per cent lending

growth is lower than the total credit growth in Norway, which ended up at 14.5 per cent.

Deposits from customers at the end of the year totalled NOK 21.0 billion. The deposit growth amounted to 10.7 per cent in 2007. The retail banking- and corporate sectors grew by 8.2 and 15.5 per cent respectively, the two areas accounting for 64 and 36 per cent respectively of total deposits. Deposits from customers funded 67 per cent of loans.

At the end of 2007, liabilities to credit institutions and debt incurred through the issuance of securities amounted to NOK 11.9 billion, equivalent to 31 per cent of total assets. The corresponding figures at the end of 2006 were NOK 11.4 billion and 32 per cent.

Domestic interest rates

In 2007, Norges Bank increased its key policy rate from 3.50 to 5.25 per cent. During the same period, the Bank's best house mortgage rate was put up from 4.30 to 6.35 per cent. The Bank's deposit interest rate for 'House-related saving for Young People' was raised from 4.00 to 6.20 per cent.

In 2007, the Bank's average effective lending rate was 6.1 per cent, whereas the average interest rate for deposits was 3.5 per cent. Last year, the average interest rate for loans increased by 1.3 percentage points, whereas the average interest rate for deposits was up by 1.4 percentage points.

The yield on 10-year government bonds at the end of the year was 4.7 per cent, up by 1.0 percentage point in the last 12 months.

Risk management

Risk management at Sparebanken Hedmark shall ensure that its risk exposure at all times is known and that it is within the limits drawn up by the Board of Directors. Risk management shall underpin the Bank's target achievement, contributing to a stable and good rate of return on equity capital.

The Bank's quality assurance programme provides the overall guidelines for risk management, including the management of financial risk, which comprises credit risk, market risk, funding risk and operational risk. Each year, the Board of Directors agrees the Bank's financial strategy which covers the areas of funding, shares, interest-bearing securities, financial derivatives trading, foreign exchange and interest rate risk. In the same way, the Board of Directors agrees the Bank's management documents relating to the credit area.

Risk is managed through limits, powers of attorney, guidelines and routines, in addition to requirements with regard to reporting, organisation and competence.



Atle Brataas
Member of the Board (Born in 1963)

Brataas is a graduate (finance) of Norway's BI (business school) and has been the main representative of the Bank's staff on the Board of Directors since 1998. He lives in the municipality of Oslo.



Harry Konterud
Member of the Board (Born in 1943)

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.

Credit risk

Credit risk contained in the lending portfolio represents the Bank's biggest financial risk exposure. Credit risk is managed on an ongoing basis in accordance with the Bank's credit policy, credit-related powers of attorney/delegated lending authority, routines for the granting of credit and different reporting- and follow-up requirements.

Sparebanken Hedmark uses its own risk classification systems as a basis for arranging the credit portfolio in different categories. The models calculate the probability of default and put customers into the sub-groups of low-, medium- and high risk, and commitments in default. As at 31.12.2007, the portfolio breakdown into the above mentioned four different risk groups was 66, 26, 6 and 2 per cent respectively.

Loans to the retail banking sector accounted for most of the growth in 2007. Growth in lending to corporate customers was lower than that experienced by other banks.

The Board of Directors is of the opinion that the overall credit risk contained in the Bank's lending portfolio has not changed to any significant extent in 2007. The Board of Directors applies periodic follow-up to the credit risk.

The Bank's portfolio of interest-bearing securities also involves credit risk for the Bank.

Through the Bank's funding strategy, the Board of Directors has introduced limits for a maximum portfolio amount for interest-bearing securities, and maximum limits for exposure to each business sector and each issuer. The bulk of the Bank's portfolio of interest-bearing securities comprises securities issued by states, banks, mortgage companies and large industrial enterprises. The portfolio was reduced by NOK 0.25 billion in 2007. The Bank has a smaller portfolio of structured, interest-bearing securities.

The Bank's claims on other credit institutions also involve credit risk. The Board of Directors has introduced maximum limits for exposure to each counterpart. Loans made to the Bank's subsidiary, Hedmark Finans AS, represent the largest single claim.

Overall, the Board of Directors is of the opinion that the Bank's aggregate credit risk exposure is moderate.

Market risk

Market risk is defined as the risk of loss due to changes in interest rates, share- and securities prices, and exchange rates. The management of market risk is done through limits agreed by the Board of Directors. Limits have been agreed for total interest rate risk, share risk and foreign exchange risk. The Bank's positions in relation to limits are reported on a regular basis.

The Bank's Board of Directors has agreed limits for the total interest rate risk both with regard to basis risk and yield curve risk. The Bank steers the interest rate risk towards the desired level through the way in which interest rates are fixed for placements and funding loans, and also through the use of interest rate derivatives such as FRAs and interest rate swaps. The Bank's interest rate risk was moderate throughout 2007.

Sparebanken Hedmark increased its holdings of shares, unit trust certificates and Primary Capital Certificates (PCCs) from NOK 331 million to NOK 412 million during the course of 2007. The portfolio was equivalent to 10.7 per cent of the Bank's equity capital as at 31.12.2007. The Bank's risk on shares is regarded as low to modest.

The Board of Directors has increased the limits relating to foreign exchange risk, but the Bank has had a very low exposure throughout the year. Overall, the exposure to foreign exchange risk is considered to be low.

According to the Board of Directors' assessment, the Bank's market risk is moderate.

Funding risk

Funding risk is defined as the risk of the Bank being unable to meet its obligations or being unable to fund its assets, including desired growth in lending, without having to incur significantly increased costs. The management of funding risk is initially based on the funding strategy which fixes limits for the Bank's exposure to funding risk through limits for net funding requirements within the different time periods involved, requirements with regard to long-term funding, the amount of unutilised drawing rights, the level of liquidity reserves and the length of the time period during which the Bank shall be independent upon new funding from the money- and capital markets. In addition, the Bank has set targets for its balance sheet structure. The targeted capital adequacy ratio shall be minimum 14 per cent and customer deposits shall amount to at least 60 per cent of gross lending.

The Financial Supervisory Authority of Norway's (FSAN) liquidity indicators for financing involving remaining life of more than one month and over one year were 107.7 and 112.7 respectively at the end of the year.

The Bank's funding risk is deemed to be moderate, which is also illustrated by the above mentioned liquidity indicators.

Operational risk

Operations risk is defined as the risk of loss as a result of insufficient or failing internal processes or systems, human errors, or external events. The management of operational risk is initially based on the Bank's policy for quality assurance.

Annual risk assessment of different areas is done. This provides the basis for control actions which are followed up on through the Bank's quality model.

Against the background of the Bank's revenue generation and financial strength, coupled with the organisation's competence and management systems, the Board of Directors is of the opinion that the Bank's aggregate risk exposure is moderate.

Organisation and personnel

With effect from 01.12.2007, Sparebanken Hedmark's customer activities are organised in 8 geographical profit centres, as against 9 units previously. In addition, a central corporate customer department handles larger and complicated corporate commitments. In addition, during the course of the year, a new investment centre was established, as part of the corporate customer department.

As at 31.12.2007, Sparebanken Hedmark employed 497 people, the banking operations accounting for 482. This involved an increase of 31 man-years during the year. The increase is ascribable to the Bank's efforts aimed at the sale of insurance- and savings products. In addition, the organisation is in the process of developing and strengthening its competence and capacity within the areas of risk management and credit management. The Bank's staff have an average age of 46 years, which has been more or less unchanged in recent years.

The Bank makes every effort to allow for flexibility in staff's different phases of life, amongst other things through the opportunity of individual adaptation to working time. Other measures applied are study leave and the option of a gradual reduction in working time.

In 2007, an organisational project was developed, which is currently being implemented. The project focuses on effectiveness and quality relating to the provision of products and services to a constantly changing and increasingly demanding market. The implementation of the project is continuing in 2008, with emphasis on management development and changed work processes.

Human relations strategy

In December 2007, a new HR strategy was agreed for the period 2008-2010. The strategy shall support the corporate vision, 'Working well together produces good results', and the Bank's strategic, business-related and financial targets. This applies in relation to customers and external cooperation partners, and not least in internal context at the Bank. Employees' competence shall give the Bank's corporate values, 'competent, close and committed', a real meaning.

The Bank shall help every employee to enjoy professional and personal development through his and her entire career at the Bank. The Bank's corporate culture shall be characterised by the wish to concentrate on customers' requirements, the most important aspect. Result awareness and good achievements, coupled with quality and professionalism, working together as a team, respect and care, integrity and ethical awareness

Recruitment

The Bank is making every effort to be recognised as an attractive employer.

Through participation at education fairs and through financial support for research and education, the Bank wishes to be seen as an interesting employer for young people. The Bank also participates in Vikinglauget's trainee scheme, which is aimed at young people with higher education.

During the spring of 2007, the Bank participated in the working environment survey, Great Place To Work. Of some 60 participating companies in Norway, the Bank ended up in 11th place.

The Bank is putting a great deal of effort into the ongoing restructuring of its workforce. Individually adapted measures are being used in this work. During the course of the year, 39 new staff were recruited externally and 18 internally. 75 per cent of the newly recruited employees have higher education of at least bachelor level.

All newly appointed employees at Sparebanken Hedmark complete an individually adapted introductory programme. It is important to provide an effective and quality-assured introduction to the jobs in question. This shall help to bring about good achievements and make sure that employees sell the Bank's products and services in the right way.

Development of skills and competence

In 2007, the prioritised activities within skills and competence development were concentrated on credit and insurance. During the course of the year, a new policy and new routines have been implemented within the credit area. Various training activities have been organised for all staff working within the credit granting area.

Within insurance, a great deal of time and effort was invested in training last year. In addition to the recruitment of more staff with special skills within insurance, training has been arranged for more than 100 employees. This is an important part of the development of financial advisers who are able to deal with a broader range of products and services. The financial adviser shall have good skills within the areas of financing, saving, insurance and payment transmission.

From 2007, the SpareBank 1 alliance's 'learning forums' cover the basic requirements for skills development and skills maintenance relating to professional- and product-relating training. The 'learning forums' are to a large extent based upon E-training, and are supported and supplemented by a number of other and more traditional training activities.

Health and safety and working environment

In 2007, the level of absenteeism through illness was 5.7 per cent, following several years during which the ratio has been stable at between 4 and 5 per cent. Short-term absenteeism through illness was under 1 per cent. The Bank is a Care in the Workplace company and absenteeism through illness has been followed up and reported according to agreed routines. This work is followed up by the personnel and organisation department, with support from the Bank's provider of corporate health services, HMS Øst.

The Bank has been concentrating more on preventative health work. Amongst other things, HMS Øst, has completed a fol-

low-up of a health test called Health Profile. This is an identification tool which shall increase awareness of health and, independent of each employee's basis in this connection, encourage more physical activity. All employees participating in this have received individual feedback in the form of written reports. In addition, through talks given at departmental meetings, attention has been focused on subjects such as health, life style and diet. In December 2007, the Bank started the concept, Active Company, within a framework initiated by Norges mosjons- og bedriftsidrettsforbund. This is an activity where a small competitive element has been introduced, both at individual- and group levels. In this way, the Bank wishes to involve more of its staff in some form or other of physical activity, increasing people's awareness of their own health.

In 2007, one work-related injury was reported to the Labour Inspection Department.

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 overall strategy and human resources strategy.

Salary for all employees is agreed on the basis of the content and requirements of the position in question, and in relation to education, experience and personal qualifications. Every year, a department-related process relating to the allocation of local salary increases is completed. This process actively involves the Bank's elected representatives, and every effort is made to correct any imbalances in this connection in relation to individual employees of groups of staff.

In addition, analyses and assessments are done by the central employment committee in order to pick up on any imperfections.

The Board of Directors consists of 2 women and 4 men, whereas the Bank's Supervisory Board comprises 11 women and 33 men. Female employees account for 57.5 per cent of the Bank's total staff and 33 per cent of all managerial positions.

Prospects for 2008

The growth within the Norwegian economy will probably decrease in 2008.

It will be necessary to adapt to a somewhat higher level of interest rates in 2008. According to Norges Bank's prognoses, interest rates will be increasing somewhat in relation to the level at the beginning of 2008.

The turbulence in the international financial markets has meant higher funding costs for banks. Sparebanken Hedmark's Board of Directors expects this to continue during the first half of the year.

After several years with low losses on loans, a somewhat higher and more normal level must be expected in 2007. On average, over the next 5 years, the Bank does not expect credit losses higher than the targeted maximum limit of 0.6 and 0.1 per cent of gross lending within the corporate- and retail banking markets respectively.

During the autumn of 2007, the overall interest margin settled down after several years of falling margins. In 2008, the margin is expected to remain at the same level as in 2007. This, coupled with enhanced revenue generation from insurance- and life products, is expected to contribute to a good result in 2008 too.

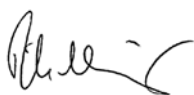
Sparebanken Hedmark's Board of Directors expects the cooperation with SpareBank 1 alliance to bring about added wealth creation during the next few years. The cooperation produces economies of scale within, amongst other things, branded product development, technology and product development.

Vote of thanks

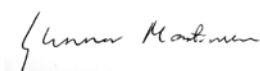
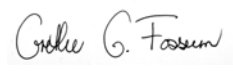
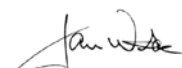

The Board of Directors would like to thank all staff for their efforts and for their contribution to the 2007 result.

The Board of Directors also wishes to express its appreciation to the Bank's customers, elected representatives and connections for their good cooperation in 2007.

Hamar, 28 February 2008.



Richard H. Heiberg
Chairman


Gunnar Martinsen
Siri J. Strømmevold
Grethe G. Fossum
Atle Bratås
Jan Wibe
Harry Konterud
Chief Executive Officer

Profit and Loss Account

Parent Bank		IFRS	IFRS	NGAAP	NGAAP
NOK million	Notes	2007	2006	2006	2005
Interest income	6	2 126	1 512	1 512	1 214
Interest costs	6	1 337	761	761	516
Net interest income		789	751	751	698
Commission income	7	164	152	152	147
Commission costs	7	39	39	39	41
Netto commission income		125	113	113	106
Income from other financial investments	8	59	56	24	97
Income from investment in TS, FKV and Groups cos.	15	57	9	24	13
Other operating income	9	12	21	20	16
Operating costs	10	562	493	508	451
Result before credit losses		480	456	424	479
Losses on loans and guarantees	21	16	-6	-6	57
Result before tax		464	462	430	422
Tax	11	114	136	121	101
Result after tax		350	326	309	321

Balance Sheet

Parent Bank		IFRS	IFRS	NGAAP	NGAAP
NOK million	Notes	2007	2006	2006	2005
ASSETS					
Cash and claims on central banks		881	525	525	411
Loans to and claims on financial institutions	19	1 273	1 359	1 359	1 073
Loans to and claims on customers	20	31 405	29 155	29 166	25 812
Ind. write-down of loans and claims on customers	20, 21	-87	-142	-142	-173
Coll. write-down, loans and claims on customers	20, 21	-82	-74	-74	-70
Net loans to customers		31 236	28 939	28 950	25 569
Securities - at market value through P & L Acct.	16, 17	2 665	2 941	3 060	2 367
Financial derivatives	18	35	102	43	32
Securities - available for sale	16	320	212	0	0
Investment in TS and FKV	15	445	449	485	5
Investment in subsidiaries	15	299	301	303	322
Intangible assets	14	99	99	99	5
Real estate, plant and equipment	13	291	299	266	247
Asset relating to deferred tax	11	75	63	4	5
Other assets	12	390	376	383	372
Total assets		38 009	35 665	35 477	30 408
LIABILITIES					
Liabilities to financial institutions	19	2 987	2 769	2 769	874
Deposits from and liabilities to customers	22	21 024	18 987	18 984	16 869
Debt incurred through issuance of securities	28	8 944	8 641	8 813	8 536
Financial derivatives	18	299	290	32	42
Liabilities relating to period tax	11	127	119	119	104
Other liabilities	23, 24	788	1 305	1 101	622
Total liabilities		34 169	32 111	31 818	27 047
EQUITY CAPITAL					
Donations Fund		65	46	46	25
Fund for value adjustment and estimate discrepancies		36	88		
Savings Bank's Fund		3 739	3 420	3 614	3 336
Total equity capital	25	3 840	3 554	3 660	3 361
Total liabilities and equity capital		38 009	35 665	35 478	30 408

Sparebanken Hedmark's Board of Directors
Hamar, 31 December 2007/28 February 2008

Richard H. Heiberg
Chairman

Gunnar Martinsen

Grethe G. Fossum

Atle Bratås

Siri J. Strømmevold

Jan Wibe

Harry Konterud
Chief Executive Officer

Statement of incorporated income and costs stated against equity capital

PARENT BANK				
NOK million	Notes	2007	2006	
Investments held for sale				
- Net change in securities assessed at market value		-25	26	
- Net change in securities assessed at market value transferred to P & L Acct. on realisation		-1	0	
Change in estimate discrepancies relating to pension		-26	7	
Net result shown direct against equity capital		-52	33	
Result for the year		350	326	
Total incorporated income and costs during the period	25	298	359	

Profit and Loss Account

Group		IFRS	IFRS	NGAAP	NGAAP
NOK million	Notes	2007	2006	2006	2005
Interest income	6	2 174	1 551	1 551	1 250
Interest costs	6	1 334	760	760	516
Netto Interest income		840	791	791	734
Commission income	7	217	198	198	189
Commission costs	7	47	46	46	46
Netto commission income		170	152	152	143
Income from other financial investments	8	59	54	24	97
Income from investment in TS and FKV	15	182	60	39	5
Other operating income	9	15	23	20	16
Operating costs	10	628	549	564	504
Result before credit losses		638	531	462	491
Losses on loans and guarantees	21	24	24	31	65
Result before tax		614	507	431	426
Tax	11	122	140	122	105
Result after tax		492	367	309	321

Balance Sheet

Group		IFRS	IFRS	NGAAP	NGAAP
NOK million	Notes	2007	2006	2006	2005
ASSETS					
Cash and claims on central banks		881	525	525	411
Loans to and claims on financial institutions	19	98	359	359	147
Loans and claims on customers	20	32 883	30 451	30 469	27 005
Ind. write-down on loans to and claims on customers	20, 21	-108	-161	-162	-176
Collective write-down on loans to/claims on custs.	20, 21	-90	-84	-87	-82
Net loans to customers		32 685	30 206	30 220	26 747
Securities - at market value through P & L Acct.	16,17	2 665	2 941	3 060	2 367
Financial derivatives	18	35	102	43	32
Securities - available for sale	16	320	212		
Investment in TS and FKV	15	660	536	485	5
Intangible assets	14	99	99	100	5
Real estate, plant and equipment	13	299	319	279	261
Asset relating to deferred tax	11	88	78	16	9
Other assets	12	501	448	452	460
Total assets		38 331	35 825	35 539	30 327
LIABILITIES					
Liabilities to financial institutions	19	2 970	2 749	2 757	857
Deposits from and liabilities to customers	22	20 812	18 865	18 855	16 810
Debt incurred through issuance of securities	28	8 944	8 641	8 813	8 536
Financial derivatives	18	299	290	32	42
Liabilities relating to period tax	11	131	121	121	109
Other liabilities	23,24	1 108	1 515	1 301	732
Total liabilities		34 264	32 181	31 879	27 086
EQUITY CAPITAL					
Donations		65	46	46	25
Fund for value adjustment and estimate discrepancies		56	113		
Savings Bank's Fund		3 946	3 485	3 614	3 336
Total equity capital	25	4 067	3 644	3 660	3 361
Total liabilities and equity capital		38 331	35 825	35 539	30 447

