

ANNUAL REPORT

09

Sammen om å skape  
en om å skape  
en om å skape



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## Imprint

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# With my heart in Sparebanken Hedmark

Sparebanken Hedmark has faced the financial crisis proactively, and the Bank's financial strength and good liquidity has brought us safely through a challenging year. The bank plays an absolutely crucial role in economic growth and individual opportunities. Therefore it's vitally important that Sparebanken Hedmark can provide loans as normal in times of crisis.

For 165 years, Sparebanken Hedmark has been the bank for residents of Hedmark in all parts of our county. It pleases us that the majority of the county's inhabitants have given us their confidence over the years. Our goal is to have earnings that build the necessary financial strength to be able to serve our customers with loans and credit in downturns as well.

The global financial crisis has also shown itself in Hedmark to some extent, but Sparebanken Hedmark chose to meet the crisis proactively. Good financial strength and liquidity management gave the foundations to be able to provide credit as normal. Over the course of the last 12 months, loans have increased by over NOK 2 billion.

Sparebanken Hedmark has in this way contributed to reducing the effects of the financial crisis. The year's results before tax of NOK 646 million were the best ever, and may emerge as a paradox in a time of crisis. A great profit in the sale of shares and good results in financial investments contribute significantly to the results. Having led the bank for 25 years, it is gratifying for me to bring my time here to a close with such record results.

Over time, 550 skilled and enthusiastic employees have created the most solid regional bank in Norway, with an equity of NOK 4.7 billion and a capital adequacy of 15 percent. This is a good starting point for the further growth and development of Hedmark.

We have chosen to illustrate this annual report with some pictures of the many beautiful landscapes we have in our county. With wise management and the right investment in infrastructure, there are good opportunities for Hedmark's environment and the further development of industry and job satisfaction for all who live and work here.

I thank all my employees, customers and other business connections for good teamwork over the past 25 years.

  
**Harry Konterud**





Med hjertefuld  
i fælles  
hjertefuld fælles  
fælles



Sparebanken Hedmark - en  
allsidig bank



*ekte*

*markspatiot*



## Business concept

Sparebanken Hedmark will offer new and existing customers comprehensive and forward-looking bank-, finance- and insurance products. Sparebanken Hedmark will be so proficient, close and engaged with private customers, companies and the public sector that customers would prefer to have a long-standing relationship with the Bank. Through good profitability, financial strength and independence, the Bank will contribute to growth and development in Hedmark.

## Vision

The Bank's vision, *Together to create*, promotes that it is teamwork with the environment that the Bank's results will be attributed to. At the same time, the vision entails expectations about better teamwork, several initiatives and better results.

## Values

**Proficient, close and engaged** are our customer values, and signal that we would like to be a professional working partner that defines needs and finds solutions with our customers. We will also be active and reach out in customer contact.



# This is Sparebanken Hedmark

Today, Sparebanken Hedmark is the leading private as well as industrial and commercial bank in Hedmark.

## 165 years in Hedmark

Sparebanken Hedmark's beliefs stem all the way back to 1845. Funds from the local granary, common land, municipalities and private individuals were the basis for the first savings banks. The Bank went through mergers of earlier independent savings banks in Hedmark. Through several more mergers, 22 locals savings banks have developed into the largest source of capital in Hedmark, with the head office in Hamar. Sparebanken Hedmark took its current name in 1982.

## Cornerstone

Today, Sparebanken Hedmark is a cornerstone of the community, with its banks' many offices in 20 of the county's 22 municipalities. The Bank offers a wide range of products with loans, deposits, insurance and payment transmission services. As the leading player in our market areas, we take responsibility for the growth and development of financing to both private individuals and companies who want to realise good ideas. The bank contributes in this way so that people can build, live and work here.

## Markets

The bank has an unique competitive advantage in the power of its 165-year-old local knowledge. Sparebanken Hedmark has a market share of 50 percent with approximately 166,000 customers. The Bank is near the markets, with 500 man hours a year, spread across 27 offices.

## Self-ownership

Sparebanken Hedmark is a self-owned financial institution without primary capital certificates, and has an equity of NOK 4.7 billion. In the power of the Bank's distinctive form of ownership, it does not give out dividends. The Bank pays approximately 30 percent tax on the annual profits, with the rest of the profits either put into work or lent out again. Accordingly, the profits affect the whole society for the better.

## About Hedmark

With 190,000 inhabitants, Hedmark accounts for around four percent of the Norwegian population. In terms of acreage, Hedmark is the third largest county in Norway. The county has a spread settlement, and nearly half of the inhabitants live in the municipalities of Hamar, Ringsaker, Stange and Løten. Hedmark has varied industry and commerce and is the country's largest land- and wood using county. Employment distributed

after industry shows that the majority of people work in industry, construction or the public sector. Unemployment is at the level of the national average.

## Hedmark's scenery

Hedmark has varied scenery, from ploughed land in the south, extensive areas of forest in the east and mountain plateaus in the north. Large parts of these mountain plateaus are protected by law. Norway's largest lake, Mjøsa, and its longest river, Glomma, are important elements in our cultural landscape.

In the 2009 annual report, we have chosen to present Hedmark's variety of scenery as seen by nature photographer Bård Løken, from Elverum.

## Partners in SpareBank 1

The Bank has been a partner in SpareBank 1 Gruppen (12 percent) from June 2006. The co-operation ensures that the bank has competitive power through effective IT services, purchase schemes and the sharing of expertise. The intention is to stand together nationally with strength locally. With this, our customers outside of Hedmark get better offers all over the country, and it means they can now make use of all the bank branches in the SpareBank 1 alliance.

See [www.sparebank1.no](http://www.sparebank1.no) for more information on SpareBank 1 Gruppen and the work of the alliance.

*Our ambition is to be a good bank for all of our customer groups through a decentral organisation with good competence and a great local drive.*