Sparebanken Hedmark's Board of Directors

Hamar, 31 December 2007/28 February 2008

Richard H. Heiberg
Chairman

Gunnar Martinsen

Grethe G. Fossum

Atle Bratås

Siri J. Strømmevold

Jan Wibe

Harry Konterud
Chief Executive Officer

Statement of incorporated income and costs stated against equity capital

GROUP				
NOK million	Notes	2007	2006	
Investments held for sale				
- Net change in securities assessed at market value		-25	26	
- Net change in securities assessed at market value transferred to profit and loss account on realisation		-1	0	
Change in estimate discrepancies relating to pension		-32	6	
Share of gains and losses in TS and FKV shown direct against equity capital		1	26	
Net result shown direct against equity capital		-57	58	
Result for the year		492	367	
Total incorporated income and costs during the period	25	435	425	

Cash Flow Statement

Parent Bank		Group	
2006	2007	2007	2006
11 531	14 964	15 666	12 185
		-7	10
-14 212	-16 612	-17 501	-14 991
-156	444	444	-156
-552	-1 105	-1 105	-552
1 288	1 791	1 895	1 361
7	7	7	10
0	-3	-3	0
0	1	3	3
-2 094	-513	-601	-2 130
2 118	1 847	1 747	2 051
-3	190	190	-3
-371	-686	-679	-371
1 744	1 351	1 258	1 677
-710	289	289	-709
-13	33	33	-13
88	122	122	87
7	8	8	7
-628	452	452	-628
-303	119	112	-230
56	122	58	23
-247	241	170	-207
230	221	223	276
-528	-593	-613	-588
-104	-119	-121	-106
-4	-12	-12	-4
6	-24	-26	4
33	-100	-106	47
430	-538	-443	498
63	-1 165	-1 098	127
-1 162	366	181	-1 161
1 895	218	408	1 899
4 992	2 649	2 649	4 992
-4 208	-2 219	-2 219	-4 208
-499			-499
-341	-563	-571	-341
1 839	85	267	1 843
-154	-30	-32	-155
4	3	10	4
-446	-114	-114	-446
0	43	43	0
15	37	35	11
-581	-61	-58	-586
96	390	390	96
469	565	565	469
565	955	955	565
524	881	881	524
41	74	74	41
565	955	955	565

Notes

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Note I – Accounting principles

GENERAL INFORMATION

The Sparebanken Hedmark Group consists of Sparebanken Hedmark, the Parent Bank, and its wholly-owned subsidiaries, Hedmark Eiendom AS, Hedmark Finans AS, Hedmark Invest AS, SH Betalingsautomater AS, Boligkreditt AS, SH Tynset AS, Vato AS, Ringen Eiendommer AS and Stor-Elvdal Hytteforum AS. SH Tynset is 50 per cent owned via the subsidiary, Vato AS.

Sparebanken Hedmark has a 12 per cent equity stake in SpareBank 1 Gruppen; the shareholding is incorporated in the Group as a joint venture. In addition, Torggt. 22 and SpareBank 1 Utvikling DA, in which Sparebanken Hedmark has equity stakes of 50 and 11 per cent respectively, are treated as joint ventures.

Fageraasen Invest AS and Engerdalen Høvleribbygg AS are both included in the Bank's accounts as associated companies.

Sparebanken Hedmark's head office is located in Hamar. The Bank has 30 branches, all of which are located in the county of Hedmark. All subsidiaries have their head offices in Hedmark county.

The Group's main operations involve the sale and provision of financial products and services as well as leasing and real estate brokerage.

The Group accounts are finally approved by the Supervisory Board on 3rd April 2008. The Supervisory Board is the most senior body in a savings bank.

ACCOUNTING PRINCIPLES

The basis for preparation of the consolidated accounts

The company- and Group accounts for Sparebanken Hedmark are prepared in accordance with international standards for financial reporting (IFRS). This also comprises interpretations by the International Interpretation Committee for Financial Reporting (IFRIC) and its predecessor, the Permanent Interpretation Committee (SIC).

Sparebanken Hedmark started applying IFRS with effect from 01.01.2007 and this occurred with retroactive effect. In the Profit and Loss Account, Balance Sheet and Notes to the Accounts, one year's comparable figures are shown. For information purposes, Profit and Loss Account and Balance Sheet are also presented according to NGAAP as at 31.12.2005 and 31.12.2006. These figures have been restated in accordance with the new lending rules and regulations. Sparebanken Hedmark has applied IFRS 1 in connection with implementation. Implementation of IFRS involves changed assessment principles and the impact of these is shown against the equity capital as at 01.01.2006. For more detailed information about implementation effects, reference is made to note 2 – Implementation of IFRS.

Presentation currency

The presentation currency is NOK (Norwegian kroner), which is also the Group's functional currency. All amounts are in NOK million unless stated otherwise.

Consolidation

The Group accounts comprise the Bank and all subsidiaries. Subsidiaries are defined as all enterprises of which the Bank has control, i.e. the power to manage a company's financial and operational principles with the aim of profiting from the company's activities. Subsidiaries are consolidated from the time at which the Bank has assumed control, and are no longer consolidated once the Bank has relinquished control. Mutual balance sheet items and all significant profit and loss account-related elements are netted out.

In the case of taking over control of a company (merger), all identifiable assets and liabilities are shown at market value in accordance with IFRS 3. A positive difference between the value of the purchase amount and the market value of identifiable assets and liabilities is shown as goodwill, whereas any negative difference is included as income in the profit and loss account at the time of acquisition.

The Bank has not applied IFRS 3 retrospectively to mergers which were completed before 01.01.2006.

Associated companies

Associated companies are defined as companies in which the Bank has considerable influence. Normally, there is deemed to be considerable influence when the Bank has an equity stake of 20 per cent or more. Associated companies are included in the Group's accounts according to the equity method of accounting. At the outset, the investment is incorporated at acquisition cost and is subsequently adjusted for the Bank's share of the net assets of the associated company. Associated companies are included in the Parent Bank's accounts according to the cost method of accounting.

In 2006, the Bank owned 40 per cent of the company, Actor Fordringsforvaltning AS. In 2007, all shares in the company were sold. The company was treated in the accounts as an associated company. The Bank owns 36 per cent of the shares in Fageraasen Invest AS and 20 per cent of Engerdal Høvleribbygg AS. These companies are also shown in the accounts as associated companies.

Joint ventures

A joint venture can consist of joint venture operations, joint venture assets and joint venture companies. A joint venture means that the Bank, through an agreement, exercises control together with other participants. Associated companies are incorporated in the Group's accounts according to the equity method of accounting and in the Parent Bank's accounts according to the cost method of accounting.

The Bank has a 12 per cent shareholding in SpareBank 1 Gruppen. The other shareholders are SpareBank 1 SR-Bank, SpareBank 1 Midt-Norge, SpareBank 1 Nord-Norge and Samarbeidende Sparebanker AS, each owning 19.5 per cent, and LO (the Norwegian Federation of Trade Unions) owning 10 per cent. The management structure for the SpareBank 1 alliance is stipulated in an agreement between the shareholders. The Sparebanken Hedmark Group classifies its equity stake in SpareBank 1 Gruppen as an investment in a joint venture company.

The Bank owns 50 per cent of the shares in Torggt. 22 AS. The company is incorporated in the accounts as a joint venture company.

The Bank owns 11 per cent in SpareBank 1 Utvikling DA, whose other shareholders are the members banks of the SpareBank 1 alliance and SpareBank 1 Gruppen AS.

Loans and losses on loans

With effect from 01.01.2006, Sparebanken Hedmark started using the new lending rules and regulations of 21 December 2004. This involved the establishment of new routines for the assessment of loans, including write-down for credit losses and amortisation of lending fees over the loan's expected life. The change involved reversals of loss provisions included in the balance sheet and lending fees previously booked as income in the profit and loss account. The impact of the transition was shown against the equity capital.

After the Bank started implementing IFRS from 01.01.2007, loans are assessed at amortised cost in accordance with IAS 39. Amortised cost is defined as acquisition cost minus repayment of the principle amount, plus or minus accumulated amortisation according to the effective interest method, any amount to be deducted in

respect of impairment in value or bad and doubtful loan exposure. The effective interest rate is defined as the rate of interest which exactly discounts estimated, future cash payments received or made over the financial instrument's expected life. The assessment of loans according to IAS 39 accordingly adheres to the same principles as those contained in the lending rules and regulations of 21 December 2004, with reference to circular letter no. 10/2005 from the Financial Supervisory Authority of Norway (FSAN).

Fixed interest rate loans and loans with interest rate guarantee are included in the accounts at market value. Gains and losses due to change in market value are incorporated in the profit and loss account as value change. Accrued interest and premium/discount are treated in the accounts as interest. In the Bank's opinion, the assessment of fixed interest rate loans and loans with interest rate guarantee at market value provides more relevant information about the values in the balance sheet.

Assessment of impairment in value of financial assets

On each balance sheet day, the Bank assesses whether there is objective proof of a financial asset or a group of financial assets having been subject to impairment in value. Impairment in value of a financial asset or a group of financial assets is deemed to have taken place if, and only if, there is objective proof of impairment in value which may bring about reduced future cash flows for servicing the commitment.

The impairment in value must be a result of one or more events having occurred after the first time the item in question had been included in the accounts (a loss event) and it must also be possible to calculate the result of the loss event (or events) in a reliable manner. Objective proof of impairment in value of a financial asset or a group of financial assets comprises observable data about the loss events mentioned below, of which the Group has been made aware:

- significant financial difficulties experienced by the issuer or borrower
- default of contract, such as failure to pay instalments and interest
- the Group grants the borrower special terms and conditions against the background of financial or legal reasons relating to the borrower's situation
- a probability of the debtor entering into debt negotiations or other financial restructurings
- the active markets for the financial asset come to an end due to financial problems, or
- observable data indicate that there is a measurable reduction in future cash flows from a group of financial assets since the first time the asset in question was included in the accounts, even though the reduction has not yet been identified with and linked to an individual financial asset in the group, including:
 - an unfavourable development in payment status for the borrowers in the group, or
 - national or local economic and financial conditions which correlate with default involving the assets in the group

The Bank first assesses whether there is individual, objective proof of impairment in value of financial assets which are individually significant. In the case of financial assets which are not individually significant, the examples of objective proof of impairment in value are assessed individually or collectively. If the Bank decides that there is no objective proof of impairment in value of an individually assessed financial asset, significant or not, the asset is included in a group of financial assets with the same credit risk characteristics. The group is then assessed collectively in order to ascertain whether any impairment in value has occurred. Assets which are individually assessed with regard to impairment in value, and where impairment in value is identified or continues to be identified, are not included in an aggregate assessment of impairment in value.

If there is objective proof of impairment in value having occurred, the amount of the loss is calculated as the difference between the asset's book value and the present value of future cash flows (excluding future credit loss which has not been incurred), discounted at the original effective rate of interest applied to the financial asset in question. The book value of the asset is reduced by using an appropriation account and the loss is charged to the profit and loss account.

Future cash flows from a group of financial assets which have been collectively assessed with regard to impairment in value are estimated on the basis of contract-related cash flows for the group, coupled with historical losses for assets with similar credit risk. Historical losses are adjusted for existing, observable data in order to be able to take into account the effects of existing circumstances which were not ruling at the time when the historical losses occurred.

Commitments in default/bad and doubtful commitments

A customer's total commitments are deemed to be in default and are included in the Bank's summary of commitments in default when instalments and interest due have not been paid within 90 days of maturity or when credit facilities have been overdrawn for 90 days or more.

Loans and commitments which are not in default, but when the customer's financial situation makes it likely that the Bank will incur losses, are classified as bad and doubtful.

Impairment in value of loans shown in the accounts at market value

On each balance sheet day, the Bank assesses whether there is proof of a financial asset or group of financial assets shown in the accounts at market value being subject to impairment in value. A loss as a result of impairment in value is charged to the profit and loss account during the period in which it was incurred.

Confirmed losses

When it is more probable than not that the losses are definite, they are classified as confirmed losses. Confirmed losses which are covered by previous loss provisions are shown in relation to the provisions made. Confirmed losses which are not covered by loss provisions or confirmed losses where there is too much or too little cover in relation to previous loss provisions, are charged to the profit and loss account.

Reposessed assets

As part of the treatment of loans and guarantees in default, in some cases the Bank repossests assets which have been pledged as collateral security for such commitments. At the time of repossession, the assets are assessed at assumed realisation value and the value of the loan commitment is adjusted accordingly. Reposessed assets which are going to be realised are classified as portfolios of fixed assets available for sale and are included in the accounts according to the relevant IFRS-standards (normally IAS 16, IAS 38, IAS 39 or IFRS 5).

Rental agreements

Financial rental agreements are shown under the main item, Loans, in the balance sheet and are incorporated in the accounts in accordance with the principle of amortised cost. All fixed income within the rental agreement's expected life is factored into the computation of the agreement's effective interest. The Group does not have contracts of the type 'sale and lease back' of property, plant and equipment.

Securities

Securities consist of shares and unit trust certificates, certificates and bonds. Shares and unit trust certificates are classified at market value through the profit and loss account or as available for sale. Certificates and bonds are classified at market value through the profit and loss account. All financial instruments which are classified at market value through the profit and loss account are assessed at market value, and changes in value from the opening balance are shown as income from other financial investments in the profit and loss account.

Financial derivatives

Financial derivatives consist of foreign currency- and interest rate instruments as well as financial instruments relating to structured products. Financial derivatives are shown at market value through the profit and loss account.

Goodwill/intangible assets

Goodwill is defined as the difference between the purchase price and the values of the acquired business included in the balance sheet, after identifiable excess of purchase price over net assets acquired – or shortfall – has been incorporated under tangible- and intangible assets at the time of the acquisition. Goodwill in the case of purchase of an associated company is shown in the accounts together with the investment. Goodwill is not depreciated, but is subject to an annual write-down test with the aim of identifying any impairment in value, in accordance with IAS 36. In the case of assessment of impairment in value, the assessment is made on the basis of the lowest level at which cash flows may be identified.

Real estate, plant and equipment

Fixed assets comprise buildings, sites and operational chattels. Buildings and operational chattels are carried in the accounts at cost price minus depreciation and write-downs. Sites are shown in the accounts at cost price minus write-downs. Cost price includes all direct costs applicable to the purchase of the asset in question. Straight-line depreciation is applied in order to allocate cost price minus any residual value over the life of the operating equipment involved.

The Group does not have any property which is to be classified as investment property according to IAS 40.

Funding loans

Other liabilities are initially included in the accounts at issue or similar cost, which is the market value of the amount received minus transaction costs. Loans are subsequently assessed at amortised cost. Any difference between the issue or similar cost and the settlement amount at maturity is therefore subject to accrual accounting over the life of the loan by applying the effective interest rate for the loan. Bond- and certificate-based loans are shown at market value through the profit and loss account. Securities-related debt is evaluated against the swap (bid) curve, adjusted for indicated credit spread relating to the Bank's liabilities.

Pensions

The Group companies have pension schemes for their staff which are guaranteed through payments made to insurance companies or pension funds, and which are determined through periodical calculations made by an actuary. A defined benefit-based scheme is a pension scheme which provides the right to receive a certain future benefit once the applicable pension age has been reached, normally determined by factors such as age, the number of years in employment and salary. The liability relating to a certain benefit-based scheme shown in the accounts is equivalent to the present value of the defined liability, reductions having been made for the market value of the pension resources. The liability relating to the defined benefit-based scheme is computed each year by an independent actuary.

The present value of future, defined benefits is calculated by discounting future payments, using the yield on Norwegian government bonds adjusted for differences in the maturities involved.

In accordance with IAS 19, when applying IFRS in the accounts, actuarial gains and losses (estimate discrepancies) may be shown directly against the equity capital. The Group has chosen to implement this principle in connection with the transition to IFRS.

Interest income and -costs

Interest income and -costs relating to assets and liabilities measured at amortised cost are incorporated in the profit and loss account on an ongoing basis based on the effective interest rate method of accounting. The effective rate of interest is defined as the rate, which, when applied to discounting, makes the present value of the expected cash flow over the expected life of the financial asset or liability in question equal to the book value of the respective financial asset or liability. When calculating the effective interest rate, the cash flow impact included in the agreement involved is estimated, but without taking into consideration any future credit losses. The calculation therefore takes into account factors such as fees, transaction costs and premium or discount in relation to price. If a financial asset is written down in respect of loss, a new effective rate of interest is calculated based on adjusted, estimated cash flow. In the case of interest-bearing financial instruments assessed at market value, the market interest is classified as interest income or -cost, whereas the impact of interest rate changes are classified as income from other financial investments.

Commission income and -costs

Commission income and -costs are generally subject to accrual accounting as the service in question is provided/received. Fees relating to interest-bearing financial instruments are not treated as commissions in the accounts, but are factored into the computation of effective interest and shown accordingly in the profit and loss account. Fees for advisory services are accrued in accordance with the agreement entered into, normally as the service is being provided. Fees relating to the sale or brokerage of financial instruments, property or other investment objects which do not generate balance sheet items in the accounts of the Bank or the Group, are included in the profit and loss account once the transaction in question has been completed.

Transactions and balance sheet items in foreign currencies

Transactions in foreign currencies are translated into Norwegian kroner at the time of the transaction involved. Gains or losses relating to completed transactions or to the recalculation of portfolios of balance sheet items in foreign currencies on the balance sheet day in question are included in the profit and loss account. Gains or losses relating to the recalculation of other items such as money items are included in the accounts in the same way as for the related balance sheet item.

Tax

Taxation cost consists of payable tax and deferred tax. Payable tax is defined as calculated tax on the year's result subject to tax. Deferred tax is shown in the accounts according to the debt method of accounting in compliance with IAS 12. Liability or asset is calculated in the case of deferred tax on temporary differences, defined as the difference between book value and tax-related value of assets and liabilities.

Asset is calculated in the case of deferred tax on tax-related losses carried forward. Asset in the case of deferred tax is to be included only to the extent that an expected future result subject to tax would mean that the related tax benefit could be utilised.

Segmentation reporting

Sparebanken Hedmark's aim is to be a supplier of all financial products and services, partly through services provided by the Bank, and partly by distributing products and services on behalf of joint venture partners; in addition, the Bank has a number of subsidiaries which provide different financial services. Within the Group, different kinds of operations are therefore conducted. The segmentation reporting within the Group is primarily divided into the following four areas: banking, financing, real estate brokerage and other operations.

The Group presents, as its secondary format, a breakdown of loans and deposits according to different industrial, commercial and other sectors.

Occurrences after the day of balance

The accounts are deemed to have been approved for publication once the Board of Directors has dealt with the matter. After this, the Bank's Supervisory Board and the regulatory authorities will be able to refuse approval of the accounts, but they cannot change the accounts. Events occurring up to the time when the accounts are deemed to have been approved for publication, and which relate to circumstances which were already known on the balance sheet day in question, will be included in the information basis for determining accounts-related estimates and therefore be fully reflected in the accounts. Events relating to circumstances which were not known on the balance sheet day will be made known provided that they are significant.

The accounts have been prepared on the assumption of a going concern. In the Board of Directors' opinion, this assumption was applicable at the time when the accounts were approved for publication.

Note 2 – Implementation of IFRS

With effect from 1 January 2007, borrowers with listed loans are required to prepare accounts according to IFRS.

The requirement is contained in the Accounting Act and applies to each accounting year which starts on 1 January 2007 or later, provided that the borrowers involved have listed securities on the balance sheet date in question. According to IFRS 1 – 'Initial Application of IFRS' – a company must provide at least one year's comparable figures on the first occasion the company reports in accordance with IFRS. The restatement of the figures for 2006 according to IFRS ensures that the people using the accounting information are provided with a better basis for comparing the relevant figures.

The implementation of IFRS involves changes to the way in which Sparebanken Hedmark's operations are presented and assessed. Up to 31 December 2006, the Parent Bank and Group prepared Group accounts in accordance with Norwegian accounting laws, FSAN's accounting rules and regulations, and good accounting practice. The most important changes to the accounting principles, the restated profit and loss account and balance sheets for 2006, coupled with the impact of the restatement on equity capital, will be explained in this note.

The new rules and regulations will have no impact on the Group's strategy or on the business- and operations-related management of Sparebanken Hedmark.

The adaptation to the new lending rules and regulations was introduced with effect from 1 January 2006 and implemented in the accounts from this point in time. This adaptation involved a NOK 98 million increase in the Bank's and Group's equity capital in relation to the annual accounts as at 31.12.2005. This adaptation is described in Sparebanken Hedmark's annual report for 2006.

Briefly, the restatement according to IFRS as at 01.01.2006 meant that the Bank's and Group's equity capital was reduced by NOK 156 million and NOK 132 million respectively. The biggest single impact is the zero position of corridor and the change in pension liabilities as a result of new assumptions through the transition to IAS 19. After allowing for changes in deferred tax, this involves a reduction in the Bank's and Group's equity capital of NOK 166 million and NOK 170 million respectively.

Below follows a restatement from NGAAP- to IFRS-figures in the balance sheet as at 01.01.2006, reconciliation of the equity capital as at 01.01.2006, a restatement of the profit and loss account for 2006, and a restatement of the balance sheet as at 31.12.2006. Parent Bank tables are shown first for all restatements, and then Group figures.

IFRS OPENING BALANCE SHEET AS AT 01.01.2006

PARENT BANK	Balance 01.01.2006	Reversal of dividends	Pension adjustments	Change in val. asst.	Reversal/ reclassification	Balance 01.01.2006
ASSETS	NGAAP	1)	2)	3)	4)	IFRS
Cash and claims on central banks	411					411
Loans to and claims on financial institutions	1 073					1 073
Loans to and claims on customers	25 569			13		25 582
Reposessed assets	2				-2	0
Certificates, bonds and other securities with fixed yield	2 230			6		2 236
Shares	137			55	-8	184
Equity stakes in associated companies and joint ventures	5				8	13
Equity stakes in Group companies	321				-22	299
Goodwill/other intangible assets	5					5
Asset relating to deferred tax	5		65	8		78
Fixed assets	246			30		276
Assets held for sale	0				2	2
Financial derivatives	32			165	-4	193
Over-funding of pension liabilities	6		-6		0	0
Other assets	366	-8			0	358
Total assets	30 408	-8	59	277	-26	30 710
LIABILITIES						
Liabilities to financial institutions	874					874
Deposits from and liabilities to customers	16 869					16 869
Debt incurred through issuance of securities	8 536			97		8 633
Financial derivatives	42			146		188
Other debt	306				-6	300
Incurred costs and prepaid income, not yet accrued	290				-4	286
Pension liabilities	107		225			332
Other provisions for incurred liabilities	23					23
Total assets	27 047	0	225	243	-10	27 505
EQUITY CAPITAL						
Donations fund	25					25
Fund for Evaluation Differences	22				-22	0
Fund for Value Adj. and Est. Discrepancies	0			55		55
Savings Bank's Fund	3 314	-8	-166	-21	6	3 125
Total equity capital	3 361	-8	-166	34	-16	3 205
Total liabilities and equity capital	30 408	-8	59	277	-26	30 710

1) Reversal of dividend. According to IFRS, dividends from subsidiaries must not be included as income in the Bank's accounts until they have been approved by the subsidiaries' Boards of Directors. In the subsidiaries, dividends are treated as equity capital and not as liabilities up to the same point in time. In connection with the transition to IFRS, therefore, NOK 8 million has been reversed, and this reduces the Bank's equity capital by a corresponding amount.

2) Pension adjustments. In connection with the transition to IAS 19, which is the IFRS- standard for pensions, IAS 1 (the standard relating to implementation) allowed a zero position for estimate discrepancies (corridor), in its entirety against equity capital. For Sparebanken Hedmark, this amounted to NOK 181 million before tax. Other actuarial calculations and assumptions have been used in connection with the application of IFRS than those which were used under the NGAAP-regime. At the time of transition, this change amounted to NOK 231 million in respect of increased pension liabilities.

3) Change in value assessment. Fixed interest rate loans to customers are assessed at market value according to IAS 39. After recalculation as at 01.01.2006, the difference between NGAAP and IFRS involves an upward adjustment of NOK 13 million. Ordinary shares valued on portfolio basis according to NGAAP are also assessed at market value. At the time of transition to IFRS, the change in accounting principles produced a portfolio increase of NOK 55 million. Other financial assets were up by NOK 171 million. Of this, other securities and financial derivatives accounted for NOK 6 million and NOK 165 million respectively. Financial liabilities increased by NOK 243 million after market value assessment as at 01.01.2006. Of this, debt incurred through the issuance of securities and financial derivatives accounted for NOK 97 million and NOK 146 million respectively. Financial liabilities are classified either as part of the trading portfolio or as securities-related debt in the banking portfolio.

IAS 16, in relation to property, plant and equipment, stipulates that each individual part of property, plant and equipment involving acquisition cost which is substantial in relation to the unit's aggregate acquisition cost, is to be depreciated separately. The amount of depreciation is historical cost minus estimated residual value. In the case of Sparebanken Hedmark, this change means that the amount of depreciation made according to NGAAP is larger than that made in accordance with IFRS, and that the value of fixed assets must accordingly be adjusted upwards by NOK 30 million.

In total, changes in value assessments increase the Bank's equity capital by NOK 34 million, change in asset relating to deferred tax on financial instruments also having been taken into consideration.

4) Reversal/reclassification. Repossessed assets which are to be realised are classified as portfolios or fixed assets held for sale and are included in the accounts in accordance with relevant IFRS-standards (normally IAS 16, IAS 38, IAS 39 or IFRS5). The item 'Repossessed assets' according to NGAAP is reclassified into 'Assets held for sale' according to IFRS. The item is included in the accounts at NOK 2 million. In accordance with IFRS, it is not permitted to include shares of results from subsidiaries, joint ventures and associated companies in the Bank's accounts. These items have therefore been reversed against equity capital as at 01.01.2006. The change amounted to a NOK 22 million reduction in the Bank's equity capital.

Furthermore, Ringen Eiendommer and Stor-Elvdal Hytteforum AS have been reclassified from long-term shareholdings into subsidiaries. The consolidation of these companies increased the equity capital by NOK 4 million. Adjustments involving the subsidiaries Vato AS and SH Tynset AS reduced the equity capital correspondingly, by NOK 4 million.

In accordance with IAS 31 and IAS 28, Torggata 22 AS has been reclassified from long-term shareholdings into joint venture and Engerdal Hoevleribbygg AS has been reclassified from long-term shareholdings into associated company. The aggregate book value of these companies is NOK 8 million.

As at 31.12.2005, a NOK 6 million allocation was made, but not formally approved, for donations. According to IFRS, this amount must form part of the Bank's equity capital until the required resolution has been made. The amount has therefore been reclassified from Other liabilities into Equity capital.

In connection with the transition to IFRS we have chosen to include incurred and accrued interest relating to financial derivatives together with financial instruments in the balance sheet. Previously, these items were shown together with other incurred and accrued interest. The reclassification amounts to NOK 4 million.

5) Asset relating to deferred tax. Adjustments to the pension calculations in connection with the transition to IFRS as at 01.01.2006 amounted to a NOK 65 million increase in the calculation of asset relating to tax. For fixed assets and financial instruments, the change amounted to NOK 9 million and NOK 17 million (net NOK 8 million in the above table) respectively.

CHANGE IN EQUITY CAPITAL FROM NGAAP 31.12.2005 TO 01.01.2006

PARENT BANK

NOK million

NGAAP	Equity capital as at 1.1.2006	3 361
	Effects of transition to IFRS	
	Pension liabilities	-231
	Change in deferred tax relating to pension liabilities	65
	Shares available for sale	55
	Other securities assessed at market value	-59
	Change in deferred tax re market value of securities	17
	Increased specification re depreciation groups	30
	Change in deferred tax re incr. spec. for depr. groups	-9
	Adjustment of expected div. from Group cos.	-8
	Reversal re Fund for Evaluation Differences	-22
	Proposed all., not fin. agreed, pmt. inv. Don. Fund	6
	Total change in eq. cap. on trans. to IFRS	-156
IFRS	Equity capital as at 01.01.2006	3 205

The changes which have been summarised here are mentioned under table for restatement of balance sheet as at 01.01.2006.

RESTATEMENT OF PROFIT AND LOSS ACCOUNT FROM NGAAP TO IFRS

PARENT BANK	NGAAP Accounts 31.12.2006	Pension adjustments 1)	Change in val. asst. 2)	Reversal/ reclassification 3)	IFRS Accounts 31.12.2006
Interest income	1 512				1 512
Interest costs	761				761
Net interest income	751				751
Commission income	152				152
Commission costs	-39				-39
Other operating income	21				21
Net commission- and other income	134				
Dividends	14				14
Income from investment in equity stakes	24			-15	9
Net value change on fin. assets assed at market val.	13		31		44
Net return on financial investments	51		31	-15	67
Total income	936	0	31	-15	952
Personnel costs	269	-12			257
Administration costs	159				159
Depreciation	40		-3		37
Other operating costs	40				40
Total operating costs	508	-12	-3	0	493
Losses on loans and guarantees	-6				-6
Write-d./rev. of wr.-d.; gains/losses on secs. cl. as fixed assts.	4		-1		3
Result before tax	430	12	35	-15	462
Tax payable on ordinary result	121	5	10		136
Result from ordinary operations after tax	309	7	25	-15	326

1) Pension. In connection with the transition to IAS 19, the pension cost in 2006 was reduced by NOK 12 million before tax. This was done due to the fact that the actuarial computations and assumptions according to NGAAP and IFRS were somewhat different.

2) Change of value assessment. In connection with the implementation of IAS 39, the impact on the result of market value assessment of financial assets was estimated at NOK 31 million before tax. The impact on the result of the changed composition of depreciation components has been estimated at NOK 3 million before tax.

3) Reversal/reclassification. In accordance with IAS 27 and IAS 28, it is not permitted to include shares of results from subsidiaries, joint venture companies and associated companies in the Bank's accounts. In this connection, NOK 15 million has been reversed in comparison with the result according to NGAAP in 2006.

4) Tax cost. The change in the year's taxation cost has occurred as a consequence of changes in the temporary differences relating to changes in the pension computations and the change in principles for value assessment of financial assets and liabilities. In 2006, the changes amounted to NOK 15 million.

RESTATEMENT OF BALANCE SHEET AS AT 31.12.2006 FROM NGAAP TO IFRS

PARENT BANK	Balance at 31.12.2006	Reversal of dividends	Pension adjustments	Change in val. asst.	Reversal/ reclassification	Balance at 31.12.2006
ASSETS	NGAAP	1)	2)	3)	4)	IFRS
Cash and claims on central banks	525					525
Loans to and claims on financial institutions	1 359					1 359
Loans to and claims on customers	28 950			-11		28 939
Reposessed assets	1				-1	0
Certs., bonds and other sec. with fixed yield	2 827			4	-9	2 822
Shares	233			97		330
Equity stakes in associated companies and joint ventures	485				-36	449
Equity stakes in Group companies	303				-2	301
Goodwill/other intangible assets	99					99
Asset relating to deferred tax	4		60	-2		62
Fixed assets	266			33		299
Assets held for sale	0				1	1
Financial derivatives	43			61	-2	102
Over-funding of pension liabilities	0					0
Other assets	383	-6				377
Total assets	35 478	-6	60	182	-49	35 665
LIABILITIES						
Liabilities to financial institutions	2 769					2 769
Deposits from and liabilities to customers	18 984			4		18 988
Debt incurred through issuance of securities	8 813			-163	-9	8 641
Financial derivatives	32			258		290
Other liabilities	748				-6	742
Incurred costs and prepaid income, not accrued	349				-2	347
Pension liabilities	110		214			324
Under-funding of pension liabilities	3		-3			0
Other provisions for incurred liabilities	10					10
Total liabilities	31 818	0	211	99	-17	32 111
EQUITY CAPITAL						
Donations Fund	46					46
Fund for Evaluation Differences	27				-27	0
Fund for Value Adj. and Estimate Discrepancies	0		7	81		88
Savings Bank's Fund	3 587	-6	-158	2	-5	3 420
Total equity capital	3 660	-6	-151	83	-32	3 554
Total liabilities and equity capital	35 478	-6	60	182	-49	35 665

1) Reversal of dividends. According to IFRS, dividends from subsidiaries must not be included as income in the Bank's accounts before the required resolution has been made by the companies' Boards of Directors. In the subsidiaries, dividends are treated as equity capital and not as liabilities up to the same point in time. As at 31.12.2006, NOK 6 million too much had been included as income in the accounts. This amount must be reversed and this reduces the Bank's equity capital by a corresponding amount.

2) Pension. In connection with the transition to IAS 19, which is the IFRS-standard for pensions, permission was granted according to IAS 1 (standard for implementation) to apply zero position to estimate discrepancies in their entirety against the equity capital. New discrepancies in estimates are shown on an ongoing basis against equity capital. As at 31.12.2006, this produced a NOK 7 million increase in equity capital. This circumstance, coupled with the fact that other estimates are used for the calculation of pension liabilities according to IFRS, means that the Parent Bank's pension liabilities increase by a total of NOK 211 million in connection with the restatement as at 31.12.2006.

3) Change in value assessment. Fixed interest rate loans to customers are assessed according to IAS 39 at market value. In connection with the recalculation as at 31.12.2006, the difference between NGAAP and IFRS amounted to a NOK 11 million reduction in the balance sheet. The change in value assessment of other financial assets according to IAS 39 involved a NOK 162 million increase in the balance sheet total. Shares accounted for NOK 97 million of the change, financial derivatives and other securities for NOK 61 million and NOK 4 million respectively. Financial liabilities produced a balance sheet increase of NOK 99 million. This was accounted for by liabilities to customers, debt relating to the issuance of securities and financial derivatives, according to the above table. After the transition to IFRS as at 31.12.2006, the equity capital impact of the value change of shares amounted to NOK 81 million.

IAS 16 in relation to real estate, plant and equipment is defined in such a way that each individual part of real estate, plant and equipment involving an acquisition cost which is substantial in relation to the unit's aggregate acquisition cost is to be depreciated separately. The amount of depreciation is historical cost minus estimated residual value. For Sparebanken Hedmark, this change means that the amount of depreciation made according to NGAAP is larger than that made according to IFRS, and that the value of fixed assets will therefore have to be adjusted upwards by NOK 30 million in connection with the transition to IFRS. As a consequence of the changed accounting principle for the 2006 accounting year, the estimated amount of depreciation ended up NOK 3 million lower, which means that the Bank's book value of fixed assets must be increased by a total of NOK 33 million in connection with the restatement of the balance sheet from NGAAP to IFRS as at 31.12.2006.

4) Reversal/reclassification. Repossessed assets which are to be realised are classified as portfolios or fixed assets held for sale and included in the accounts according to relevant IFRS-standards (normally IAS 16, IAS 38, IAS 39 or IFRS 5). The item 'Repossessed assets' according to NGAAP is reclassified into 'Assets held for sale' according to IFRS. This balance sheet item amounts to NOK 1 million.

According to IFRS, it is not permitted to include shares of results from subsidiaries, joint venture- and associated companies in the Bank's accounts. These items are therefore reversed against the equity capital as at 31.12.2006. On a net basis, the reversal of the shares of the results against the equity capital amounted to NOK 38 million compared with NGAAP as at 31.12.2006. The amount which has been reversed is divided between the Fund for Evaluation Differences and the Savings Bank's Fund.

In addition, the implementation of IFRS involved a NOK 2 million reclassification of interest relating to financial derivatives, as well as reclassification of own bonds for trading amounting to NOK 9 million.

As at 31.12.2006, NOK 6 million was set aside for donations, but not formally agreed. According to IFRS, this amount is to be included in the Bank's equity capital until the required resolution relating to allocation has been made. The amount is accordingly reclassified into equity capital in accordance with IFRS. The further NOK 11 million which has been shown against the equity capital represents shares of results which have not been transferred to the Fund for Evaluation Differences. On a net basis, the equity capital is accordingly reduced by NOK 32 million as a result of reclassification.

5) Asset relating to deferred tax. New value assessment principles and actuarial computations and assumptions in connection with the transition to IFRS brought about a change in asset relating to deferred tax. In the case of the Bank's pension liabilities, this amounted to NOK 60 million. For fixed assets and financial instruments, the changes amounted to NOK 14 million and NOK 12 million respectively.

CHANGE IN EQUITY CAPITAL FROM NGAAP 31.12.2006 TO IFRS 01.01.2007

PARENT BANK

NOK million

NGAAP	Equity capital as at 31.12.2006	3 660
	Effects of transition to IFRS	
	Pension liabilities	-211
	Change in deferred tax relating to pension liabilities	60
	Shares available for sale	97
	Other securities assessed at market value	-45
	Change in deferred tax re market value of securities	12
	Increased specification of depreciation groups	33
	Changed deferred tax re incr. spec. of depr. groups	-14
	Adjustment of expected divs. from Group companies	-6
	Reversal relating to Fund for Evaluation Differences	-27
	Shares of results from subsidiaries, TS and FKV	-11
	Proposed all., not fin. agreed, pmt. re Don. Fund	6
	Total change in eq. cap. on transition to IFRS	-106 -106
IFRS	Equity capital as at 31.12.2006	-106 3 554

The changes which have been summarised here are mentioned under table for restatement of Balance Sheet as at 31.12.2006.