# 2009 – a review of the year

- Financial turbulence marked the year, but in Sparebanken Hedmark there have been normal operations.
- The Bank's lowest interest rate for loans was 4.3 percent at the start of 2009. Following three interest rate changes, this moved down to 3.1 percent, which is where it remained at the year's end.
- An authorisation scheme for financial advisors has been implemented, with the leaders beginning this in 2009. All 150 financial advisors will be approved during the course of 2010.
- The development of Terningen Arena starts in January, financed by Sparebanken Hedmark and SpareBank 1 SMN.
- The Bank is preparing an IRB application, which will be sent to the Financial Supervisory Authority in the Spring of 2010.
- The Bank's efforts for young customers has an effect. Following our own measurements, the share of active 15- and 16-year-olds is 80 percent this year.
- This long-term work with the youth customers is strengthened through the economy and career choice, and the introduction of instruction for youth schools is established in association with Young Entrepreneurship. 600 school pupils take part.
- Net loans for personal markets are introduced from April.
- Harry Konterud takes over as the new Chairman of SpareBank 1 Gruppen AS.
- In April 2009, SparebankenFactoring AS merges into SpareBank 1 Factoring AS.
- Nico Widerberg's embellishment of the town hall square in Elverum is unveiled in May. Østerdalen Sparebank's art foundation and Sparebanken Hedmark financed this.
- In August, it's announced that Arne Grunt leaves his post as Economic Director after 28 years in the job. He will continue as a special advisor in the same division until he goes with a pension of 62 years in 2011. Finance Director Tore Anstein Doublog takes over as both Economic and Finance Director.
- In August, Sparebanken Hedmark sells its 15 percent share in BN Bank (formerly Glitnir) for NOK 200 million. The sale gives a profit of NOK 154 million.
- Following Harry Konterud's departure, the position of Managing Director is advertised in August and Richard Heiberg, the Bank's Board Chairperson, is appointed as the new Managing Director in November. Heiberg is well known in the Bank through his long-standing position on the Board of Directors. Deputy Chairperson Gunnar Martinsen continues as Chairperson of the Board until a new election in March 2010.
- The Ringsaker division licences as an Eco company in September. The other parts of the organisation are in the process of being certified during the course of 2010.
- The customer business centre is created in October with six employees. The Bank's business sector customers are guaranteed a faster and more effective service.
- Sparebanken Hedmark is still the most accessible bank in the whole of Hedmark, with 27 offices, 40 cash machines and two customer centres, as well as 24-hour telephone banking and internet banking.
- Throughout the whole of 2009, the Bank strengthens its efforts on health promotion work. Physical activity is placed on the agenda through Active business, in which almost all employees will take part. The Bank has eight enterprises with broad support.
- In September the Bank introduces a new HR strategy, the main goal of which is to enhance the quality of financial advisory services for customers. At the same time, a broad process is starting to enhance the Bank's ethical guidelines.
- Over 30 percent of companies in Hedmark have an occupational pension from Sparebanken Hedmark.
- The Bank gives out a number of gifts which are beneficial to all purposes throughout the year (see also page 17).
- In December, the Bank introduces a new loan product, Boliglån pluss (Mortgage Plus), with good terms for all customers with loans of over NOK 2 million.
- Sparebanken Hedmark has the highest percentage of premium growth, the lowest damage ratios and the most loyal damage insurance customers in the Alliance.
- Sparebanken Hedmark's gross customer growth in 2009 is a total of 6,000 customers.

*Sammen skaper vi Hedmark*  
*Sammen skaper vi Hedmark*







# Community engagement

Hedmark is meant to be a good place to grow up, a good place to live and a good place to move to.

Sparebanken Hedmark stands in a dependent relationship with the community around it. The Bank has been in Hedmark for 165 years and is concerned by developments in the county. If people thrive and live well, have educational opportunities and safe jobs here, the Bank will also be in a position to do well. That the Bank has been solid over time is important for both the inhabitants and companies. To have a solid source of capital with the head office in the county, provides mutual confidence and proximity to decisions.

## Sustainable operations

The Bank has an important role as a participant in development and wants to be a model for good company operations, also when it concerns safety-, HR- and ethical questions. Our goal is that the Bank's operations will be long-term and sustainable, and it will say that all company operations and economic added value is in line with the natural carrying capacity. In its operations, Sparebanken Hedmark therefore takes into consideration its workers' human rights, basic social needs and natural carrying capacity.

## Gifts for public-spirited purposes

The Bank also provides value directly back into society, among other things through the sponsorship of a breadth of sports and initiatives for children and young people. In addition, Sparebanken Hedmark has a long tradition of putting parts of its profits back into the local community. Every year the Bank gives out many million kroner in donations to societies and other good purposes. Support can be given via the Bank's website. Donations are usually given out after the annual accounts are announced at the beginning of the year.

## Gift funds and art foundation

Sparebanken Hedmark has its own gift fund to major projects in culture, research and education, to which it has allocated NOK 100 million during the past four years. Of this donation, NOK 33 million has been given to research and development at the University of Hedmark, professorships and other measures that can ensure the future of an inland university. Additionally, the Bank has given out NOK 20 million to sports and health, including 15 playing pitches, 15 trail machines and the Lierberget jumping arena. The cultural sector has received approximately NOK 15 million, among other things to the Hedmark Symphony Orchestra, Skogmuseet and Aukrust-senteret, as well as various other cultural projects in Hamar, Kongsvinger and Ringsaker. Sparebanken Hedmark's newly established art foundation has received NOK 10 million of these cultural donations.

## Environment

During the course of 2010, Sparebanken Hedmark will have certified all its 27 offices after the eco principles Miljøfyrtårn, an official Norwegian certificate supported by the Ministry for the Environment among others. The Bank's employees have a conscious awareness of consumption, travel, waste management and general energy consumption. The Bank also has its own climate account through CO2Focus, based on the international standard Greenhouse Gas Protocol Initiative. The aim is that the climate account eventually will show that consumption decreases, that the recycling rate increases and that energy consumption and fuel expenditure reduces.

*Med hjertet i Hedmark*







# The Board of Directors' Report 2009

## Framework conditions in 2009

The financial crisis brought the world economy into the deepest recession since the 1930s. By the summer of 2009 the decline had stopped, and in the second half of the year there were once again signs of growth in several countries. The powerful production decline in 2008 and into 2009 meant that activity at the end of the year still was at a low level. The expansive fiscal policy in a number of nations helped to stabilise financial markets, but it resulted in a strong increase in national debt for several countries.

The Norwegian economy had a cyclical peak towards the end of 2007 after five years with strong growth, but in the third quarter of 2008 until the second quarter of 2009 there was negative growth in the mainland Norwegian economy. However, the decline was considerably less than for the international economy. In the last half of the year, there was weak growth again in the Norwegian economy. Growth in the domestic product from 2008 to 2009 is currently estimated to be negative, by approximately 1 percent.

Financial turbulence has slowed through 2009. At the end of the year, the financial markets in Norway functioned as they normally would during a decline in economic activity. The central bank's liquidity supply, changing loans scheme and offers from the authorities to strengthen banks' capital contributed to increase loans in 2009, but with a more moderate growth than in previous years.

After a continuous fall in house prices from June 2007 to November 2008, house prices increased during 2009. The average inflation in house prices was 2.7 percent from 2008 to 2009.

In the first half of the year Norges Bank reduced its key rate from 3.0 to 1.25 percent, with interest rate cuts carried out to reduce the real economic consequences of the financial turbulence. In the last quarter Norges Bank's interest rate rose again, and at the turn of the year the key rate was 1.75 percent.