RESTATEMENT OF GROUP FIGURES

IFRS OPENING BALANCE SHEET AS AT 01.01.2006

GROUP	Balance at 01.01.2006	Reversal of dividends	Pension adjustments	Change in val.asst.	Reversal/ reclassification	Balance at 01.01.2006
ASSETS	NGAAP	1)	1)	2)	3)	IFRS
Cash and claims on central banks	411					411
Loans to and claims on financial institutions	147					147
Loans to and claims on customers	26 747			7	-7	26 747
Reposessed assets	11				-11	0
Certificates, bonds and other securities with fixed yield	2 229			6		2 235
Shares	137			55	-8	184
Equity stakes in associated companies and joint ventures	5				13	18
Equity stakes in Group companies	0					0
Goodwill/other intangible assets	5					5
Asset relating to deferred tax	9		69	10		88
Fixed assets	261			30	8	299
Assets held for sale	0				11	11
Financial derivatives	32			165	-4	193
Over-financing of pension liabilities	8		-8			0
Other assets	445	-8				437
Total assets	30 447	-8	61	273	2	30 775
LIABILITIES						
Liabilities to financial institutions	857					857
Deposits from and liabilities to customers	16 810				-1	16 809
Debt incurred through issuance of securities	8 536			97		8 633
Financial derivatives	42			146		188
Other debt	354				-9	345
Incurred costs and prepaid income, not yet accrued	354				-4	350
Pension liabilities	110		231			341
Other provisions for incurred liabilities	23					23
Total liabilities	27 086		231	243	-14	27 546
EQUITY CAPITAL						
Donations fund	25					25
Fund for Evaluation Differences	1				5	6
Fund for Value Adj. and Est. Discr.	0			55		55
Savings Bank's fund	3 335	-8	-170	-25	11	3 143
Total equity capital	3 361	-8	-170	30	16	3 229
Total liabilities and equity capital	30 447	-8	61	273	2	30 775

1) Reversed dividends. According to IFRS, it is not permitted to include dividends as income in the accounts until dividends set aside have been formally agreed by the various companies' Boards of Directors. The net impact of this IFRS-implementation is a NOK 8 million reduction in the Group's equity capital.

2) Pension adjustments. In connection with the transition to IAS 19, which is the IFRS-standard for pension, the IAS 1 (standard for implementation) permits application of zero position for estimate discrepancies in their entirety against equity capital. For the Group as a whole, this amounted to some NOK 180 million before tax. Other actuarial calculations and assumptions have been applied when using IFRS than those which have been used in connection with NGAAP.

In connection with the transition as at 01.01.2006, there was a NOK 239 million increase in pension liabilities. After having taken into consideration change in asset relating to deferred tax in connection with new, calculated pension liabilities, the net impact on the equity capital ended up at -NOK 170 million.

3) Change in value assessment. Ordinary shares assessed on portfolio basis according to NGAAP are assessed at market value. In connection with the transition to IFRS, the changes in accounting principles produced a NOK 55 million portfolio increase. Other financial assets for the Group as a whole increased by NOK 178 million. The impact on loans involved NOK 13 million for fixed interest rate loans, whereas the change in assessments relating to lending rules and regulations in subsidiaries produced an effect of -NOK 6 million (on a net basis, NOK 7 million, as shown in the table above). However, the value of loans included in the balance sheet will not be changed due to the fact that the consolidation of two new companies increases the netting out amount for loans by a total of -NOK 7 million. Other value changes for financial assets are related to financial derivatives and other securities with NOK 165 million and NOK 6 million respectively.

Financial liabilities increased by NOK 243 million after market value assessment as at 01.01.2006. Financial debt is classified either as part of the trading portfolio or as securities-related debt in the banking portfolio.

IAS 16 in relation to real estate, plant and equipment stipulates that each individual part of real estate, plant and equipment which is substantial in relation to the unit's aggregate acquisition cost is to be depreciated separately. The amount of depreciation is defined as historical cost minus calculated residual value. For Sparebanken Hedmark, this change means that the amount of depreciation according to NGAAP is larger than that in accordance with IFRS, and that the value of fixed assets must therefore be adjusted upwards by NOK 30 million.

4) Reversal/reclassification. Repossessed assets which are to be realised, are classified as portfolios or fixed assets held for sale, and included in the accounts according to relevant IFRS-standards (normally IAS 16, IAS 38, IAS 39 or IFRS 5). The item 'Repossessed assets' according to NGAAP is reclassified into 'Assets held for sale' according to IFRS, the amount involved being NOK 11 million as at 31.12.2006.

Ringen Eiendommer AS and Stor-Elvdal Hytteforum AS have been reclassified from long-term shareholdings into subsidiaries. This involves a NOK 8 million increase in fixed assets and a NOK 2 million increase in the Group's equity capital.

According to IAS 31 and IAS 28, Torggata 22 AS has been reclassified from a long-term shareholding into a joint venture company, whereas Engerdal Hoeyleribyg AS has been reclassified from a long-term shareholding into an associated company. The change involved an amount of NOK 8 million. In addition, equity stakes in associated companies and joint venture operations increase by NOK 5 million more due to the fact that the share of the result from Actor has been adapted to the new rules and regulations. The adaptation produces a NOK million increase in the Fund for Evaluation Differences on the other side of the balance sheet.

As at 31.2.2005, NOK 6 million was set aside for donations, but the allocation had not been formally agreed at the time. According to IFRS, this amount is to form part of the Bank's equity capital until the required resolution relating to the allocation has been passed. The amount has accordingly been reclassified from Other liabilities to Equity capital. This has also been done in the case of dividends from subsidiaries amounting to NOK 3 million. Interest relating to financial derivatives amounting to NOK 4 million has also been reclassified.

5) Asset relating to deferred tax. As a result of adjustments to the pension liabilities in connection with transition to IFRS, there was a NOK 69 million change in deferred asset in connection with tax for the Group as a whole. In the case of fixed assets and financial instruments, the changes were -NOK 7 million and NOK 17 million respectively (on a net basis, NOK 10 million, as shown in the above table).

CHANGE IN EQUITY CAPITAL FROM NGAAP 01.01.2006 TO IFRS 01.01.2006

GROUP		
NOK million		
NGAAP	Equity capital as at 01.01.2006	3 361
	Effects of transition to IFRS:	
	Pension liabilities	-239
	Change in deferred tax re pension liabilities	69
	Shares available for sale	55
	Other securities assessed at market value	-59
	Changes in value asst. re loans to subsidiaries	-6
	Change in value assessment of other assets	-8
	Change in def. tax re market value of securities	17
	Incr. specification of depreciation groups	30
	Change in def. tax re incr. spec. in depr. groups	-7
	Proposed all., not fin. agreed, pmt. to Don. Fund	6
	Adjustment re Fund for Evaluation Differences	5
	Group companies not previously incl. in B/S	5
	Total change in eq. cap. on trans. to IFRS	-132
IFRS	Equity capital as at 01.01.2006	3 229

The changes which have been summarised here are mentioned under table for restatement of Balance Sheet as at 01.01.2006

RESTATEMENT OF PROFIT AND LOSS ACCOUNT 2006 FROM NGAAP TO IFRS

GROUP	NGAAP Accounts at 31.12.2006	Pension adjustments 1)	Change in val. asst. 2)	Reversal/ reclassification 3)	IFRS Accounts at 31.12.2006
Interest income	1 551				1 551
Interest costs	760				760
Net interest income	791	0	0	0	791
Commission income	198				198
Commission costs	-46				-46
Other operating income	20			3	23
Net commission- and other income	172	0	0	3	175
Dividends	14				14
Income from investment in equity interests	39			21	60
Net val. change of fin. assets assessed at market value	14		30		44
Net return on financial investments	67	0	30	21	118
Total income	1 030	0	30	24	1 084
Personnel costs	300	-14			286
Administration costs	177				177
Depreciation	42		-3		39
Other operating costs	45			3	48
Total operating costs	564	-14	-3	3	550
Losses on loans and guarantees	31		-7		24
Wr.-d./rev. of wr.-d.; gains/losses on secs. cl. as fixed assets	4		-1		3
Result before tax	431	14	41	21	507
Tax on ordinary result	122	14	4		140
Result of ordinary operations after tax	309	0	37	21	367

1) Pension. In connection with the transition to IAS 19, pension costs in 2006 were reduced by NOK 14 million before tax. This is due to the actuarial calculations and assumptions being somewhat different according to whether NGAAP or IFRS is applied.

2) Change in value assessment. In connection with the transition to market value assessment of financial assets, the total impact on the result amounted to NOK 30 million before tax. The effect on the result of changed composition of depreciation components has been estimated at NOK 3 million before tax. Change in value assessment of losses and guarantees is due to adaptations to the new lending rules and regulations relating to subsidiaries.

3) Reversal /reclassification. Ringen Eiendommer AS and Stor-Elvdal Hytteforum AS have been reclassified from long-term shareholdings to subsidiaries. This involves increased operating income and -costs within the Group. Under the item, Income from investment in equity stakes, NOK 21 million more has been included as income in the accounts through the use of IFRS than in the case of application of NGAAP. This is due to a higher share of the result from SpareBank 1 Gruppen after its IFRS-implementation.

4) Taxation cost. The change in the year's taxation cost is a consequence of changes in the pension calculations and the change in accounting principles for value assessment of financial assets and fixed assets. These changes amounted to NOK 18 million.

RESTATEMENT OF BALANCE SHEET AS AT 31.12.2006 FROM NGAAP TO IFRS

GROUP	Balance at 31.12.2006	Reversal of dividends 1)	Pension adjustments 2)	Change in val. asst. 3)	Reversal/ reclassification 4)	Balance at 31.12.2006 IFRS
ASSETS	NGAAP					
Cash and claims on central banks	525					525
Loans to and claims on financial institutions	359					359
Loans to and claims on customers	30 220			-9	-7	30 204
Repossession assets	4				-4	0
Certificates, bonds and other securities with fixed yield	2 827			4	-9	2 822
Shares	233			98		331
Equity stakes in associated companies and joint ventures	485				51	536
Equity stakes in Group companies	0					0
Goodwill/other intangible assets	99					99
Asset relating to deferred tax	16		58	4		78
Fixed assets	279			33	7	319
Assets held for sale	0				4	4
Financial derivatives	44			58		102
Over-funding of pension liabilities	1		-1			0
Other assets	447	-1				446
Total assets	35 539	-1	57	188	42	35 825
LIABILITIES						
Liabilities to financial institutions	2 757					2 757
Deposits from and liabilities to customers	18 855			4	-2	18 857
Debt incurred through issuance of securities	8 813			-163	-9	8 641
Financial derivatives	32			258		290
Other liabilities	857				-6	851
Incurred costs and prepaid income, not yet accrued	440					440
Pension liabilities	112		223			335
Under-funding of pension liabilities	3		-3			0
Other provisions for incurred liabilities	10					10
Total liabilities	31 879		220	99	-17	32 181
EQUITY CAPITAL						
Donations Fund	46					46
Fund for Value Adjustment and Est. Discrepancies	0		6	81	26	113
Savings Bank's Fund	3 614	-1	-169	8	33	3 485
Total equity capital	3 660	-1	-163	89	59	3 644
Total liabilities and equity capital	35 539	-1	57	188	42	35 825

1) Reversal of dividend. According to IFRS, dividends from subsidiaries must only be included as income in the accounts once the required resolution has been passed by the companies' Boards of Directors. In the subsidiaries, the dividend amount is shown as equity capital in the balance sheet and not as liabilities up to the same point in time. As at 31.12.2006, a net amount of NOK 1 million too much was included as income in the accounts. This must be reversed, and this reduces the Group's equity capital by a corresponding amount.

2) Pension. In connection with the transition to IAS 19, which is the IFRS-standard for pensions, the IAS 1 (the standard for implementation) permits the application of zero position of estimate discrepancies in its entirety against the equity capital. New estimate discrepancies are shown against the equity capital on an ongoing basis. For the Group, this meant a NOK 6 million increase in equity capital compared with NGAAP as at 31.12.2006. This, coupled with the fact that other estimates in the calculation of pension liabilities are applied in connection with IFRS, meant that the Group's pension liabilities increase by a total of NOK 220 million before tax when figures were restated as at 31.12.2006. After having taken into consideration changes in asset relating to deferred tax, the equity capital was subject to a net reduction of NOK 163 million.

3) Change in value assessment. Fixed interest rate loans to customers are assessed at market value according to IAS 39. When the figures were restated as at 31.12.2006, the difference between the application of an NGAAP- and IFRS-basis involved a NOK 11 million reduction in the balance sheet total. Adaptations to the lending rules and regulations applying to subsidiaries produced a change of -NOK 2 million, so that the net value change of loans to customers ended up at -NOK 9 million (as shown in the table). In total, net loans to customers were reduced by NOK 16 million. This is due to netting out (-NOK 7 million) because of consolidation of the two new subsidiaries. The change in value assessment of other financial assets according to IAS 39 involved a NOK 160 million increase in the balance sheet total. Of this, shares accounted for NOK 98 million, whereas the change in other securities and financial derivatives accounted for NOK 4 million and NOK 58 million respectively. In the case of financial assets, the change amounted to NOK 99 million. A breakdown of the figures is included in the table above.

IAS 16, in connection with real estate, plant and equipment, stipulates that each individual part of real estate, plant and equipment which is substantial in relation to the unit's aggregate acquisition cost is to be depreciated separately. The amount of depreciation is defined as historical cost minus estimated residual value. In the case of the Group, this change means that the amount of depreciation in relation to NGAAP is larger than that according to IFRS, and that the value of fixed assets must accordingly be adjusted upwards by NOK 30 million in connection with the transition to IFRS. As a consequence of the changed accounting principles for the 2006 accounting year, the estimated amount of depreciation ended up NOK 3 million lower, which means that the book value of the Group's fixed assets must be increased by a total of NOK 33 million in connection with the restatement of the balance sheet from NGAAP to IFRS as at 31.12.2006.

4) Reversal/reclassification. Repossessed assets which are to be realised are classified as portfolios or fixed assets held for sale and included in the accounts according to relevant IFRS-standards (normally IAS 16, IAS 38, IAS 39 or IFRS 5). The item, 'Repossessed assets, according to NGAAP, are reclassified as 'Assets held for sale' in accordance with IFRS, amounting to NOK 4 million as at 31.12.2006.

Ringen Eiendommer AS and Stor-Elvedal Hytteforum AS are reclassified from long-term shareholdings into subsidiaries.

On a net basis, these changes amount to increases in the Group's equity capital and the Group's fixed assets of NOK 4 million and NOK 7 million respectively.

The equity capital increases by NOK 51 million due to shares of results from associated companies and joint ventures. The amount mainly represents the share of SpareBank 1 Gruppen AS's result. Of this, NOK 26 million represents adjustment for change in estimate discrepancies.

As at 31.12.2006, provisions in respect of donations from the Bank amounting to NOK 6 million were made, but not formally agreed at the time. According to IFRS, this amount shall form part of the Group's equity capital until the resolution regarding the donations has been passed. The amount has therefore been reclassified from Other liabilities into Equity capital.

5) Asset in respect of deferred tax. The change in asset in respect of deferred tax as a result of adjusted pension calculations amounted to NOK 58 million as at 31.12.2006. In the case of change in the assessment of financial instruments and fixed assets, the changes ended up as NOK 12 million and NOK 8 million (net NOK 4 million in the table above) respectively.

Change in equity between NGAAP 31.12.2006 and IFRS 01.01.2007

Group			
NOK million			
NGAAP	Equity capital 31.12.2006		3 660
	Effects of change to IFRS:		
	Pension liabilities	-221	
	Change in deferred taxes due to pension liabilities	58	
	Stocks for sale	98	
	Other securities estimated in real value	-46	
	Change in deferred taxes due to other securities estimated in real value	12	
	Changes in estimation of loanvalue subsidiaries	-2	
	Increased spesification of depriciationgroups	33	
	Change in deferred taxes due to increased spesification of depriciationgroups	-8	
	Subsidiaries not balanced previous years	4	
	Share of gains from subsidiaries, TS and FKV	51	
	Reclassified profits from subsidiaries	-1	
	Suggested earmarks, not passed, to giftfunds	6	
	Total change in equity capital on transmission to IFRS	-16	-16
IFRS	Equity capital 31.12.2006	-16	3 644

The changes summarized in this table is commented under the table for restatement of balance sheet as at 31.12.2006 from NGAAP to IFRS

Note 3 – Financial risk management

Summary

Risk management at Sparebanken Hedmark shall ensure that the risk exposure is at all times known and that it is within the limits stipulated by the Board of Directors. The risk management shall support the Bank's achievement of all targets and help to bring about a stable and good return on equity capital. Risk is managed through limits, powers of attorney, guidelines and routines, as well as requirements for reporting, organisation, division of labour and competence.

Responsibility for risk management and control

The Board of Directors is responsible for making sure that Sparebanken Hedmark has a level of equity and related capital which is appropriate in relation to its desired risk profile and the requirements stipulated by the authorities. The Board of Directors stipulates the overall targets relating to risk management, including overall limits, powers of attorney and guidelines for risk management. The Chief Executive Officer is responsible for risk management. This means that the CEO is responsible for the introduction of effective risk management functions and -systems, and for the risk exposure being monitored.

The business areas and branches are responsible for the day-to-day risk management within the separate areas of responsibility involved and must see to it that risk management and -exposure are within the limits and powers of attorney which have been stipulated by the Board of Directors or CEO.

The department for credit management in the Bank is responsible for ensuring that the decision process and decision basis in relation to applications for credit are in accordance with the Bank's management documents and routines. The department shall prepare a suggestion for revised ratios and management principles within the area. The risk management department is independent and reports direct to the CEO. The department is responsible for the development of effective risk management systems, including the Bank's risk models. In addition, the department is responsible for the overall risk monitoring and for periodic risk reporting to the Board of Directors.

The internal auditing function reports to the Board of Directors and is primarily the Board of Directors', but also management's tool for monitoring the effectiveness and appropriateness of the risk management process. The internal audit's recommendations for improvements are examined on an ongoing basis.

Credit risk

Credit risk is defined as the risk of customers or other counterparts not being able or willing to meet their obligations to the Bank and is managed with the help of separate management documents and through the Bank's rules and regulations relating to the granting of credit.

Each year, the Board of Directors examines the Bank's management documents and its rules and regulations relating to the granting of loans. Through the management documents, the Bank's credit policy is defined, and overall targets for the exposure relating to portfolio, sector and individual customers are determined. Overall, this provides the basis for determining the desired risk profile. Through the Bank's rules and regulations relating to the granting of credit, credit-related powers of attorney are delegated to the CEO within certain limits. The CEO may delegate these powers of attorney to other members of staff. The delegated powers of attorney are related to individual commitments' size and risk.

Sparebanken Hedmark uses its own risk classification systems as a basis for categorising the credit portfolio. The models calculate the probability of default, categorising customers in the sub-groups of low, medium and high risk, together with commitments in default. The Bank makes every effort to price credit risk correctly and has established price matrixes based on the risk classification system.

The Bank's portfolio of interest-bearing securities also involves credit risk for the Bank. Each year, the Board of Directors examines the Bank's financial strategy and fixes limits for the maximum portfolio of interest-bearing securities, as well as maximum limits for exposure per sector and per issuer.

Market risk

Market risk is defined as the risk of loss due to changes in interest rates, share- and securities prices, and foreign exchange rates. Market risk mainly occurs in connection with the Bank's investments in securities as a result of its funding activities, coupled with interest rate- and foreign exchange trading. The management of market risk is done through limits stipulated by the Board of Directors each year in connection with the revision of the financial strategy.

In the case of interest rate risk, limits have been established for aggregate interest rate risk within the different interest rate fixing periods. For share risk, maximum limits for the share market have been established. For foreign exchange risk, limits for maximum exposure in total and per currency have been established.

Funding risk

Funding risk is defined as the risk of the Bank being unable to meet its obligations or being unable to finance its assets, including desired growth, without having to incur substantially increased costs. Management of funding risk is based on the Bank's financial strategy, which stipulates limits for funding risk through limits for net funding requirements for the different periods involved, requirements relating to long-term financing, the amount of unutilised drawing rights facilities, the amount of liquidity reserves, and the length during which the Bank shall be able to be independent of new funding from the money- and capital markets.

Miscellaneous

Extended market information (Basel II) is described in a separate document which may be found on the Bank's home page on the Internet.

Note 4 – Critical estimates and assessments relating to the use of accounting principles

Losses on loans and guarantees

The Bank examines the corporate portfolio in order to identify credit risk and any bad and doubtful commitments.

Significant and especially bad and doubtful commitments are examined on a quarterly basis. Both the corporate- and retail banking portfolios are subject to assessment, with default older than 46 days triggering collection plus a related assessment of the basis for individual write-down for losses.

Individual write-down for losses on individual commitments is made when objective events trigger impairment in value for the Bank. Individual write-down is defined as the difference between the commitment's book value and the present value of discounted cash flow based on the effective rate of interest at the time of the first estimated individual write-down. This means that the commitment involved is placed in the highest risk class.

Estimating impairment in value can be complicated as the prediction of future events to a large extent involves uncertainty. Emphasis is placed on information about the actual measures involved and on the care to be exercised with regard to value assessment as the basis for the sale of collateral assets pledged as security. The cash flow involved is updated periodically, at least once every year.

Collective write-down comprises the Bank's assessment of the basis for impairment in value for groups of loans with largely similar risk characteristics.

This also includes loans assessed for individual write-down, but where there is no objective proof of impairment in value. Accordingly, all loans are assessed with the exception of those which have been subject to individual write-down. The Bank's model for the calculation of collective write-down is based on the lending portfolio's 'migration' between different risk classes.

Market value of financial instruments

In the case of financial instruments which are traded in regular markets, market value on the balance sheet day in question is applied. Market value of financial instruments which are not traded in an active market is determined on the basis of value assessment from brokers, acknowledged theoretical calculation techniques and observable interest rate- and price circumstances on the balance sheet day in question. The Bank assesses and chooses methods and assumptions which to the largest possible extent reflect the information available and the market conditions on the balance sheet day involved.

Intangible assets

Write-down tests of intangible assets are mainly based on the discounting of expected future cash flows.

There will always be a great deal of uncertainty relating to cash flow estimates, and, in some cases, the methods for allocating cash flows to different assets will also be subject to uncertainty.

Pensions

Net pension liabilities and the year's pension cost are based on a number of estimates including the return on pension resources, future interest rate- and inflation levels, wage development, turnover and the development in the National Insurance's basic amount; the general development in the number of disabled pensioners and the duration of life are also of great importance. The uncertainty is to a large extent related to the gross liabilities and not to the net liabilities which are shown in the balance sheet. Changes in estimates as a result of changes in the above mentioned parameters will be included in the accounts on an ongoing basis in relation to the Bank's and subsidiaries' equity capital.

Note 5 - Segmentation information

The administration has considered what segments can be reported with basis in form of distribution, products and costumers. The reporting of segments has been divided into four areas: bank, real estate, finance and other lines of business. Each segment is organized as an independent company. Income, costs, assets and loans coincides with the dispersion pursuant to the companies accounts. Corporation exclusions are published in their own column. Due to the bank's bound area of operation, reporting in geographical secondary segment will add little information. Important classes of assets (loans and deposits of costumers) is geographically segmented in own notes.

2007 NOK million	Parent Bank	Hedmark Eiendom	Hedmark Finans	Other operations	Netting out	Total for Group
Profit and Loss Account						
Net interest income	789	1	49	1		840
Net commission income	125	49	-3		-1	170
Other operating income	12	1		5	-3	15
Operating costs	562	43	24	3	-4	628
Net return on financial investments *)	116			130	-5	241
Result before credit losses	480	8	22	133	-5	638
Losses on loans and guarantees	16	0	7	1	0	24
Result before tax	464	8	15	132	-5	614
Return on equity before tax	13,1 %					16,8 %
Balance Sheet						
Loans to customers	31 405		1 485		-7	32 883
Individual write-down on loans	-87		-21			-108
Collective write-down on loans	-82		-8			-90
Other assets	6 773	229	120	22	-1 498	5 646
Total assets per segment	38 009	229	1 576	22	-1 505	38 331
Deposits from and liabilities to customers	21 024				-212	20 812
Other debt and equity capital	16 985	229	1 576	22	-1 293	17 519
Total liabilities and equity capital per segment	38 009	229	1 576	22	-1 505	38 331
2006 NOK million						
Profit and Loss Account						
Net interest income	751	1	39			791
Net commission income	113	41	-3	1		152
Other operating income	21			6	-4	23
Operating costs	492	38	21	-2		549
Net return on financial investments *)	64			50		114
Result before credit losses	456	4	15	59	-4	531
Losses on loans and guarantees	-6		30			24
Result before tax	462	4	-15	59	-4	507
Return on equity capital before tax	14,4 %					15,7 %
Balance Sheet						
Loans to customers	29 155		1 308		-12	30 451
Individual write-down on loans	-142		-19			-161
Collective write-down on loans	-74		-10			-84
Other assets	6 726	131	93	25	-1 356	5 619
Total assets per segment	35 665	131	1 372	25	-1 368	35 825
Deposits from and liabilities to customers	18 987				-123	18 864
Other liabilities and equity capital	16 678	131	1 372	25	-1 245	16 961
Total liabilities and equity capital per segment	35 665	131	1 372	25	-1 368	35 825

*) Breakdown of net return on financial investments		Group	
NOK million		2007	2006
Share of SpareBank 1 Gruppen's result excluding dividend		129	35
Dividends from securities		40	13
Gains on shares		7	16
Net gains from securities, foreign exchange and financial derivatives		27	29
Net gains from other financial assets		38	21
Total net return from financial investments		241	114

Note 6 - Net interest income

Parent Bank			Group	
2006	2007	NOK million	2007	2006
		Interest income		
76	152	Interest from loans to and claims on financial institutions	95	41
1 330	1 837	Interest from loans to and claims on customers	1 942	1 404
103	136	Interest from certificates, bonds and other interest-bearing securities	136	103
3	1	Other interest- and similar income	1	3
1 512	2 126	Total interest income	2 174	1 551
		Interest costs		
66	191	Interest on debt to financial institutions	183	66
392	711	Interest on deposits from and liabilities to customers	711	391
303	435	Interest on issued securities	435	303
0	0	Fees paid to the Norwegian Banks' Guarantee Fund	0	0
0	0	Other interest- and similar costs	5	0
761	1 337	Total interest costs	1 334	760
751	789	Total net interest income	840	791

Note 7 - Net commission income

Parent Bank			Group	
2006	2007	NOK million	2007	2006
		Commission income		
11	11	Guarantee commission	9	10
8	13	Securities brokerage	13	8
0	0	Real estate brokerage	39	41
104	105	Payments transmission	105	104
11	17	Insurance services	17	12
18	18	Other commission income	34	23
152	164	Total commission income	217	198
		Commission costs		
23	25	Payments transmission	25	23
16	14	Other commission costs	22	23
39	39	Total commission costs	47	46
113	125	Total net commission costs	170	152

Note 8 - Income from other financial investments

Parent Bank			Group	
2006	2007	NOK million	2007	2006
		Net income from financial assets at market value		
-12	-103	Value change relating to financial instruments	-103	-12
2	2	- Bonds and certificates - held for trading	2	2
-14	-105	- Bonds and certificates - at market value	-105	-14
20	16	Value change relating to equity capital instruments	16	20
2	4	- Utbytte fra egenkapitalinstrumenter	4	2
18	12	- Egenkapitalinstrumenter - til virkelig verdi?	12	18
-200	-72	Value change relating to financial derivatives	-72	-200
-26	0	Value change relating to loans (fixed interest loans, loans with int. rate guar.)	0	-26
260	127	Value change relating to funding loans (bonds)	127	260
-3	5	Value change relating to customer deposits ("bma", fixed int. deps., term deps.)	5	-3
39	-27	Total net income from financial assets at market value	-27	39
		Net income from financial assets available for sale		
11	21	Dividends from equity capital instruments	21	9
1	-6	Realised 'available for sale' financial instruments	-6	1
-9	0	Write-down of 'available for sale' financial instruments	0	-9
4	16	Total net income from securities available for sale	16	2
13	69	Net income from foreign exchange trading	69	13
56	59	Total net income from other financial investments	59	54

Note 9 Other operating income

Parent Bank			Group	
2006	2007	NOK million	2007	2006
8	4	Operating income from real estate	5	9
13	8	Other operating income	10	14
21	12	Total other operating income	15	23

Note 10 Operating costs

Parent Bank			Group	
2006	2007	NOK million	2007	2006
257	291	Personnel costs	327	287
160	185	Administration costs	204	177
36	42	Ordinary depreciation	44	38
40	44	Other operating costs	53	47
493	562	Total operating costs	628	549
		Remuneration paid to Auditor (NOK thousand)		
597	640	Ordinary auditing	915	932
166	157	Services other than auditing	230	216
763	797	Total, excluding value added tax	1 145	1 148
191	199	Value added tax	286	287
954	996	Total	1 431	1 435

Parent Bank		Personnel costs	Group	
2006	2007		2007	2006
178	205	Wages and salaries	232	201
36	38	Pension costs (Note 24)	42	38
43	48	Social costs	53	48
257	291	Total personnel costs	327	287
459	466	Average number of employees	524	511
423	455	Total man-years as at 31.12	508	510
451	482	Total employees as at 31.12	541	539

The subsidizing of interests for 2007 for the parent bank is estimated at 4,5 million NOK measured against the rate of interest giving employees grounds of taxes on financial gain (2,8 million NOK in 2006). For the corporation this amount is estimated at 4,9 million NOK (3,1 million NOK in 2006). Loans to employees see note 20.

Remuneration for the Supervisory Board	
(NOK thousand)	Fees
Manager of the Supervisory Board Christen Engelowg	18
Other members	1-2

Remuneration for the main Board of Directors				
(NOK thousand)	Directors' fees	Other remuneration	Loans	Guarantees
Richard H. Heiberg, Chairman	150	13	2 259	0
Gunnar Martinsen, Deputy Chairman	95	7	13	0
Siri J. Strømmevold, Member	95	16	2	0
Grethe G. Fossum, Member	95	1	0	0
Atle Bratås, Member (employee, included in salary)	95	0	868	0
Jan Wibe, Member	95	2	712	0
Nina Cecilie Lier, Deputy Member	20	2	0	0
Gunveig Elvsæter Eggen, Deputy Member	5	0	0	0
Espen J. Larsen, Deputy Member (employee, included in salary)	37	0	1 720	0

Remuneration for the Control Committee				
(NOK thousand)	Fees	Other remuneration	Loans	Guarantees
Pål Johnsrud, Chairman	95	0	0	0
Anders Brinck, Deputy Chairman	50	0	0	0
Gro Svarstad, Member	50	0	0	0
Jan Erik Myrvold, Member	50	0	12	0
Valborg Berthelsen, Member	50	0	2 406	0
Mikael Løken, Deputy Member	0	0	0	0
Morten Kongsrud, Deputy Member	0	0	2 938	0
Kirsten Walmann, Deputy Member	0	0	403	0
Ole Jan Hørstad, Deputy Member	0	0	158	0
Gunn S. Hvamstad, Deputy Member	0	0	483	0

Remuneration for members of the Bank's senior management group and for senior staff in subsidiaries

(NOK thousand)

Title/name	Salaries and other short-term benefits	Other benefits	Accrued pension rights last year	Directors' fees in subsidiaries etc.	Loans	Guarantees
Harry Konterud, Chief Executive Officer	2 274	56	658		685	0
Nils Arne Nordheim, Director, Corporate Custs.	1 535	197	368	75	1 402	0
Kari E.Vardeberg, General Mgr., Markets	900	13	241	40	3 000	0
Arne Grunt, General Manager, Finance	937	41	334	35	1 400	0
Eldar Kjendlie, Personnel and Org. Mgr.	849	39	137		1 433	0
Dag-Arne Hoberg, IT Manager	904	38	264		1 528	0
Siv Stenseth, Information Manager	626	35	169		1 764	0
Man. Dir., Hedmark Eiendom, Nils Børresen	1 041	21	205		0	0
Man. Dir., Hedmark Finans, Hans Olav Wedvik	708	23	179		12	0

Financial commitments due to the end of, or change in employment contracts with administrative personnel (parent bank).

An agreement has been made with the company's CEO, saying he will continue in his current position until he reaches 67 years of age. At the time of retirement, the CEO is guaranteed a retirement pension at the value of 70%. The bank has a gradual reduction and early retirement agreement for five of its executives over 50 years of age by 01.01.2001. This grants early retirement by the age of 62. This year's costs due to these commitments are charged as an expense under pensions.

Note 11 Tax

Parent Bank			Group	
2006	2007	NOK million	2007	2006
462	464	Result before taxation cost	614	507
-14	-93	+/- permanent differences	-220	-44
59	44	+/- change in temporary differences according to specification	35	-68
389	415	The year's tax basis/taxable income	429	395
109	117	Of which payable tax - 28 per cent	121	111
10	10	Wealth tax at 0.3 per cent	10	10
119	127	Payable tax in the balance sheet	131	121
119	127	The year's change in payable tax	131	121
17	-12	+/- change in deferred tax	-10	19
136	114	Taxation cost for the year	122	140

In the Balance Sheet		NOK million	In the Balance Sheet	
2006	2007		2007	2006
		Composition of deferred tax - Balance Sheet and Profit & Loss Acct.		
		Temporary differences involving:		
18	9	- Operating equipment	13	18
2	3	- Gains/losses	3	4
137	103	- Rev. of loss provs. at trans. to new loan rules from 01.01.2006	103	137
		- Other temporary differences	5	1
157	115	Total temporary differences	124	160
44	32	Deferred tax	35	45
		Temporary differences relating to:		
324	344	- Net pension liabilities	362	347
51	35	- Securities	35	51
3		- Adjustment of establishment fee - new loan rules from 01.01.2006	3	3
4	3	- Other temporary differences	8	4
		- Loss carried forward	30	35
382	382	Total temporary differences	438	440
107	107	Deferred tax benefit	123	123
-63	-75	Net book value of deferred tax benefit	-88	-78

Parent Bank			Group	
In Profit and Loss Acct.		NOK million	In Profit and Loss Acct.	
2006	2007	Composition of deferred tax - Balance Sheet and P & L Account	2007	2006
		Temporary differences relating to:		
34		- Operating equipment	10	34
1		- Gains/losses		1
34	3	- Adjustment of establishment fee - new loan rules from 01.01.2006	3	34
17		- Net pension liabilities		24
18	14	- Securities	14	18
4	4	- Other temporary differences	8	4
		- Loss carried forward	7	
108	21	Total temporary differences	42	115
30	6	Deferred tax	12	32
		Temporary differences relating to:		
17	10	- Operating equipment	10	17
	1	- Gains/losses	1	
	20	- Net pension liabilities	28	
32	34	- Reversal of losses at transition to new loan rules from 01.01.2006	37	32
		- Other temporary differences	4	0
49	65	Total temporary differences	80	49
14	18	Deferred tax benefit	22	14
17	-12	Net	-10	19

*Opening balance effects for IFRS are included in 2006 figures in order to reflect change in deferred tax.

2006	2007	Reconciliation of P&L Acct.-included period tax and pre-tax result	2007	2006
129	128	28 per cent of pre-tax result	172	142
4	1	P & L Acct. items not liable to tax (permanent differences)	-35	-5
-4	-12	Share dividends	-12	-4
-3	-13	Gains on securities according to the exemption method	-13	-3
-17	12	Change in temporary differences with impact on the year's payable tax	10	-19
10	10	Wealth tax	10	10
17	-12	Deferred tax through the Profit and Loss Account	-10	19
136	114	Period tax through the Profit and Loss Account	122	140
29%	24%	Effective tax rate	20%	28%

Note 12 Other assets

Parent Bank			Group	
2006	2007	NOK million	2007	2006
10	10	Capital payments into the pension fund	10	10
107	143	Accrued income, not yet received	138	110
178	173	Claims relating to securities	173	175
59	11	Prepaid costs, not yet incurred	14	63
22	53	Other debtors	166	90
376	390	Other assets	501	448

Note 13 Real estate, plant and equipment

Parent Bank			Group		
Buildings and other real estate	Machinery, fixtures and transport eqt.	Total	Buildings, sites and other real estate	Machinery, fixtures and transport eqt.	Total
NOK million					
313	178	491	342	183	525
0	0	0	7	0	7
10	43	53	10	44	54
1	15	16	1	15	16
322	206	528	358	212	570
137	124	261	158	126	284
-30	0	-30	-30	0	-30
11	22	33	12	24	36
-3	0	-3	-3	0	-3
10	22	32	12	24	36
0	0	0	0	0	0
105	124	229	125	126	251
217	82	299	233	86	319
Value incorporated in the Balance Sheet as at 31.12.2006					
322	206	528	358	212	570
10	22	32	10	22	32
0	13	13	7	13	20
0	0	0	0	0	0
332	215	547	361	221	582
105	124	229	125	126	251
11	28	39	11	33	44
0	0	0	0	0	0
0	12	12	0	12	12
116	140	256	136	147	283
216	75	291	225	74	299
Value incorporated in the Balance Sheet as at 31.12.2007					
		0			0
Buildings available for sale					

Security furnishing

The bank has not accepted any reduction in control of its assets or used any of its assets as a mean of security.