After a sharp fall in share prices on the Oslo Stock Exchange in 2008, the all-share index rose by 65 percent in 2009. At the end of the year the all-share index was on 372 points, though at the same time this is a lower level than at the end of both 2006 and 2007.

The fiscal measures, including low interest rates as well as the decline in the world economy, were not as long-term as initially feared, and contributed to the fact that unemployment has increased less than previously projected. The unemployment figure of approximately 3 percent has been stable throughout the year. There has been a decline in employment, particularly in building and construction, industry and the retail trade,

while there has been an increase within the health- and care professions.

The economic downturn contributed to a lower wage- and price inflation in 2009 than in previous years. According to preliminary calculations, it gives a wage- and price inflation of 3.9 and 2.1 percent respectively from 2008 to 2009. The low interest rates have resulted in increased disposable income in 2009 for most households with net debt. For many companies, however, the economic downturn resulted in reduced consumption and a significant investment downturn, giving weaker operating results in 2009.

## Local development within the county of Hedmark

Every quarter, TNS Gallup carries out a survey of the Norwegian population's perception of and expectations of their own economic circumstances, as well those of the national economy. The study shows that throughout 2009, the mood among people in Hedmark has turned from pessimism to optimism – although optimism is still far from what it was at its top level in the second quarter of 2007.

Both the global economy and the Norwegian economy are experiencing a decline in economic activity, a situation that has made 2009 a challenging year for business in Hedmark. This is reflected in the NAV employment statistics, which reveal a rise in unemployment during 2009. In December 2009, there were 2,702 unemployed people in Hedmark, accounting for approximately 2.8 percent of the labour force. At the same time in 2008 the unemployment figure was 2.2 percent. The export and construction industries have experienced the largest decline in employment.

## Sparebanken Hedmark – Group

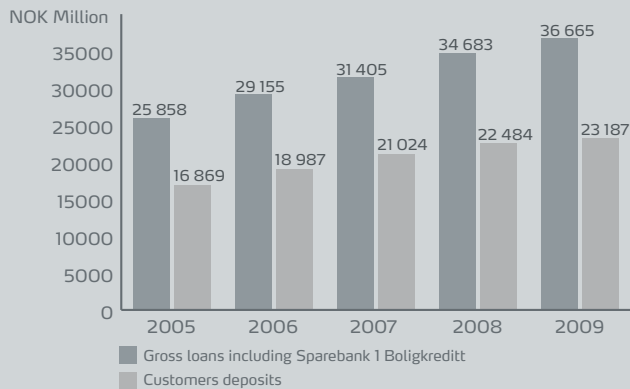
The Group comprises the Parent company, Sparebanken Hedmark, and its subsidiaries Hedmark Eiendom AS, SpareBank 1 Finans Østlandet AS, Vato AS and Meglereiendom AS.

The Bank owns 12 percent of SpareBank 1 Gruppen AS, a company that is defined as a jointly controlled business. Sparebanken Hedmark's share of the company's results is accounted for in the consolidated accounts after the equity method of accounting.

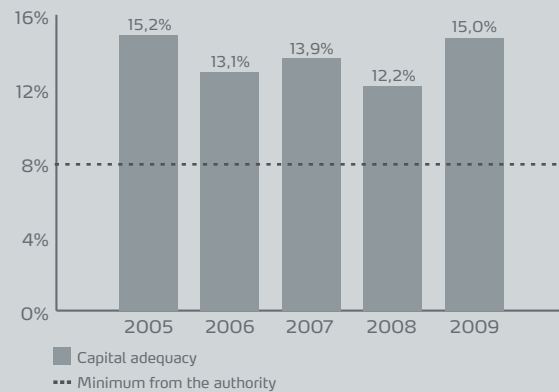
The subsidiary SpareBank 1 Finans Østlandet AS, which deals with the leasing and sale of mortgage financing, has increased its pre-tax profit from NOK 24 million in 2008 to NOK 44 million in 2009. The subsidiary Hedmark Eiendom AS has a pre-tax profit of NOK 3 million in 2009, compared with a NOK 3 million loss in 2008. The other subsidiaries, which are property companies, have virtually zero results in 2009. SpareBank 1 Gruppen AS owns 100 percent



Gross loans and customer deposits (Parent bank)



Capital adequacy (Parent bank)



of the shares in SpareBank 1 Livsforsikring AS, SpareBank 1 Skadeforsikring AS, Odin Forvaltning AS, Bank 1 Oslo AS and SpareBank 1 Group Finans Holding AS. The company also owns 75 percent of Argo Securities.

SpareBank 1 Gruppen's result after tax was NOK 881 million, whereas in 2008 SpareBank 1 Gruppen AS made a loss after tax of NOK 858 million. In particular, SpareBank 1 Livsforsikring AS has seen considerable margin improvements between 2008 and 2009.

On 20.10.2008, the banks in the SpareBank 1-alliance signed an agreement with Glitnir Banki in Iceland about the transfer of all shares in Glitnir Bank ASA (now BN Bank ASA) for NOK 300 million. On 05.12.2008, the Ministry of Finance gave a concession for the transaction to be carried out.

Sparebanken Hedmark's stake was 15 percent, at a purchase price of NOK 45 million. In connection with the acquisition, a purchase analysis was carried out in accordance with accounting requirements (IFRS 3). The purchase analysis provided an added value, negative goodwill, of NOK 317 million, which was recognised in 2008's accounts. In September 2009, Sparebanken Hedmark sold its stake in BN Bank ASA to the other banks in the SpareBank 1-alliance for NOK 200 million.

Results before tax in the Parent Bank	NOK	646 mill.
Dividends received in 2009 from subsidiaries and jointly controlled businesses	NOK	-120 mill.
Result shares from:		
SpareBank 1 Gruppen AS	NOK	100 mill.
Hedmark Eiendom AS	NOK	3 mill.
SpareBank 1 Finans Østlandet AS	NOK	44 mill.
Resolution of negative goodwill BNbank ASA	NOK	-317 mill.
Other companies and eliminations	NOK	6 mill.
Results before tax in the Group	NOK	362 mill.

The Sparebanken Hedmark Group's pre-tax income in 2009 was NOK 362 million. The corresponding figure for the year before was NOK 418 million.

The Group's equity as of 31.12.2009 was NOK 4,759 million, with the capital adequacy at 14.1 percent. The corresponding figure on 31.12.2008 was 11.5 percent.

The net responsible capital was NOK 3,484 million, an increase of NOK 660 million during the course of the year. The head office is in Hamar, and the Group's business is mainly in Hedmark.

The Group does not have businesses that pollute the environment to a significant extent.

#### Sparebanken Hedmark – the Parent Bank

With reference to the Accounting Act requirements in the content of the annual report, the Board of Directors confirms that the accounts are based on the condition of continued operations.