Gross value of depreciated assets

Gross value of fully depreciated assets still in use in the bank in 2007 is 106 million NOK

Note 14 Intangible assets

Parent Bank			Group	
2006	2007	NOK million	2007	2006
		Goodwill		
47	47	Acquisition cost as at 01.01	47	47
0	0	Additions/disposals	0	0
47	47	Acquisition cost as at 31.12	47	47
0	0	Accumulated write-downs as at 01.01	0	0
0	0	Write-downs during the year	0	0
0	0	Accumulated write-downs as at 31.12	0	0
47	47	Goodwill incorporated in the Balance Sheet as at 31.12	47	47

Parent Bank			Group	
2006	2007	NOK million	2007	2006
		Other intangible assets		
23	62	Acquisition cost as at 01.01	62	23
56	3	Additions	3	56
17	0	Disposals	0	17
62	65	Acquisition cost as at 31.12	65	62
5	10	Accumulated depreciation as at 01.01	10	5
5	3	Depreciation during the year	3	5
10	13	Accumulated depreciation as at 31.12	13	10
52	52	Other intangible assets as at 31.12	52	52

Parent Bank			Group	
2006	2007	NOK million	2007	2006
99	99	Total intangible assets as at 31.12	99	99

Note 15 Associated companies, joint ventures and investment in subsidiaries

Investment in associated companies and joint ventures

Parent Bank			Group	
2006	2007	NOK million	2007	2006
12	449	As at 01.01	536	17
437	-4	Additions/disposals	-5	437
		Changes in equity capital	1	26
		Share of results	144	60
		Dividends paid	-16	-4
449	445	Value inc. in B/S at 31.12	660	536

Income from investment in associated companies, joint ventures and Group companies

Parent Bank			Group	
2006	2007	NOK million	2007	2006
	39	Sale of Actor	38	
5	4	Dividends from Actor		4
	12	Dividends from SpareBank 1 Gruppen		
		Share of SpareBank 1 Gruppen's result	141	35
		IFRS adjustments relating to SpareBank 1 Gruppen		21
3	2	Dividends from Hedmark Eiendom		
1		Other dividends received		
		Share of results from other cos.	3	
9	57	Total income	182	60

The Group's equity stakes in associated companies:

2007	Acq. cost	Share of eq. cap. after acquisition	Book value 31.12.2006	Additions/ disposals	Income in P & L Acct.	Year's dividend	Book value 31.12.2007	Equity stake
Actor AS	5	3	9	-5	0	-4	0	0%
Fageråsen Invest AS	9	9	9	0	1	0	10	36%
Engerdal Høvleribbygg AS	0	0	0	0	0	0	0	20%
Total			18	-5	1	-4	10	

The Group's equity stakes in joint ventures:

2007	Acq. cost	Share of eq. cap. after acquisition	Book value 31.12.2006	Additions/ disposals	Income in P & L Acct.	Year's dividend	Book value 31.12.2007	Equity stake
Torggt 22 AS	8	8	8	0	2	0	10	50%
SpareBank 1 Gruppen	420	351	503	0	141	-12	632	12%
SpareBank 1 Utvikling DA	8	8	8	0	0	0	8	11%
Total			519	0	143	-12	650	

Investment in subsidiaries

2007	Registered office	Share of voting capital	Equity stake	Acquisition cost	
				2007	2006
Acquisition cost		100%	100%		
Hedmark Eiendom AS	Hamar	100%	100%	6	6
Hedmark Finans AS	Hamar	100%	100%	285	285
Hedmark Invest AS	Hamar	100%	100%	1	1
SH Tynset AS*	Tynset	100%	100%	1	3
SH Betalingsautomater AS	Hamar	100%	100%	1	1
Ringen Eiendommer AS	Ringsaker	100%	100%		
Stor-Elvdal Hytteforum AS	Stor-Elvdal	100%	100%		
Vato AS	Hamar	100%	100%	5	5
Total investment in subsidiaries				299	301

*SH Tynset AS is 50% owned through the subsidiary, Vato AS

Note 16 Shares

Parent Bank		Shares and unit trust certificates NOK million	Group	
2006	2007		2007	2006
119	91	At market value through the profit and loss account	91	119
119	91	- Listed	91	119
		- Unlisted		
212	320	Available for sale	320	212
18	60	- Listed	60	18
194	260	- Unlisted	260	194
331	411	Total shares and unit trust certificates	411	331

The portfolio of shares is the same for Parent Bank and Group.

Listed companies:	Equity stake (%)	Our portfolio (number)	Acq. Cost (NOK 1,000)	Market value/ book value (NOK 1,000)
Acergy	0,0 %	32 400	2 849	3 920
Austevoll Seafood	0,0 %	59 000	2 124	2 272
BWG Homes	0,1 %	48 400	1 897	1 510
Intelecom Group	0,3 %	72 092	649	433
DOF	0,1 %	46 800	3 168	2 913
Ekornes	0,0 %	18 000	2 351	1 719
Farstad Shipping	0,1 %	24 600	2 608	3 641
Komplett	0,1 %	19 200	1 524	2 304
Lerøy Seafood Group	0,1 %	41 300	3 626	4 522
Norsk Hydro	0,0 %	45 000	2 152	3 483
Odffell	0,0 %	29 700	3 431	2 643
Orkla	0,0 %	54 500	3 157	5 723
Prosafe	0,0 %	75 000	4 816	7 088
Salmar	0,1 %	71 700	2 892	3 155
SeaDrill LTD.	0,0 %	48 300	3 417	6 400
Solstad Offshore	0,1 %	35 400	3 536	5 328
SpareBank 1 Nøtterøy Tønsberg	4,6 %	50 500	5 555	5 656
Statoil	0,0 %	53 330	7 529	9 029
TGS-NOPEC Geophysical Co.	0,1 %	58 100	5 255	4 299
Wilh. Wilhelmsen	0,1 %	27 900	6 343	5 915
Yara International	0,0 %	26 800	2 718	6 727
Total, listed shares			71 594	88 678
Sparebanken Møre	0,5 %	29 900	8 369	7 595
Sparebanken Nord-Norge	0,1 %	10 600	1 559	1 357
Sparebanken Øst	0,7 %	25 000	3 900	3 725
Totens Sparebank	5,2 %	120 418	20 306	19 628
Total, listed Primary Capital Certificates (PCCs)			34 134	32 305
Odin Europa		57 973	6 400	6 549
Odin Norden		2 809	3 840	4 194
Odin Norge		1 200	2 560	3 001
Skagen Global		14 642	9 600	11 967
Skagen Kon-Tiki		9 927	3 200	4 486
Total, unit trust certificates			25 600	30 197
Total, listed companies			131 328	151 180

Unlisted companies:	Equity stake (%)	Our portfolio (number)	Acq. Cost (NOK 1,000)	Market value/ book value (NOK 1,000)
Atlungstad Golf	19,6 %	210	6 100	4 200
BBS	2,7 %	180 380	6 119	36 347
Eiendomskreditt	13,9 %	32 510	3 446	6 047
Eksportfinans	2,0 %	2 012	36 216	27 162
Flisa Mølle og Kornsilø	15,2 %	106 997	2 500	2 500
Icon Capital I	5,7 %	37 500	2 692	3 299
Norgesinvestor IV	1,7 %	32 000	3 200	3 059
Norgesinvestor Opportunities	6,4 %	20 000	2 000	1 818
Norgesinvestor Proto	8,1 %	150 000	15 000	20 000
Scanpole Norge	13,9 %	70 434	7 436	3 786
Sikon Øst	10,9 %	54 588	11 663	11 955
SpareBank 1 Boligkreditt	10,7 %	835 990	109 769	109 769
Teller	3,8 %	2 026	5 971	26 863
Others			2 769	3 087
Total, unlisted companies			214 880	259 890
Total			346 208	411 070

Note 17 Bonds

Parent Bank	Certificates and bonds according to issuers		Group	
2006	2007	NOK million	2007	2006
		Financial institutions		
2 073	1 890	- nominal	1 890	2 073
2 069	1 845	- market value	1 845	2 069
		Non-financial institutions	0	
745	735	- nominal	735	745
753	729	- market value	729	753
2 822	2 574	Total certificates and bonds, at market value	2 574	2 822

Certificates - at market value through p & I acct.				
2006	2007	NOK million	2007	2006
2 822	2 574	Certificates and bonds	2 574	2 822
119	91	Shares and unit trust certificates (Note 16)	91	119
2 941	2 665	Total securities at market value through p & I acct.	2 665	2 941

Note 18 Financial derivatives

General description:

All financial derivatives are shown at market value through the profit and loss account. Unrealised gains are included as assets and unrealised losses as liabilities.

Parent Bank and Group. Foreign currency- and interest rate instruments (NOK million)

At market value through the profit and loss account				2006		
2007						
	Contract amount	Market value		Contract amount	Market value	
		Assets	Liabilities		Assets	Liabilities
Foreign currency instruments						
Forward exchange contracts	2 168	1	6			
Interest rate swaps	768	0	-2			
Total, foreign currency instruments	2 936	1	4	2 775	26	24
Interest rate instruments						
Interest rate swaps (also covers cross currency swaps)	7 593	32	277	7 553	56	249
Short interest rate swaps (FRAs)				8 000	7	6
Other interest rate contracts	1 334	2	18	1 145	13	11
Total, interest rate instruments	8 926	34	295	16 699	76	266
Total foreign currency- and int. rate instrs. (NOK million)						
Total interest rate derivatives	8 926	34	295	16 699	76	266
Total foreign currency swaps and forward contracts	2 936	1	4	2 775	26	24
Total	11 862	35	299	19 473	102	290

Note 19 Financial institutions - claims and liabilities

Parent Bank		Loans to and claims on financial institutions		Group	
2006	2007	NOK million		2007	2006
41	74	Loans and claims without agreed maturity or notice of withdrawal		75	41
1 318	1 199	Loans and claims with agreed maturity or notice of withdrawal		23	318
1 359	1 273	Total		98	359
Loans and claims according to the most important currencies					
1 145	1 202	NOK		27	145
157	28	EURO		28	157
32	18	CHF		18	32
10	11	JPY		11	10
15	14	Sundry		14	15
1 359	1 273	Total		98	359
Parent Bank		Liabilities to financial institutions		Group	
2006	2007	NOK million		2007	2006
32	12	Loans and deposits without agreed maturity or notice of withdrawal		12	19
2 737	2 975	Loans and deposits with agreed maturity or notice of withdrawal		2 958	2 730
2 769	2 987	Total		2 970	2 749
Liabilities according to the most important currencies					
1 144	625	NOK		608	1 124
1 619	2 353	EURO		2 353	1 619
3	8	SEK		8	3
1	1	DKK		1	1
2	-	Sundry		-	2,0
2 769	2 987	Total		2 970	2 749

Deposits and loans from/to financial institutions mainly involve floating rates of interest.

Note 20 Loans to and claims on customers

Parent Bank			Group	
2006	2007	NOK million	2007	2006
		Loans according to types of claims		
0	0	Financial leasing agreements	962	834
1 548	2 351	Overdraft- and working capital facilities	2 351	1 548
640	920	Building loans	920	638
26 967	28 134	Repayment loans	28 650	27 431
29 155	31 405	Gross loans to and claims on customers	32 883	30 451
216	169	Write-downs	198	245
28 939	31 236	Net loans to and claims on customers	32 685	30 206
		Loans according to markets		
20 109	21 948	Wage- and salary earners	22 305	20 286
9 039	9 431	Industry and commerce	10 536	10 144
7	26	Public sector	42	21
29 155	31 405	Gross loans and claims	32 883	30 451
216	169	Write-downs	198	245
28 939	31 236	Net loans and claims	32 685	30 206
		Of which subordinated loan capital		
285	0	Equity and related capital in financial institutions	0	0
2	7	Other equity and related capital	7	2
287	7	Subordinated loan capital shown under Loans	7	2
315	365	Of which loans to staff	442	382

Repayment loans to employees are given with a repayment period up to 30 years in monthly payments. Interest rates for loans and Flexiloans to employees are set to 75% of lowest interest rate for private market loans and Flexiloans. Total loan amount within these conditions can not be over 1,2 million NOK for each single employee.

Total commitments

Parent Bank			Group	
2006	2007	Breakdown according to risk group	2007	2006
16 359	22 999	Low risk	23 754	16 956
8 900	8 713	Medium risk	9 206	9 311
2 603	2 121	High risk	2 352	2 899
647	710	In default	710	647
3 346	32	Not classified	32	3 346
31 855	34 575	Total commitments	36 054	33 159

Gross loans

2006	2007	Breakdown according to risk group	2007	2006
15 021	20 692	Low risk	21 446	15 610
8 096	8 020	Medium risk	8 513	8 507
2 491	2 011	High risk	2 242	2 787
613	677	In default	677	613
2 934	5	Not classified	5	2 934
29 155	31 405	Total	32 883	30 451

Individual write-downs

2006	2007	Breakdown according to risk group	2007	2006
142	87	In default	108	161

All the Bank's individual write-downs are classified as commitments in default and are at the moment not allocated to different risk classes.

Parent Bank		Loans according to geographical areas	Group	
2006	2007		2007	2006
23 747	26 060	Hedmark	26 756	24 372
5 313	5 236	The rest of the country	6 018	5 984
95	109	International	109	95
29 155	31 405	Total gross loans according to geographical areas	32 883	30 451

Parent Bank		Loans, guarantees and unutilised facilities according different sectors (total commitments)	Group	
2006	2007		2007	2006
20 681	23 111	Wage- and salary earners etc.	23 468	20 998
7	26	Public sector	34	15
2 423	2 560	Primary industries	2 710	2 561
171	203	Pulp and paper industry	210	178
372	419	Other industry	481	426
971	1 211	Building and construction	1 518	1 193
415	181	Power- and water supply	207	432
1 194	1 202	Wholesale- and retail trade	1 357	1 331
224	236	Hotel- and restaurant industry	453	474
3 107	3 365	Real estate management	3 382	3 119
1 096	1 209	Business services	1 370	1 231
539	780	Transport and communications	792	546
655	72	Miscellaneous	72	655
31 855	34 575	Total	36 054	33 159

Parent Bank			Group	
2006	2007	Gross loans according to different sectors	2007	2006
20 109	21 948	Wage- and salary earners etc.	22 305	20 426
7	26	Public sector	34	15
2 286	2 263	Primary industries	2 413	2 424
132	123	Paper and pulp industry	130	139
269	271	Other industry	333	324
645	752	Building and construction	1 059	867
304	61	power- and water supply	87	321
971	866	Wholesale- and retail trade	1 021	1 108
194	218	Hotel- and restaurant industry	435	444
2 748	3 149	Real estate management	3 166	2 760
940	992	Business services	1 153	1 075
471	664	Transport and communication	676	478
79	72	Miscellaneous	71	70
29 155	31 405	Total	32 883	30 451

2006	2007	Individual write-downs of loans according to industrial, commercial and other sectors	2007	2006
24	22	Wage- and salary earners	25	25
0	0	Public sector	0	0
6	4	Primary industries	7	9
11	5	Paper and pulp industry	5	11
18	20	Other industry	26	25
10	1	Building and construction	3	11
2	2	Power- and water supply	2	2
14	7	Wholesale- and retail trade	8	14
4	2	Hotel- and restaurant industry	2	4
37	15	Real estate management	15	37
11	7	Business services	8	12
5	2	Transport and communications	7	11
0	0	Sundry	0	0
142	87	Total	108	161

Loans to and claims on customers relating to financial rental agreements (Group only)

	2007	2006
Gross claims relating to financial rental agreements		
- Up to 1 year	75	58
- Between 1 and 5 years	831	704
- Over 5 years	55	72
Total	962	834
Not yet accrued income rel. to financial rental agreements	3	3
Net investment relating to financial rental agreements	959	831
Net investment in financial rental agreements as follows:		
- Up to 1 year	75	58
- Between 1 and 5 years	829	701
- Over 5 years	55	71
Total	959	831

Note 21 Losses on loans, guarantees etc.

Parent Bank						Group						
2006			2007			NOK million	2007			2006		
RB	CB	Total	RB	CB	Total		RB	CB	Total	RB	CB	Total
-1	-41	-42	-2	-55	-57	Period's change in individual write-downs		-54	-54	-1	-35	-36
-1	5	4	3	5	8	+ Period's change in collective write-downs	2	5	7	-1	-1	-2
3	25	28	4	52	56	+ Confirmed losses on commitments prev. written down	4	56	60	3	35	38
9	2	11	13	3	16	+ Confirmed losses on commitments not prev. written down	15	3	18	9	25	34
5	2	7	6	1	7	- Recoveries from previously written down loans, guarantees etc.	6	1	7	5	5	10
5	-11	-6	12	4	16	Total losses on loans, guarantees etc.	15	9	24	5	19	24

Loss on lending and guarantees in 2006 and 2007, were substantially lower than budgeted. For the next five years, we expect in average, gross loss not more than 0,6% in the corporate market and 0,1 % in the private market.