Income before tax was NOK 646 million, or 1.54 percent of the average total assets. The results for Norwegian savings banks are expected to be approximately 0.9 percent.

In 2008 the Bank's profit before tax was NOK 227 million or 0.58 percent of the average total assets.

The good results are largely due to income from financial investments, revenue from subsidiaries and SpareBank 1 Gruppen AS, as well as profits made from the sale of shares in BN Bank ASA. Substantial unrealised losses on bonds and shares in 2008 were largely restored in 2009.

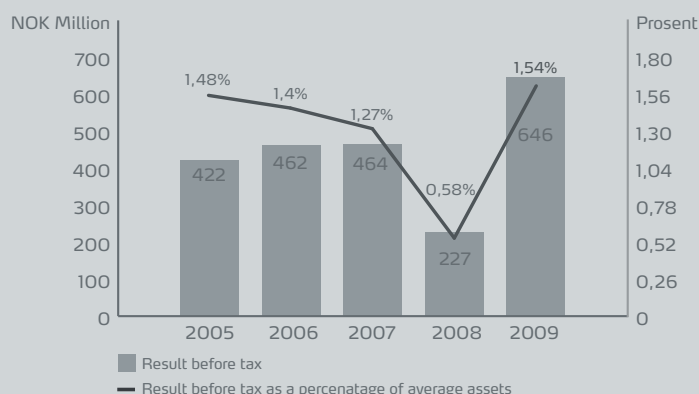
The Board of Directors believe that the result is very good, seen in relation to the Bank's objectives about equity returns and financial strength.

Net interest income was NOK 742 million, which is NOK 105 million less than the previous year. The net interest was lower in 2009 due to the reduced margin between loans- and interest on deposits, lower interest rate levels which gave reduced return on equity and increased guarantee fund fees, as well as liquidity holdings in Norges Bank, which with low interest rates, has been higher.

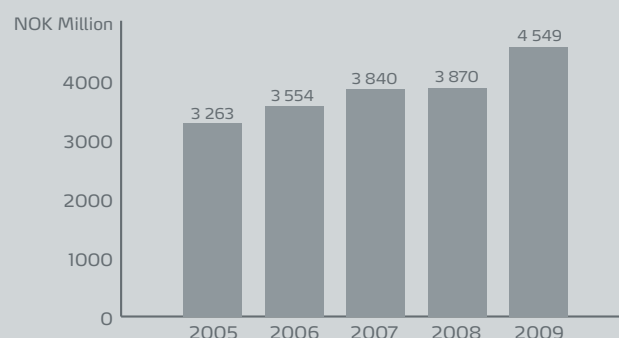
The net commission income of NOK 151 million is NOK 19 million more than in 2008.

Income from investments in associated-, jointly controlled and subsidiaries was NOK 271 million, which is NOK 208 million more than the previous year. Of this year's income, NOK 96 million of the revenue was from SpareBank 1 Gruppen AS, NOK 24 million revenue

Result before tax (Parent bank)



Equity capital (Parent bank)



from SpareBank 1 Finans Østlandet AS and NOK 153 million was from the sale of shares in BN Bank ASA. Income from financial investments was NOK 138 million. The corresponding figure in the previous year was negative by NOK 194 million (see note 7).

Operating costs were NOK 560 million and amounted to 1.33 percent of the average total assets. The corresponding figure for 2008 was NOK 574 million and 1.45 percent. Changes in pension plans have given an effect of NOK 53 million, which is taken as reduced operating costs. The wealth tax on NOK 13 million was defined as an operating cost in 2009, while in the previous year it was taken as a tax cost. Eliminated for the two mentioned amounts, the rise in costs was 4.5 percent.

Operating costs of NOK 560 million amounted to 41.7 percent of total income. Similar key figures in the previous year were 66.2 percent. Strong income growth from investments in associated-, jointly controlled- and subsidiaries, and the increase in income from financial investments, were the main reasons for the marked improvement in the key figures.

Losses on loans and guarantees were NOK 136 million, compared to NOK 66 million in 2008. Of this, NOK 99 million was in individual losses and NOK 37 million in group write-downs. The losses distributed themselves with NOK 18 million in personal markets and NOK 118 million in corporate markets. The losses amounted to 0.42 percent of gross loans.

#### Profit for the year and allocations

After NOK 97 million in income tax, the result after tax was NOK 549 million. Including NOK 146 million in income brought directly against the equity, it gives a total result of NOK 695 million and an equity return of 18.0 percent.

The Board proposes to set aside NOK 6 million in gifts and NOK 25 million in gift funds. Gift funds are used mainly in projects within culture, education and research. The remaining amount of NOK 518 million is added to the savings bank's fund.

#### Equity

At the end of the year, the Bank's equity was NOK 4,549 million, which amounted to 11.0 percent of the total assets. In its entirety, the equity earned a profit. The capital adequacy was strengthened

by 2.8 percentage points and was 15.0 percent as of 31.12.2009.

#### Balance developments

During the course of the year, total assets have been reduced from NOK 41.8 to 41.2 billion. The decline is due to the fact that holdings of transferred loans to SpareBank 1 Boligkreditt AS increased from NOK 1.9 to 4.6 billion. Sparebanken Hedmark owns approximately 6 percent of the company, and the company has been established to ensure access to favourable financing in the national and international capital markets.

Gross loans to customers, including transferred loans to SpareBank 1 Boligkreditt AS, were NOK 36.7 billion. The annual growth was 5.7 percent. Growth in personal markets was 7.4 percent and 2.2 percent in the corporate markets. Personal markets stood for 65 percent and corporate markets 35 percent of loans.

At the turn of the year, deposits from customers stood at NOK 23.2 billion. The growth in deposits was 3.1 percent in 2009 and of this growth, 5.5 percent was in personal markets and negative with 1.0 percent in corporate markets. Deposits accounted for 65 percent in personal markets and 35 percent in corporate markets.

Customer deposits funded 72 percent of gross loans as of 31.12.2009. The corresponding figure for the previous year was 69 percent.

At the end of the year, debt to credit institutions and debt funded by the issuance of securities was NOK 12.4 billion, or 30 percent of total assets. At the same time the previous year, the corresponding figures were NOK 14.0 billion and 33 percent.

#### The personal market and corporate market divisions

From 01.01.2009 the Bank was organised into two business divisions, the first operating year that this has happened.

In 2009, the personal markets had a result contribution before joint costs of NOK 272 million. Gross loans to customers, including transferred loans to SpareBank 1 Boligkreditt AS, were NOK 24.5 billion as of 31.12.2009, with customer deposits NOK 14.8 billion. In December 2009 there were 301 man-years in the division.