2006			2007			Individual write-downs	2007			2006		
RB	CB	Total	RB	CB	Total		RB	CB	Total	RB	CB	Total
30	165	195	26	126	152	Individual write-downs to cover losses on loans, guarantees etc. as at 01.01	26	145	171	30	179	209
3	-2	1				- Reduction as at 01.01 due to implementation of new loan rules				3	-2	1
3	24	27	4	52	56	- Confirmed losses during the period on loans, guarantees etc. against which individual write-downs were previously made	4	57	61	3	36	39
4	48	52	5	26	31	- Reversal of previous years' write-downs	5	33	38	4	50	54
-3	2	-1	1	2	3	+ Increase in write-downs on commitments against which individual write-downs were previously made	1	14	15	-3	19	16
9	29	38	4	18	22	+ Write-downs on commitments against which no previous write-down was made	4	21	25	9	31	40
26	126	152	22	68	90	Individual write-downs to cover losses on loans, guarantees etc. as at 31.12	22	90	112	26	145	171

Collective write-downs

46	204	250	17	57	74	Collective write-downs to cover losses and loans and guar. at 01.01				46	204	250
33	147	180				Red. at 01.01 - implementation impact from loan rules				33	147	180
4	0	4	3	5	8	+ Period's collective write-down to cover losses on loans and guarantees				4	10	14
17	57	74	20	62	82	Collective write-down to cover losses on loans and guar. at 31.12	20	70	90	17	67	84

Parent Bank						Group						
2006			2007			Losses according to industrial, commercial and other sectors	2007			2006		
RB	CB	Total	RB	CB	Total		RB	CB	Total	RB	CB	Total
6		6	9		9	Wage- and salary earners etc.	13		13	9		9
		0			0	Public sector			0			0
				3	3	Primary industries		3	3		2	2
				-1	-1	Paper and pulp industry		-1	-1			
				13	13	Other industry		13	13			
	-21	-21		-2	-2	Building and construction					-20	-20
						Power- and water supply						
	-7	-7		-5	-5	Wholesale- and retail trade		-5	-5		-6	-6
	3	3				Hotel - and restaurant industry					3	3
	14	14		2	2	Real estate management		2	2		14	14
	-6	-6		-2	-2	Business services				2	-6	-4
	1	1		-2	-2	Transport and communications		-1	-1		21	21
				-7	-7	Other industry		-7	-7		6	6
	5	5		5	5	Collective write-down - corporate market		5	5		5	5
-1		-1	3		3	Collective write-down - retail banking market	2		2	-6		-6
5	-11	-6	12	4	16	Collective write-down (loss on repossessed properties)	15	9	24	5	19	24
						Losses on loans to customers						

Parent Bank					Commitments in default and bad and doubtful commitments	Group				
2003	2004	2005	2006	2007		2007	2006	2005	2004	2003
281	225	297	350	182	Commitments in default	231	398	313	248	294
485	454	397	165	149	Other bad and doubtful commitments	178	180	397	454	485
766	679	694	515	331	Total commitments involving loss provisions	409	578	710	702	779
165	184	195	142	90	Individual write-downs	112	161	197	190	169
601	495	499	373	241	Net commitments involving loss provisions	297	417	513	512	610

Note 22 Deposits from customers

Parent Bank			NOK million	Group	
2006	2007			2007	2006
18 313	20 160	Deps. from/liabs. to customers - no agreed maturity		19 949	18 185
674	864	Deps. from/liabs. to customers - with agreed maturity		863	680
18 987	21 024	Total deposits from customers		20 812	18 865
47	128	Of total deposits, fixed interest deps. account for		128	47

Parent Bank			Group	
2006	2007	Deposits according to industrial, commercial and other sectors	2007	2006
12 426	13 443	Wage- and salary earners etc.	13 443	12 426
1 526	2 041	Public sector	2 041	1 526
711	712	Primary industries	712	711
88	92	Paper and pulp industry	92	88
522	578	Other industry	578	522
335	386	Building and construction	386	335
22	40	Power- and water supply	40	22
556	655	Wholesale- and retail trade	655	556
58	84	Hotel- and restaurant industry	84	58
910	959	Real estate management	959	910
928	1 029	Business services	817	806
262	295	Transport and communications	295	262
643	710	Sundry	710	643
18 987	21 024	Total deposits according to different sectors	20 812	18 865

2006	2007	Deposits according to geographical areas	2007	2006
16 988	18 746	Hedmark	18 534	16 866
1 821	2 093	The rest of the country	2 093	1 821
178	185	International	185	178
18 987	21 024	Total deposits according to geographical areas	20 812	18 865

Note 23 Other liabilities

Parent Bank			Group	
2006	2007	NOK million	2007	2006
324	344	Pension liabilities (Note 24)	361	335
10	4	Guarantee provisions	4	10
10	10	Trade creditors	15	10
961	430	Sundry	728	1 160
1 305	788	Total other liabilities	1 108	1 515
Guarantees etc. provided (agreed guarantee amounts)				
682	457	Payment guarantees	457	682
166	175	Contract guarantees	175	166
1	1	Loans guarantees	1	1
	5	Guarantees for tax	5	0
71	140	Other guarantees	140	71
23	23	Guarantee in favour of Norwegian Banks' Guarantee Fund	23	23
943	801	Total guarantees extended	801	943
Other liabilities				
1 765	2 369	Unutilised facilities	2 369	1 765
1 765	2 369	Total other liabilities	2 369	1 765
4 013	3 958	Total liabilities	4 279	4 223

Buildings	Securities	Total	Assets pledged as security	Buildings	Securities	Total
	2 036	2 036	Assets pledged as security in 2007		2 036	2 036
	-	-	Related liabilities in 2007	-	-	-
	2 409	2 409	Assets pledged as security in 2006		2 409	2 409
	200	200	Related liabilities in 2006		200	200

Current legal disputes

The Group is involved in some legal disputes whose financial implications are deemed to have no significant impact on the Group's financial position. Loss provisions have been made where this has been considered appropriate.

Note 24 Pensions

The company's retirement pension commitments – a general description.

The bank's secure arrangement is administrated by its own pension fund, and guarantees future retirement pension from 67 years of age.

The arrangement also guarantees dependant's pension, child pension and disability pension following certain rules. The pension arrangement gratifies the rules of obligatory service pension.

The corporation also has retirement pension commitments towards employees on early retirement and some employees with salaries of more than 12G. The bank and financial branch has made an agreement including contracts of early retirement (AFP) from the age of 62. The bank's co-payment constitutes the same amount as included in the national insurance for employees using the AFP. The bank's commitment is 100% from the age of 62 to 64 years of age. In the calculation, a withdrawal rate of 35% is used for the whole period. The costs related to AFP will be divided systematically over the contribution time to acquire more national insurance.

The following conditions form the basis for calculating costs and commitments:

Financial assumptions as at 31.12	01.01.2008 Liabilities	01.01.2007 Liabilities	01.01.2006 Liabilities
Discounting rate of interest	4,80%	4,30%	4,00%
Expected return on pension resources	5,50%	4,30%	4,00%
Expected future wage- and salary development	4,75%	4,00%	4,00%
Expected adjustment of basic amount	4,50%	2,50%	2,50%
Expected adjustment of pension	4,50%	2,50%	2,50%
Employer's social security contributions	14,10%	14,10%	14,10%
Expected natural wastage	2,00%	2,00%	2,00%
Expected SERP take-up from the age of 62 years	35,00%	50,00%	50,00%
Utilized table of disability	IR02	IR73	IR73
Utilized table of mortality	K05	K63	K63

The points of time mentioned above, indicate from what time the commitment is calculated using the new conditions. This means, for instance, that the retirement pension commitments by 31.12.2007 is calculated with the conditions in effect from 01.01.2008, while the annual costs for 2007 are based on the conditions in effect from the beginning of the year.

Guaranteed scheme

Parent Bank			Group	
2006	2007	NOK million	2007	2006
501	523	Gross liabilities as at 01.01	544	519
17	19	Accrued pension entitlements during the year	22	19
19	23	Interest on pension liabilities	23	19
-11	-11	Pensions paid out	-11	-11
-3	43	Estimate discrepancies shown against equity capital	42	-2
523	597	Gross liabilities as at 31.12	620	544
311	343	Value of pension resources as at 01.01	355	322
30	36	Paid into the scheme	36	31
13	15	Interest income from the pension resources during the year	15	13
-11	-11	Pensions paid out	-11	-11
	4	Estimate discrepancies shown against equity capital	1	0
343	387	Value of pension resources as at 31.12	396	355
24	25	Employer's social security contributions - liabilities as at 01.01	26	25
	-5	Employer's social security contributions on pension premium paid in	-5	
1	5	Change during the year	7	1
25	25	Employer's social security contributions - liabilities as at 31.12	28	26
214	205	Net pension liabilities relating to guaranteed scheme as at 01.01	215	222
205	235	Net pension liabilities relating to guaranteed scheme as at 31.12	252	215
24	32	Estimated cost for the year	37	26

Non-guaranteed scheme

Parent Bank			Group	
2006	2007	NOK million	2007	2006
103	100	Gross liabilities as at 01.01	101	104
5	6	Accrued pension entitlements for the year	5	5
4	4	Interest on pension liabilities	5	4
-7	-6	Pensions paid out	-6	-7
-5	-10	Estimate discrepancies shown against equity capital	-10	-5
100	94	Gross liabilities as at 31.12	95	101
15	19	Employer's social security contributions - liabilities as at 01.01	19	15
4	-4	Change during the year	-5	4
19	15	Employer's social security contributions - liabilities as at 01.01	14	19
118	119	Net pension liabilities relating to non-guaranteed scheme as at 01.01	120	119
119	109	Netto pensjonsforpliktelse usikret ordning 31.12	109	120
13	6	Estimated cost for the year	5	13

Total guaranteed and non-guaranteed schemes

Parent Bank			Group	
2006	2007	NOK million	2007	2006
		Summary - liabilities		
332	324	Net pension liabilities relating to non-guaranteed scheme as at 01.01	335	341
324	344	Net pensoin liabilities relating to non-guaranteed scheme as at 31.12	361	335
		Summary - costs		
37	38	Estimated cost for the year	42	39
-1		Discrepancies between pensions paid out and estimate-related assumptions, non-guaranteed scheme		-1
36	38	Total pension costs	42	38

Note 25 Change in equity capital

Parent Bank NOK million	Accrued equity capital			
	Fund for Value Adj. and Est. Discr	Savings Bank's Fund	Donations Fund	Total equity capital
Equity capital at 31.12.05 acc. to good Norwegian acct. practice		3 238	25	3 263
Adjustments at 01.01.06 on impl. of new loan rules and regulations in 2006		98	0	98
Change in acct. principles at initial implementation of IFRS	55	-211	0	-156
Adjusted equity capital as at 01.01.2006	55	3 125	25	3 205
Total incorporated income and costs during the period	33	326		359
Donations distributed from the 2005 result		-6	0	-6
Distributed from the Donations Fund in 2006		0	-4	-4
Transfer to the Donations Fund in 2006		-25	25	0
Equity capital as at 31.12.2006	88	3 420	46	3 554
Equity capital as at 01.01.2007	88	3 420	46	3 554
Total incorporated income and costs during the period	-52	350	0	298
Donations distributed from the 2006 result		-6	0	-6
Distributed from the Donations Fund in 2007		0	-6	-6
Transfer to the Donations Fund in 2007		-25	25	0
Equity capital as at 31.12.2007	36	3 739	65	3 840

Group NOK million	Accrued equity capital			Total equity capital
	Fund for Value Adj. and Est. Discr	Savings Bank's Fund	Donations Fund	
Equity capital as at 31.12.05 acc. to good Norwegian acct. practice		3 238	25	3 263
Adjustments at 01.01.06 on impl. of new loan rules and regulations in 2006		98	0	98
Change in acct. principles on initial implementation of IFRS	55	-187	0	-132
Adjusted equity capital as at 01.01.2006	55	3 149	25	3 229
Total incorporated income and costs during the period	58	367		425
Donations distributed from the 2005 result		-6	0	-6
Distributed from the Donations Fund in 2006		0	-4	-4
Transfer to Donations Fund in 2006		-25	25	0
Equity capital as at 31.12.2006	113	3 485	46	3 644
Equity capital as at 01.01.2007	113	3 485	46	3 644
Total incorporated income and costs during the period	-57	492	0	435
Utdelt gaver av resultat 2006		-6	0	-6
Donations distributed from 2006 result		0	-6	-6
Transfer to Donations Fund in 2007		-25	25	0
Equity capital as at 31.12.2007	56	3 946	65	4 067

Note 26 Capital adequacy

Parent Bank IFRS Basel II	Equity and related capital NOK million	Group IFRS Basel II
2007		2007
3 775	Savings Bank's Fund	4 002
65	Donations Fund	65
3 840	Total equity capital	4 067
	Deductions:	
0	Over-funding of pension liabilities	0
-179	Deferred tax, goodwill and other intangible assets	-193
-56	Net unrealised gain on shares available for sale	-56
-503	Equity and related capital in other financial institutions	-715
0	Share of zero-rated unamortised estimate discrepancies	0
-738	Total deductions	-964
	Additions:	
25	45 per cent of unrealised gain on shares classified as available for sale	25
25	Total additions	25
3 127	Net equity and related capital	3 128
	Risk-weighted asset calculation basis	
21 493	Credit risk	22 769
1 617	Operational risk	1 754
27	Market risk	27
-675	Deductions from the above calculation basis	-916
22 462	Total calculation basis	23 634
13,92%	Capital adequacy ratio	13,24%

*The bank has in its entirety subtracted the non-accrual unamortized deviant of the estimate on retirement pension commitments. We have not used the transitional rules in this area. If we had used the transitional rules, the capital funds for both the bank and the corporation would have been approximately 0,6% higher by 31.12.2007.

Parent Bank NGAAP Basel I		Group NGAAP Basel I
2006	Calculation basis: NOK million	2006
22 615	Assets which do not form part of the trading portfolio	23 112
661	Off balance sheet items not forming part of the trading portfolio	661
1 253	Items which form part of the trading portfolio	1 253
	Calculation basis for foreign exchange risk	
-419	Equity and related capital in other financial institutions	-16
-49	Use of the equity method of accounting in the company accounts	-1
-225	Write-downs on losses	-259
	Assets for which capital adequacy reserve is required	-454
23 836	Total calculation basis	24 296
	Core capital:	
3 660	Equity capital shown in the accounts	3 660
-27	Fund for Evaluation Differences	-1
	Correction for difference between accounts-related Group and Group in capital adequacy context	6
-104	Intangible assets	-117
	Net pension resources	-1
3 529	Total core capital	3 547
	Deductions:	
-419	Equity and related capital in other financial institutions	-16
	Capital adequacy reserve	-454
3 110	Net equity and related capital	3 077
13,05%	Capital adequacy ratio	12,66%

Note 27 Close parties

Transactions between close parts. Close parts meaning connected companies, companies with joint control and subsidiaries. The bank's accounts with employees and members of the board are found in note 10.

Loans (NOK million)	2007	2006
Loans outstanding as at 01.01	1 019	945
Loans granted during the period	175	75
Repayments	7	1
Loans outstanding as at 31.12	1 187	1 019
Interest income	57	36
Losses on loans	0	0
Deposits (NOK million)	2007	2006
Deposits as at 01.01	157	89
Deposits received during the period	99	73
Withdrawals	26	5
Deposits as at 31.12	230	157
Interest costs	8	3

All loans extended to close parties are included in the Parent Bank's accounts.

Note 28 Debt related to issuance of securities

Parent Bank			Group	
2006	2007	NOK million	2007	2006
724	900	Certificates and other short-term borrowings	900	724
7 916	8 044	Bond debt	8 044	7 916
8 641	8 944		8 944	8 641
2,82%	2,80%	Average rate of interest for certificates	2,80%	2,82%
3,40%	4,85%	Average rate of interest for bonds	4,85%	3,40%

2006	2007	Bond debt according to maturities	2007	2006
651		2007		651
985	979	2008	979	985
1 291	1 263	2009	1 263	1 291
602	974	2010	974	602
857	840	2011	840	857
500	963	2012	963	500
1 097	1 062	2013	1 062	1 097
763	726	2014	726	763
868	561	2015	561	868
450	444	2016	444	450
299	231	2020	231	299
-173		Market value adj. 2006 (IFRS-adjustment)		-173
-274		Own portfolio at market value		-274
7 916	8 044	Bond debt and other long-term borrowings	8 044	7 916

In 2007 the breakdown of debt on obligations is presented in net stock, as opposed to 2006 where this is shown in a line of its own. Average interest rate is calculated on the basis of actual annual interest costs including possible interest- and currency swaps on average stock of securities measured in per cent. All debt on obligations and certificates are issued in NOK and the amounts are stated to actual value.

Note 29 Maturity analysis of assets and liabilities

Parent Bank

As at 31.12.2007 NOK million	On de- mand	Less than 3 months	3-12 months	1 - 5 years	Over 5 years	Total
ASSETS						
Cash and claims on central banks	881					881
Loans to and claims on financial institutions	75	1 198				
Loans to and claims on customers		3 504	2 069	5 148	20 684	31 405
Individual write-down on loans to and claims on customers	-17	-1		-28	-41	-87
Collective write-down on loans to and claims on customers				-82		-82
Net loans to customers	-17	3 503	2 069	5 038	20 643	31 236

	On de- mand	Less than 3 months	3-12 months	1 - 5 years	Over 5 years	Total
Securities - at market value through profit and loss account	92	5	36	1 556	976	2 665
Financial derivatives				6	29	35
Securities - available for sale	87				233	320
Investment in TS, FKV and subsidiaries					744	744
Intangible assets				52	47	99
Real estate, plant and equipment				74	217	291
Asset relating to tax				75		75
Other assets			380		10	390
Total assets	1 118	4 706	2 485	6 801	22 899	38 009

LIABILITIES

Liabilities to financial institutions				2 230	757	2 987
Deposits from and liabilities to customers		21 019	3	2		21 024
Debt incurred through the issuance of securities		1 285	594	3 791	3 274	8 944
Financial derivatives			6	112	181	299
Liabilities relating to period tax			127			127
Other liabilities		443			345	788
Total liabilities		22 747	730	6 135	4 557	34 169

Group

As at 31.12.2007 NOK million	On de- mand	Less than 3 months	3-12 months	1 - 5 years	Over 5 years	Total
ASSETS						
Cash and claims on central banks	881					881
Loans to and claims on financial institutions	75	1 210				98
Loans to and claims on customers		3 504	2 069	6 111	21 426	32 883
Individual write-down on loans to and claims on customers	-17	-1		-28	-62	-108
Collective write-down on loans to and claims on customers				-90		-90
Net loans to customers	-17	3 503	2 069	5 993	21 364	32 685
Securities - at market value through the profit and loss account	92	5	36	1 551	981	2 665
Financial derivatives				6	29	35
Securities - available for sale	87				233	320
Investment in TS, FKV and subsidiaries					660	660
Intangible assets				52	47	99
Real estate, plant and equipment				82	217	299
Asset relating to tax				88		88
Other assets			491		10	501
Total assets	1 118	4 718	2 596	7 772	23 541	38 331

LIABILITIES

Liabilities to financial institutions				2 213	757	2 970
Deposits from and liabilities to customers		20 807	3	2		20 812
Debt related to the issuance of securities		1 285	594	3 791	3 274	8 944
Financial derivatives			6	112	181	299
Liabilities relating to period tax			131			131
Other liabilities		763			345	1 108
Total liabilities		22 855	734	6 118	4 557	34 264

Note 30 Credit quality per class - financial assets

		Not matured - not written down			Matured or individually written down	Not classified	Total
		Low risk	Medium risk	High risk			
Parent Bank 2007	NOK million	Notes					
Loans to and claims on financial institutions	19	1 273					1 273
Loans to and claims on customers							
Retail banking market	20	16 440	3 568	1 017	435		21 460
Corporate market	20	3 946	4 321	965	210		9 442
Loans to and claims on customers and financial institutions classified as financial assets at market value through profit and loss account when first incl. in accounts		306	130	29	5	33	503
Total		21 965	8 019	2 011	650	33	32 678
Financial investments							
Listed other bonds	17	2 052	473	49			2 574
Total		2 052	473	49			2 574
Grand total		24 017	8 492	2 060	650	33	35 252

		Not matured - not written down			Matured or individually written down	Not classified	Total
		Low risk	Medium risk	High risk			
Parent Bank 2006	NOK million	Notes					
Loans to and claims on financial institutions	19	1 359					1 359
Loans to and claims on customers							
Retail banking market	20	11 845	5 248	1 732	316	584	19 725
Corporate market	20	2 943	2 649	728	285	2 318	8 923
Loans to and claims on customers and financial institutions classified as financial assets at market value through the profit and loss account when first incl. in accounts	20	234	199	30	12	32	507
Total		16 381	8 096	2 490	613	2 934	30 514
Financial investments							
Listed other bonds	17	2 204	548	70			2 822
Total		2 204	548	70			2 822
Grand total		18 585	8 644	2 560	613	2 934	33 336

		Not matured - not written down			Matured or individually written down	Not classified	Total
		Low risk	Medium risk	High risk			
Group 2007	NOK million	Notes					
Loans to and claims on financial institutions	19	98					98
Loans to and claims on customers							
Retail banking market	20	16 591	3 765	1 023	436		21 815
Corporate market	20	4 550	4 618	1 169	228		10 565
Loans to and claims on customers and financial institutions classified as financial assets at market value through profit and loss account when first incl. in accounts	20	306	130	29	5	33	503
Total		21 545	8 513	2 221	669	33	32 981
Financial investments							
Listed other bonds	17	2 051	473	49			2 573
Total		2 051	473	49			2 573
Grand total		23 596	8 986	2 270	669	33	35 554

		Not matured - not written down			Matured or individually written down	Not classified	Total
		Low risk	Medium risk	High risk			
Group 2006	NOK million	Notes					
Loans to and claims on financial institutions	19	359					359
Loans to and claims on customers							
Retail banking market	20	11 979	5 421	1 742	317	584	20 043
Corporate market	20	3 407	2 887	996	302	2 309	9 901
Loans to and claims on customers and financial institutions classified as financial assets at market value through the profit and loss account when first incl. in accounts	20	234	199	30	12	32	507
Total		15 979	8 507	2 768	631	2 925	30 810
Financial investments							
Listed other bonds	17	2 204	548	70			2 822
Total		2 204	548	70			2 822
Grand total		18 183	9 055	2 838	631	2 925	33 632

Note 31 Breakdown of matured loans, not written down

The table shows matured amounts of loans and overdrafts relating to credits/deposits according to the number of days after maturity, these situations not being due to delays in payments transmission.

2007

Parent Bank NOK million	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 dager	Totalt
Loans to and claims on customers	19	8	2	19	48
Total	19	8	2	19	48

2006

Parent Bank NOK million	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 dager	Totalt
Loans to and claims on customers	84		3	18	105
Total	84		3	18	105

2007

Group NOK million	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 dager	Totalt
Loans to and claims on customers	27	11	3	30	71
Total	27	11	3	30	71

2006

Group NOK million	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 dager	Totalt
Loans to and claims on customers	91	6	7	29	133
Total	91	6	7	29	133

Note 32 Market risk relating to interest rate risk

Interest risk is formed as a consequence of the individual assets and debits having variable time left with fixed interest. The total interest risk can be divided into four elements:

- basic risk
- Interest curve risk
- Spread risk
- Administrative interest risk

The board has decided on margins of the total interest risk with regard to basic risk and interest curve risk. The bank directs the risk to the desired level through fixed interest on investments and loans, and in addition using interest derivatives as FRA(future rate agreement)-contracts and interest swap agreements.

Basic risk can be explained as the change in value on the bank's assets and debts occurring when the interest curve displaces parallel to itself. This risk is shown in the table below by interest risk on fixed interest positions being calculated as the effect on the instruments actual value of a change in interest where the interest curve is expected to displace parallel by 1%. Administrative interest risk has not been taken into consideration, which is the result of the difference in time of change in market interest until the bank changes its interest terms of deposits and loans. The Financial Contracts Act basically demands 6 weeks notice prior to change in interest on consumer loans and 2 weeks prior to lowering interest rates on deposits.

Basis risk - Group	Int. r. risk (NOK mill.)
Bonds	19
Fixed interest rate loans	12
Loans with interest rate guarantee	0
Fixed interest rate deposits	-1
Loans evidenced by certificates	-3
Bond loans	-189
Own portfolio of bond loans	15
Other fixed interest rate financing	-6
Financial derivatives	147
Total interest rate risk	-6

A negative sign indicates that the bank profits on an increased interest rate.

Even if the calculations above indicate that the bank will profit on an increased interest rate, the way in which it increases is not insignificant. The table below shows this interest curve risk (the risk of the interest curve displacing differently within the different time periods at a change of interest rate) by measuring the bank's net interest exposure within the different time intervals.

Interest rate curve risk - Group	Int. r. risk (NOK mill.)
0 - 1 month	1
1 - 3 months	13
3 - 6 months	0
6 - 12 months	3
1 - 2 years	0
2 - 3 years	5
3 - 4 years	-4
4 - 5 years	-1
5 - 7 years	-5
7 - 10 years	-5
Total int. r. risk - fixed int. r. positions	6

Spread risk is the risk of the market's pricing of different issuers not changing at the same rate as the underlying reference interest, for instance the government interest or the swap interest. This type of risk is more difficult to illustrate and is therefore not quantified in the note.

Note 33 Market risk relating to foreign exchange risk

Currency risk is the risk of loss as an effect of fluctuations in exchange rates.

The bank has a limited currency risk both throughout the year and at the end of the year. A set of rules is established for exposure in foreign currencies.

There are, for instance limits defined with regards to investment in foreign currency in total and also for individual currencies.

All essential currency investments are being secured at all times. On 31.12.2006 and 31.12.2007 the net currency investments in the most common currencies converted to NOK, based on underlying assets, were as follows:

Parent Bank			Group	
2006	2007	Net foreign exchange exposure NOK million	2007	2006
-19	-7	EUR	-7	-19
-9	6	SEK	6	-9
5	4	Other currencies	4	5
-23	3	Total	3	-23
100	300	Total foreign currency limit	300	100
40	100	Total per foreign currency	100	40
-1	0	Impact on result of a 3% change	0	-1

Note 34 Events occurring after the balance sheet date

No significant events have been registered after the balance sheet date which would affect the Bank's accounts.

Control committee report for 2007

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 2007.

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, its subsidiaries' employees 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 Chief Executive Officer has attended the Committee's meetings, explaining about the cases involved. The General Manager, Risk Management, 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.

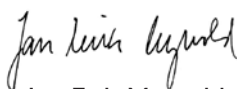
During its examination of the proposed annual financial statements for the Parent Bank, including the Board of Directors' Annual Report and Accounts, the Auditor's Report, as well as similar documentation in respect of the Bank's subsidiaries, especially Hedmark Finans AS, the Committee has in particular assessed the annual accounts in relation to the lending rules and regulations with regard to the way in which losses and write-downs of losses 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 Supervisory Board or the Financial Supervisory Authority of Norway have been discovered.

In the opinion of the Committee, the accounts have been prepared in accordance with currently applicable rules and regulations and may, with the Committee's recommendation, be submitted to the Bank's Supervisory Board as Sparebanken Hedmark's approved annual accounts for 2007.

Hamar, den 28 February 2008



Pål Johnsrud
Head of committee



Jan Erik Myrvold



Gro Svarstad



Valborg Berthelsen



Anders Brinck

Auditor's report for 2007



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We have audited Sparebanken Hedmark's annual accounts for the 2007 accounting year, which show a NOK 350 million profit for the year for the Parent Bank and a profit of NOK 492 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 the Savings Bank's accounts and the Group's accounts and comprise Profit and Loss Account, Balance Sheet, Cash Flow Statement, a statement of incorporated income and costs, and Notes to the Accounts. The accounts have been prepared in accordance with the International Financial Reporting Standards, which have been introduced by the EU. The annual accounts and Annual Report are presented by the Savings Bank's Board of Directors and the Bank's Chief Executive Officer. Our task is to comment on the annual accounts and other relevant circumstances in accordance with the requirements stipulated in the Auditing Act.

We have completed our auditing in compliance with applicable law, rules, regulations and according to good Norwegian auditing practice, including the auditing standards approved by Den norske Revisorforening. The auditing standards require 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 Savings 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 2007, and of the result, the cash flows, and the incorporated income and costs in the accounting year, in accordance with the International Financial Reporting Standards, which have been introduced by the EU.
- 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, 28 February 2008

BDO NORAUDIT AS

Mathias A.G. Grønssveen

State Authorised Auditor (Norway)

BDO is a worldwide network of auditing firms, called the BDO companies, which provide assistance to international and national enterprises. Each BDO company is an independent legal entity in its own country.

Auditing number 989 339 842
Members of Den norske Revisorforening
BDO has branches throughout Norway.

Financial Statement Analysis

PROFIT AND LOSS ACCOUNT SUMMARY 2001 - 2007 - NOK MILL. (PARENT BANK)

	IFRS 2007	IFRS 2006	NGAAP 2006	NGAAP 2005	NGAAP 2004
Interest income	2 126	1 512	1 512	1 214	1 093
Interest costs	1 337	761	761	516	439
Netto Interest income	789	751	751	698	654
Net other operating income	249	203	185	223	203
Contribution margin	1 038	954	936	921	857
Wages, salaries, fees, emoluments etc.	291	257	268	251	240
Other operating costs	229	201	200	172	180
Ordinary depreciation	42	36	40	28	27
Total operating costs	562	494	508	451	447
Operating result before credit losses	476	460	428	470	410
Losses on loans etc.	16	-6	-6	57	48
Losses/gains and write-downs on long-term shareholdings	-4	4	4	9	-2
Operating result after credit losses	464	462	430	422	360

PROFIT AND LOSS ACCOUNT SUMMARY AS % OF AVERAGE ASSETS (PARENT BANK)

	IFRS 2007	IFRS 2006	NGAAP 2006	NGAAP 2005	NGAAP 2004
Interest income	5,82%	4,58%	4,60	4,27	4,40
Interest costs	3,66%	2,31%	2,31	1,82	1,77
Net interest income	2,16%	2,28%	2,28	2,46	2,63
Net other operating income	0,68%	0,62%	0,56	0,78	0,82
Contribution margin	2,84%	2,89%	2,85	3,24	3,45
Wages, salaries, fees, emoluments etc.	0,80%	0,78%	0,82	0,88	0,97
Other operating costs	0,63%	0,61%	0,61	0,61	0,72
Ordinary depreciation	0,11%	0,11%	0,12	0,10	0,11
Total operating costs	1,54%	1,50%	1,55	1,59	1,80
Operating result before credit losses	1,30%	1,39%	1,30	1,65	1,65
Losses on loans etc.	0,04%	-0,02%	-0,02	0,20	0,19
Losses/gains and write-downs on long-term shareholdings	-0,01%	0,01%	-0,01	0,03	-0,01
Operating result after credit losses	1,27%	1,40%	1,31	1,48	1,45
Average assets (NOK million)	36 543	33 000	32 875	28 424	24 837

BALANCE SHEET SUMMARY 2001 - 2007 NOK MILL. (PARENT BANK)

	IFRS 2007	IFRS 2006	NGAAP 2006	NGAAP 2005	NGAAP 2004
Liquid funds and loans to credit institutions	2 154	1 884	1 883	1 484	1 286
Short-term securities	2 665	2 941	2 987	2 291	2 223
Gross loans	31 405	29 155	29 166	25 858	22 699
Write-downs	-169	-216	-216	-444	-419
Other assets	599	640	530	453	318
Fixed assets					
- financial placements	1 064	962	862	403	411
- buildings, machinery etc.	291	299	266	247	215
Total assets	38 009	35 665	35 478	30 292	26 733
Loans and deposits from credit institutions	2 987	2 769	2 769	874	523
Deposits from customers	21 024	18 987	18 984	16 869	15 971
Certificate- and bond debt	8 944	8 641	8 813	8 536	6 706
Other liabilities	1 214	1 714	1 252	750	586
Equity capital	3 840	3 554	3 660	3 263	2 947
Total liabilities and equity capital	38 009	35 665	35 478	30 292	26 733

KEY FINANCIAL FIGURES - GROUP	IFRS 2007	IFRS 2006	NGAAP 2006	NGAAP 2005	NGAAP 2004
Result before tax (NOK million)	614	507	431	426	364
Gross loans to customers (NOK million)	32 883	30 451	30 469	27 051	23 714
Growth in gross lending to customers	8,0 %	12,6 %	12,6 %	14,1 %	11,2 %
Deposits from customers (NOK million)	20 812	18 865	18 855	16 810	15 921
Growth in deposits from customers	10,3 %	12,2 %	12,2 %	5,6 %	5,8 %
Capital adequacy ratio	13,2 %	12,7 %	12,7 %	15,0 %	15,1 %
Customer deposits as a percentage of gross lending	63,3 %	62,0 %	61,9 %	62,1 %	67,1 %

KEY FINANCIAL FIGURES - PARENT BANK	Definition	IFRS 2007	IFRS 2006	NGAAP 2006	NGAAP 2005	NGAAP 2004
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Profitability

Result before tax (NOK million)		464	462	430	422	360
Result before tax as % of average assets		1,27%	1,40%	1,31%	1,48%	1,45%
Pre-tax return on equity capital	1	13,1 %	14,2 %	13,2 %	14,3 %	13,4 %

Effectiveness

Operating costs as % of margin contribution		54,1 %	51,8 %	54,2 %	49,0 %	52,2 %
Operating costs as % of margin contr. excluding trading gains		57,4 %	55,0 %	55,1 %	51,2 %	56,2 %
Operating costs as % of average assets		1,54%	1,50%	1,55%	1,59%	1,80%

Volume and growth

Gross lending to customers (NOK million)		31 405	29 155	29 166	25 858	22 699
Growth in gross lending to customers		7,7 %	12,8 %	12,8 %	13,9 %	10,0 %
Deposits from customers (NOK million)		21 024	18 987	18 984	16 869	15 971
Growth in deposits from customers		10,7 %	12,6 %	12,5 %	5,6 %	5,9 %
Total assets (NOK million)		38 009	35 665	35 477	30 408	26 733
Growth in total assets		6,6 %	17,3 %	16,7 %	13,7 %	14,1 %

Financial strength

Capital adequacy ratio	2	13,9 %	13,1 %	13,1 %	15,2 %	15,4 %
Equity capital ratio	3	10,1 %	10,0 %	10,3 %	10,8 %	11,0 %

Liquidity and funding

Customer deposits as % of gross lending		66,9 %	65,1 %	65,1 %	65,2 %	70,4 %
Debt to credit insts. and securities-related debt as % of assets		31,4 %	32,0 %	32,6 %	30,9 %	27,0 %
Part of funding with remaining life of more than 1 year	4	103,9 %	102,3 %	102,3 %	95,2 %	55,8 %

Cash flow from lending activities (NOK million)		-513	-2 094	-2 116	-2 128	-1 090
Cash flow from deposit activities (NOK million)		1 351	1 744	1 744	659	663
Funding requirements from core operations (NOK million)		838	-350	-372	-1 469	-427

Commitments in default and loss provisions

Gross loans in default over 90 days (NOK million)		182	350	350	297	225
Provisions ratio relating to loans in default	5	35,2 %	19,7 %	19,7 %	20,9 %	24,9 %
Individual write-downs on loans (NOK million)		87	142	142	194	184
Individual write-downs as % of gross lending		0,3 %	0,5 %	0,5 %	0,8 %	0,8 %
Group-related write-downs on loans (NOK million)		82	74	74	250	235
Group-related write-downs as % of gross lending		0,3 %	0,3 %	0,3 %	1,0 %	1,0 %

Definitions

1: Pre-tax return on equity capital

2: Capital adequacy ratio

3: Equity capital ratio

4: Part of funding with remaining life of over 1 year

5: Provisions ratio relating to loans in default

Result before tax as a percentage of total equity capital as at 01.01 during the accounting year

Capital adequacy ratio according to applicable capital adequacy rules and regulations

Total equity capital as a percentage of total assets

Liabilities to credit institutions, securities-related debt and unutilised drawing rights facilities with

remaining life in excess of 1 year as a percentage of total liabilities to credit institutions and sec. Debt

Individual write-downs on loans in default as a percentage of gross loans in default

QUARTERLY RESULTS (PARENT BANK)	YEAR 2007	4TH Q.	3RD Q.	2ND Q.	1ST Q.
Interest income	2 126	622	560	494	450
Interest costs	1 337	408	357	307	265
Net interest income	789	214	203	187	185
Net other interest income	249	12	51	112	74
Margin contribution	1 038	226	254	299	259
Total operating costs	562	140	137	141	144
Operating result before credit losses	476	86	117	158	115
Losses on loans etc.	16	21	-3	0	-2
Losses/gains and write-downs on long-term shareholdings	-4	-4	0	0	0
Operating result after credit losses	464	69	120	158	117

Subsidiaries

Hedmark Eiendom AS

The property market in 2007 was characterised by good price development during the first half of the year. After the end of the summer holidays, however, prices stagnated, but overall activity levels nevertheless remained good.

In spite of interest rates having risen substantially throughout the year under review, there are still many buyers and sellers in the market. Employment remains good, and this means that people generally feel secure about their private financial position. The level of house building decreased during the year. This is expected to continue into 2008. The market for holiday homes was good in 2007 and contributed strongly to the company's good result.

In 2007, the company sold 1,467 properties, up from 1,327 in 2006, involving an increase of about 10 per cent. The turnover totalled NOK 2.18 billion, after an increase in overall value of a little over 16 per cent. The pre-tax result amounted to about NOK 8.4 million, up from about NOK 6.0 million in 2006. This result is the best ever in the company's history.

About every third property in the county of Hedmark is sold through Hedmark Eiendom. In our county, prices for residential property rose by 4 per cent from 2006 to 2007. Prices on a nationwide basis were 11 per cent higher on average than in 2006. National price rises, calculated from 1 January and for the rest of the calendar year, amounted to 1.9 per cent, whereas, for the county of Hedmark, there was a fall in prices. In Hedmark, it was the second half of the year which brought about a drop in prices; this was to some extent due to a reduction in new housing starts.

In 2007 too, prices of holiday properties rose by approximately 17 per cent. High prices for new holiday cottages and apartment projects are contributory factors of the price increases. Hedmark Eiendom has developed a strong position in the market for holiday properties. In 2007, the company sold 197 holiday properties, up from 155 the year before. In Trysil, the company sold 130 holiday properties last year, more than double the amount in 2006. Our market share is now around 30 per cent.

The number of house sales represents 85 per cent of the company's total turnover, holiday properties accounting for some 13 per cent. Commercial property accounts for a small part of the total turnover. This market is characterised by a relatively high number of small sales which means low profitability.

The company has 38 permanent employees, the equivalent of 37 man-years. About half of our staff are either state-authorised real estate brokers or lawyers.

Hedmark Eiendom provides a high level of competence within all areas of real estate brokerage. The company benefits greatly from being a local real estate brokerage firm owned by the largest bank in the county. Competition between the real estate brokers in Hedmark is still fierce and, in particular, it looks as if all bank-owned real estate brokerage firms are on the offensive in the market.

About Hedmark Eiendom

Hedmark Eiendom AS is a fully-owned subsidiary of Sparebanken Hedmark and the leading real estate brokerage company in Hedmark. The company has branches in the biggest and most densely populated places within the county, at Hamar, Stange, Kongsvinger, Elverum, Trysil, Brumunddal and Moelv.

Hedmark Finans AS

Demand for Hedmark Finans's products was good in 2007. New sales totalled NOK 895 million. The company earned NOK 15.2 million before tax.

New sales were up by 14.2 per cent during the last 12 months and the increase in the result amounted to about NOK 16.1 million. The company's lending portfolio increased by NOK 175 million during the same period.

2007 turned out to be a challenging year for Hedmark Finans. The company went through a demanding restructuring process, at a time when it had some ambitious financial targets. The company's Board of Directors is pleased that Hedmark Finans met its main targets for 2007. The accounts still show credit losses in excess of the level which would normally be expected, but the situation should be normalised in this area during 2008.

The company has ambitious targets and expects sales volumes to increase further. The coming year may present a challenge as there will probably be a generally higher level of domestic interest rates than in 2007. A natural consequence of this will be reduced capital investments both in the case of private households and businesses, a factor which will have an impact on Hedmark Finans's new sales.

About Hedmark Finans

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.

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