### **Richard Heiberg**

(Born in 1956)

Chairperson  
to 27.11.2009

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 corporate markets' result contribution before joint costs was NOK 141 million. Gross loans to customers were NOK 11.6 billion and customer deposits were NOK 8.1 billion as of 31.12.2009. At the end of the year there were 112 man years in the division.

#### **Interest rate trends**

During the course of the first half of the year, the bank price list on loans and customer deposits was reduced four times. In the second half of the year it remained unchanged.

In 2009, the Bank's average effective loan interest rate was 4.9 percent, while the average deposit interest rate was 2.5 percent. Last year, the average lending rate was reduced by 2.6 percentage points, while the deposit interest rate was reduced by 2.4 percentage points. Interest rate levels have been particularly low in 2009.

#### **Risk management**

Risk management in Sparebanken Hedmark will ensure that risk exposure is known at any time, and within the framework drawn up by the Board of Directors. The risk management will support the Group's strategic development and record and ensure financial stability and prudent personal portfolio management.

The Board of Directors has adopted "Policy for risk- and capital management in Sparebanken Hedmark." The document defines the overall framework for risk management, including the management of the various risks. The Board of Directors is to adopt an annual overall risk strategy and a financial strategy which covers the areas of liquidity risk and market risk, as well as the Bank's management documents on credit areas. Risk exposure and risk development is followed up and reported periodically to the Bank's Board of Directors and management.

#### **Credit risk**

Credit risk is defined as the risk of loss that follows as a result of customers or other counterparts not having the ability or willingness to fulfill their commitments.

Credit risk in the loans portfolio is the Bank's biggest risk. This risk is managed in accordance with the Bank's credit strategy, credit policy, credit authority, routines for credit provisions and various reporting- and follow-up requirements. Sparebanken Hedmark uses statistical risk classification models as a basis for dividing the portfolio into various risk groups.

In addition to the funding of projects in Hedmark, the Bank has contributed to the funding of major projects in co-operation with other banks in the SpareBank 1-alliance. Growth in loans to personal markets is on the same level as last year, and larger than the growth in loans to companies. The turnaround in the Norwegian- and international economies in autumn 2008 brought, in the first instance, a reduction in the growth of lending within personal markets, and afterwards also in the corporate markets in 2009.

The financial crisis has increased the credit risk in the loans portfolio throughout 2009 and resulted in increased loss provisions in the accounts. Even so, developments have not yet been as negative as feared during the previous year, among other things as a result of stimulative government measures both in the Norwegian and international economy.

The Bank's portfolio of fixed-income securities also entails risk. Through the Bank's financial strategy, the Board of Directors has adopted maximum limits for exposure for industry and issuers. The vast majority of the Bank's total shareholdings of fixed income securities include securities issued by the government, banks, credit ventures and large industrial ventures. The Bank also has risk linked to its deposits in other credit institutions. The Board of Directors has set maximum limits for exposure per counterpart. The largest single claim is loans to the Bank's subsidiary, SpareBank 1 Østlandet AS.

The Board of Directors believes that the Bank's credit risk on loans has increased in 2009, both to personal markets and corporate markets. The credit risk on the Bank's portfolio of fixed-income securities is regarded as lower at the end of 2009 than 2008. It is considered that the Group's overall risk will continue as moderate.

#### **Market risk**

Market risk is defined as the risk of loss linked to portfolios of financial instruments as a result of fluctuations in share prices, currency prices and interest rates. The Bank's market risk occurs mainly from investments in bonds, certificates and shares, and also as a result of activities that are carried out to sustain operations – such as deposits (funding) and interest rate- and currency business.

The management of market risk happens through the Bank's financial strategy, adopted by the Board of Directors. Risk exposure and development is periodically





### **Gunnar Martinsen**

(Born in 1965)  
Acting Chairperson  
from 27.11.2009

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**

(Born in 1961)  
Member of the Board

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.

reported to the Bank's Board of Directors and management. The frameworks for market risk are thoroughly examined on an annual basis at the very least, and are stipulated by the Bank's Board of Directors. The framework for share- and currency risk is determined as a nominal position amount, while the framework for interest rate risk is stipulated as the change in value with an interest rate change. The division for risk management verifies and follows the Bank's current position in relation to approved frameworks.

Interest rate risk arises as a result of the individual assets- and liabilities having different remaining interest rate lock-in periods. The Bank manages interest rate risk against the adopted risk framework through interest capital tied-up on investments and deposits, as well as the use of interest rate derivatives. The Bank's interest rate risk has been moderate and stable in 2009.

Placements in fixed-income securities are governed by frameworks for maximum exposure against various sectors and counterparts. Sparebanken Hedmark has increased its total shareholding of fixed income instruments, certificates and bond funds to a nominal value of NOK 4,167 million on 31.12.2009, from NOK 3,248 million on the corresponding date in 2008. After the financial crisis in the autumn of 2008, the value of the fixed income securities has increased, and the size of the unrealised losses are less at the end of 2009 than they were at the same point the previous year. During the course of the year, placements in foreign financial institutions have somewhat reduced, while placements in Norwegian financial institutions and funds have increased. The risk is assessed as moderate.

Share risk is measured in relation to exposure in shares, equity proof or units in share funds. Management and follow-up of the risk area is based on approved frameworks. The Bank's share risk is moderate and has been relatively stable throughout 2009.

Currency risk is measured from the united total gross- and net position in foreign currency and net position in various foreign currencies. Throughout the year, the Bank has had a low exposure against foreign currency, and the foreign currency risk is considered to be low.

It is the Board of Directors' understanding that the Bank's market risk has been stable throughout 2009. As a whole, it is considered that the Bank's market risk will continue to be moderate at the end of the year.

### **Liquidity risk**

Liquidity risk is the risk of not being able to fulfill commitments, or not having the ability to finance assets, including wanted growth, without substantially increased costs.

The management of risk is based on the financial strategy. This is adopted annually by the Board of Directors and puts frameworks in place for net liquidity needs in various time intervals, requirements for long-term financing, the size of the liquidity reserve and the length of the time period that the Bank will be independent of the new external funding.

Liquidity management in Sparebanken Hedmark involves the sustainment of a broad deposit base from personal as well as corporate customers, as well as a diversified financing of the remaining operations. Deposits from customers are the Bank's most important source of funding. As of 31.12.2009, the Bank's deposit coverage was 72 percent; the Bank's goal for deposit coverage is a minimum of 60 percent.

Important instruments for long-term financing are bond loans and the transfer of secure mortgages to SpareBank 1 Boligkreditt AS. As of 31.12.2009, Sparebanken Hedmark has transferred NOK 4.6 billion to SpareBank 1 Boligkreditt AS, an increase of NOK 2.7 billion from 31.12.2008. This has contributed to a positive cash flow from ongoing operations and debt has therefore been reduced throughout the year. As of 31.12.2009, Sparebanken Hedmark has an average maturity on financing of 3.3 years.

As part of the ongoing liquidity management, Sparebanken Hedmark needs to have the use of a supply of securities that can be utilised in several ways to regulate the Group's need for liquidity. The Bank has chosen to cover the need for liquid securities by investing in national and international bonds. Securities can be used as security for short-term and long-term loans in Norges Bank, and are the basis for liquidity buffers for compliance of strategic and regulatory requirements. As of 31.12.2009, Sparebanken Hedmark has a liquidity need over the next 12 months of NOK 2.6 billion. At the end of 2009, the Group's liquidity reserve was NOK 9.9 billion, NOK 0.5 billion more than it was at the turn of last year. The Group's unused drawing rights are relatively stable and constituted NOK 3.3 billion at the end of 2009.



**Jan Wibe**  
(Born in 1942)  
Member of the Board

Wibe is a BI (business school) graduate, with post-graduate management education from UCLA, Los Angeles, and works as an adviser at 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**  
(Born in 1945)  
Member of the Board

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.

The Bank will be in an ordinary operating situation, including unused drawing rights and real liquidity reserves, and independent of external financing in 12 months. As of 31.12.2009, the Bank has sufficient liquidity and reserves to continue its activities in an ordinary operating situation for over 12 months without the input of external liquidity.

In the “full crisis” scenario the Group will, in accordance with the approved framework, be able to maintain its operations for three months without the external input of capital.

It is the Board’s assessment that the Bank’s liquidity risk is moderate.

#### **Operational risk**

Operational risk is a risk of loss that follows as a result of insufficient or failed internal processes or systems, human error or external events. The management of operational risk is based on “Policy for risk- and capital management.” Annual risk assessments of various areas will be implemented. These form the basis of procedures that are followed up through the Bank’s tools for the follow-up of operational risk.

With the background of the Bank’s earnings and financial strength, as well as the organisation’s expertise and management systems, the Board of Directors believes that the Bank’s overall risk is reasonably safe.

#### **Organisational- and personal relations**

Sparebanken Hedmark’s organisational structure was changed from 01.01.2009, and since then banking activities have been organised into two divisions – personal markets and corporate markets. Within these divisions, banking activities are divided into three geographic regions: Østerdalen, Glåmdalen and Hedmarken. The purpose of this re-organisation has been to give customers better offers through specialised skills and clearer liability lines, and to increase the Bank’s profitability through more efficient operations.

As of 31.12.2009, Sparebanken Hedmark had 523 employees – an increase of five people during the course of the year.

The average age of the Bank’s employees at the end of 2009 was 47.4 years old, and this has been slightly increasing in the last few years. The average seniority time is 18.8 years.

#### **HR strategy**

Sparebanken Hedmark wishes to be known as an attractive employer, which provides opportunities for personal growth and development for its employees.

The HR strategy will build up under the vision “Together to create” and the Bank’s strategic, commercial and economic objectives. The sum of fellow workers will give the operation’s values of “skilled, near and engaged” a specific content that satisfies customers’ requirements and expectations.

The Bank’s corporate culture is characterised by the fact that customer needs are always in focus. Awareness and good performance, quality and professionalism, teamwork, recognition and care are shared by our colleagues, while integrity and ethical awareness characterise the organisation.

#### **Recruitment**

During the course of the year there have been 15 external and 31 internal recruitments carried out, with all newly recruited employees having a minimum of three years in higher education. All new employees in Sparebanken Hedmark get an individually adapted introduction programme arranged and carried out.

Through co-operation with schools about the project “The economy and career choice”, participation in education fairs and support for research and education, the Bank wants to be seen as an interesting employer for young people. The Bank took part in The Trainee Inland, which addresses itself to young people with higher education.

#### **Health, safety and environment**

Sick leave amounted to a total of 6.0 percent in 2009, of which 0.7 percent constituted short-term absence. Long-term absence is mainly linked to serious disease which is not workplace-related. The Bank has entered into an agreement of Inclusive Employment, and sick leave will be followed up systematically and reported in alignment with stipulated routines.

In recent years, Sparebanken Hedmark has increased focus on health promotion activities to avoid sick leave and further improve the work environment. The Bank places emphasis on different ways to engage more employees in various forms of physical activity.



**Nina C. Lier**  
(Born 1972),  
Acting member of the Board

Lier is a business school graduate and is head of department for accounting and salary at Sykehuset Innlandet HF. She was appointed as first deputy member to the Board in 2006. She lives in the municipality of Ringsaker.



**Espen Bjørklund Larsen**  
(Born in 1976)  
Member of the Board

Larsen is a graduate (finance) of Hedmark University College and has been the main representative of the Bank's staff on the Board of Directors since 2008. He lives in the municipality of Elverum.

In 2009, no injuries have been reported to the Labour Inspectorate.

#### **Equality between the sexes and equal opportunities**

Women make up 59 percent of Sparebanken Hedmark's employees, with 37 percent of women in management positions.

The Bank's Board of Directors consists of two women and four men, while the Bank's representatives consist of 13 women and 31 men.

The aim of Sparebanken Hedmark is to both strengthen diversity and balance gender distribution in different roles at all levels of the organisation. The Bank places the rights for equality through the running of personal administration and development that are embedded in the Bank's main strategy and HR strategy.

Regardless of gender, wages are stipulated for all employees on the basis of job content, education, experience and personal characteristics.

Sparebanken Hedmark seeks to establish procedures and practices to avoid discrimination in all contexts. The Bank adds rights for fellow employees who must have either their workplace or work content adapted due to illness, reduced work capacity or other reasons. In co-operation with NAV, the Bank also takes employees who have a need for work training.

#### **Prospects 2010**

There are once again signs of improvement in the world economy, while the state of the international finance markets is better than it was going into 2009.

Yet despite these bright spots the world economy remains vulnerable, and there is considerable uncertainty regarding the development of the economic situation.

The Norwegian economy has been in a period of economic decline for approximately two years. Consumption and production are expected to increase in 2010 compared with 2009, but investment in both housing and the business sector is expected to be at a low level. Employment is also expected to fall somewhat during 2010, while price- and wage growth will probably be lower than they were in 2008 and 2009.

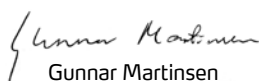
Interest rate levels in Norway are expected to gradually increase, while rising interest rates and low activity in the business sector could entail relatively high losses on loans. Sparebanken Hedmark expects to have a low credit growth in 2010, particularly in corporate markets.

The Board of Directors believes that the Bank's overall risk in 2010 will be reasonable.

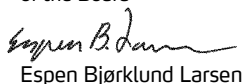
Managing director Harry Konterud leaves with a pension as of summer 2010. The Board of Directors thanks Konterud for his considerable efforts and capable leadership of the bank true 25 years.

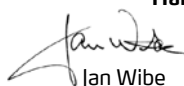
Richard Heiberg is appointed as the new Managing Director, with an accession date of 01.06.2010. After consultation with the Board of Directors, Heiberg has chosen to step down as Chairman of the Board. The Board's Deputy Chairman, Gunnar Martinsen, will work as the Chairman of the Board until the supervisory board has chosen a new Chairman.

Hamar, 8. march 2010

  
Gunnar Martinsen

Acting Chairman  
of the Board

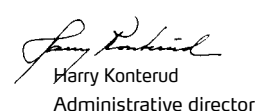
  
Espen Bjørklund Larsen

  
Jan Wibe

  
Siri J. Strømmevold

  
Grethe G. Fossum

  
Nina C. Lier

  
Harry Konterud  
Administrative director







## Profit and Loss Account

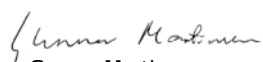
Parent Bank			(NOK million)	Notes	Group		
2007	2008	2009			2009	2008	2007
2 126	2 844	1 896	Interest income	5	1 994	2 910	2 180
1 337	1 997	1 154	Interest costs	5	1 151	1 994	1 334
<b>789</b>	<b>847</b>	<b>742</b>	<b>Net interest income</b>		<b>843</b>	<b>916</b>	<b>846</b>
164	170	187	Commission income	6	186	169	162
39	38	36	Commission costs	6	45	43	47
<b>125</b>	<b>132</b>	<b>151</b>	<b>Net commission income</b>		<b>141</b>	<b>126</b>	<b>115</b>
57	63	271	Income from investments in associated companies, joint ventures and Group companies	14	-64	233	182
59	-194	138	Income from other financial investments	7	138	-194	59
12	19	40	Other operating income	8	93	64	64
562	574	560	Operating costs	9	643	651	628
<b>480</b>	<b>293</b>	<b>782</b>	<b>Result before losses</b>		<b>508</b>	<b>494</b>	<b>638</b>
16	66	136	Losses on loans and guarantees	22	146	76	24
<b>464</b>	<b>227</b>	<b>646</b>	<b>Result before tax</b>		<b>362</b>	<b>418</b>	<b>614</b>
114	81	97	Tax	10	111	87	122
<b>350</b>	<b>146</b>	<b>549</b>	<b>Result after tax</b>		<b>251</b>	<b>331</b>	<b>492</b>

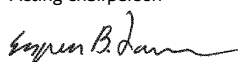


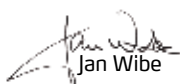
# Balance Sheet

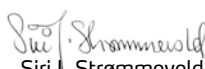
Parent Bank					Group		
2007	2008	2009	(NOK million)	Notes	2009	2008	2007
			ASSETS				
881	1 854	1 081	Cash and claims on central banks		1 081	1 854	881
1 273	1 751	1 798	Loans to and claims on financial institutions	19	152	322	98
31 236	32 547	31 772	Net loans to customers	20,22	33 778	34 305	32 685
35	514	138	Financial derivatives	17	138	514	35
2 665	3 009	4 218	Securities - at market value through profit & loss acct.	15,16	4 218	3 009	2 665
320	367	458	Securities - available for sale	15	458	367	320
445	532	579	Investment in associated companies and joint ventures	14	743	1 030	746
299	305	305	Investment in subsidiaries	14			
99	98	89	Intangible assets	13	92	101	102
		2	Assets held for sale		3	1	
291	282	269	Property, plant and equipment	12	289	299	299
75	87	90	Deferred tax asset	10	93	95	88
390	418	370	Other assets	11	446	497	501
38 009	41 764	41 169	Total assets		41 491	42 394	38 420
			LIABILITIES				
2 987	4 756	5 049	Liabilities to financial institutions	19	5 048	4 753	2 970
21 024	22 484	23 187	Deposits from and liabilities to customers	23	23 081	22 389	20 812
8 944	9 232	7 320	Debt incurred through issuance of securities	28	7 320	9 232	8 944
299	405	152	Financial derivatives	17	152	405	299
116	62	113	Liabilities relating to period tax	10	124	64	121
799	955	799	Other liabilities	24,25	1 007	1 153	1 118
34 169	37 894	36 620	Total liabilities		36 732	37 996	34 264
			EQUITY CAPITAL				
65	57	73	Donations Fund		73	57	65
36	-74	72	Fund for Value Adjustment and Estimate Discrepancies		98	-53	56
3 739	3 887	4 404	Balance primary capital		4 588	4 394	4 035
3 840	3 870	4 549	Total equity capital		4 759	4 398	4 156
38 009	41 764	41 169	Total liabilities and equity capital		41 491	42 394	38 420

## Sparebanken Hedmark's Board of Directors Hamar, 31 December 2009/8 March 2010

  
Gunnar Martinsen  
Acting chairperson

  
Espen Bjørklund Larsen

  
Jan Wibe

  
Siri J. Strømmevold

  
Grethe G. Fossum

  
Nina C. Lier

  
Harry Konterud  
Chief Executive Officer

## Statement of incorporated income, costs and value adjustment recognised in equity

Parent Bank			(NOK million))	Group		
2007	2008	2009		2009	2008	2007
350	146	549	Result for the year	251	331	492
-33	-109	52	Change in estimate discrepancies - pension before tax	60	-118	-41
7	24	-14	Amendment exposed tax benefits pension	-16	34	9
-25	-26	101	Value alterations on financial assets available for sale	101	-26	-25
		-18	Financial assets available for sale with results on write-downs transferred for lasting value	-18		
-1	1	25	Financial assets available for sale with the results transferred upon the sales's realisation	25	1	-1
			Change in accounting principles in associated companies, joint ventures recognised directly in equity		26	89
			Share of gains and losses re associated companies and joint ventures recognised directly in equity	-27		1
<b>298</b>	<b>36</b>	<b>695</b>	<b>Total incorporated income and costs during the period</b>	<b>375</b>	<b>248</b>	<b>524</b>

Sammen  
 sammen skaper vi Hedmark  
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 skaper vi



# Change in equity capital

Parent Bank	Accrued equity capital			
	Fund for value adjustment	Balance primary capital	Donation Fund	Total equity capital
(NOK million)				
<b>Equity capital as at 01.01.2007</b>	<b>88</b>	<b>3 420</b>	<b>46</b>	<b>3 554</b>
Total incorporated income and costs for the period	-52	350		298
Donations distributed from the 2006 result		-6		-6
Allotted from the Donations Fund in 2007			-6	-6
Transfer to Donations Fund in 2007		-25	25	0
<b>Equity capital as at 31.12.2007</b>	<b>36</b>	<b>3 739</b>	<b>65</b>	<b>3 840</b>
<b>Equity capital as at 01.01.2008</b>	<b>36</b>	<b>3 739</b>	<b>65</b>	<b>3 840</b>
IB correction: errors on the value approval of bond deposits		8		8
<b>Corrected equity as of 01.01.2008</b>	<b>36</b>	<b>3 747</b>	<b>65</b>	<b>3 848</b>
Total incorporated income and costs for the period	-110	146		36
Donations distributed from the 2007 result		-6		-6
Allotted from the Donations Fund in 2008			-8	-8
Transfer to Donations Fund in 2008				0
<b>Equity capital as at 31.12.2008</b>	<b>-74</b>	<b>3 887</b>	<b>57</b>	<b>3 870</b>
<b>Equity capital as at 01.01.2009</b>	<b>-74</b>	<b>3 887</b>	<b>57</b>	<b>3 870</b>
Total incorporated income and costs for the period	146	548		694
Donations distributed from the 2008 result		-6		-6
Allotted from the Donations Fund in 2009			-9	-9
Transfer to Donations Fund in 2009		-25	25	0
<b>Equity capital as at 31.12.2009</b>	<b>72</b>	<b>4 404</b>	<b>73</b>	<b>4 549</b>

Group	Opptjent egenkapital			
	Fund for value adjustment	Balance primary capital	Donation Fund	Total equity capital
(NOK million)				
<b>Equity capital as at 01.01.2007</b>	<b>113</b>	<b>3 485</b>	<b>46</b>	<b>3 644</b>
Total incorporated income and costs for the period	-57	581		524
Donations distributed from the 2006 result		-6		-6
Allotted from the Donations Fund in 2007			-6	-6
Transfer to Donations Fund in 2007		-25	25	0
<b>Equity capital as at 31.12.2007</b>	<b>56</b>	<b>4 035</b>	<b>65</b>	<b>4 156</b>
<b>Equity capital as at 01.01.2008</b>	<b>56</b>	<b>4 035</b>	<b>65</b>	<b>4 156</b>
IB correction: errors on the value approval of bond deposits		8		8
<b>Corrected equity as of 01.01.2008</b>	<b>56</b>	<b>4 043</b>	<b>65</b>	<b>4 164</b>
Total incorporated income and costs for the period	-109	357		248
Donations distributed from the 2007 result		-6		-6
Allotted from the Donations Fund in 2008			-8	-8
Transfer to Donations Fund in 2008				0
<b>Equity capital as at 31.12.2008</b>	<b>-53</b>	<b>4 394</b>	<b>57</b>	<b>4 398</b>
<b>Equity capital as at 01.01.2009</b>	<b>-53</b>	<b>4 394</b>	<b>57</b>	<b>4 398</b>
Total incorporated income and costs for the period	151	225		376
Donations distributed from the 2008 result		-6		-6
Allotted from the Donations Fund in 2009			-9	-9
Transfer to Donations Fund in 2009		-25	25	0
<b>Equity capital as at 31.12.2009</b>	<b>98</b>	<b>4 588</b>	<b>73</b>	<b>4 759</b>

# Cash Flow Statement

Parent Bank			(NOK million)	Group		
2007	2008	2009		2009	2008	2007
14 964	13 767	12 872	Year's instalments on rept. loans etc. to customers	13 748	14 497	15 666
			Change in prepaid rental - leasing	-7	3	-7
-16 612	-13 085	-12 670	Newly discounted rpt. loans etc. to customers during year	-13 803	-14 138	-17 501
444	-916	173	Change in balance - foreign currency loans	173	-916	444
-1 105	-1 132	291	Change in balance - credits	291	-1 132	-1 105
1 791	2 354	1 653	Int.- and comm. payments received on loans	1 791	2 502	1 895
7	8	10	Recoveries from previous years' losses on loans	11	10	7
-3	6	-2	Net change in recoveries relating to bankruptcies	-2	6	-3
1		-2	Net change in assets 'available for sale'	-1		3
<b>-513</b>	<b>1 002</b>	<b>2 325</b>	<b>Cash flow from lending operations (A)</b>	<b>2 201</b>	<b>832</b>	<b>-601</b>
1 847	651	1 657	Net change in balance of deps. from custs., no agreed maturity	1 647	794	1 747
190	809	-955	Net change in balance of deps. from custs., with agreed maturity	-955	809	190
-686	-1 065	-599	Interest payable to customers	-585	-1 054	-679
<b>1 351</b>	<b>395</b>	<b>103</b>	<b>Cash flow from deposit operations (B)</b>	<b>107</b>	<b>549</b>	<b>1 258</b>
			Net cash flow from securities held in the short term			
	-1	2	Cash flow from gains/losses on securities held in the short term	2	-1	
122	167	111	Interest payments on bonds and certificates	111	167	122
3	3	2	Received dividends on shares that will be held in the short term	2	3	3
<b>125</b>	<b>169</b>	<b>115</b>	<b>Cash flow from securities investment (C)</b>	<b>115</b>	<b>169</b>	<b>125</b>
119	-303	-232	Change in claims on financial insts. - agreed maturities	-14	-49	112
122	211	108	Interest receivable from deposits in financial institutions	122	223	58
<b>241</b>	<b>-92</b>	<b>-124</b>	<b>Cash flow from deposits in financial institutions (D)</b>	<b>108</b>	<b>174</b>	<b>170</b>
221	206	309	Other (non-interest) income	361	250	223
-593	-508	-762	Payable operating costs	-855	-594	-613
-119	-116	-76	Payment of tax	-77	-114	-121
-12	-14	-14	Donations	-14	-14	-12
-24	28		Net change in other assets	11	41	-26
-100	-159	71	Net change in accrual accounting-related items	18	-237	-106
-538	5	21	Net change in other liabilities	22	-103	-443
<b>-1 165</b>	<b>-558</b>	<b>-451</b>	<b>Remaining cash flow from current operations (E)</b>	<b>-534</b>	<b>-771</b>	<b>-1 098</b>
<b>39</b>	<b>916</b>	<b>1 968</b>	<b>CASH FLOW FROM OPERATIONS (A+B+C+D+E=F)</b>	<b>1 997</b>	<b>953</b>	<b>-146</b>
218	1 769	293	Change in deposits from financial institutions	292	1 769	408
2 649	3 219	700	Payments received through the issuance of securities	700	3 219	2 649
-2 219	-2 620	-2 681	Payments made on repayment of securities-related debt	-2 681	-2 620	-2 219
	-389	-101	Repurchase of own securities	-101	-389	
-563	-833	-547	Interest payable relating to financing	-547	-855	-571
<b>85</b>	<b>1 146</b>	<b>-2 336</b>	<b>Cash flow from financing (G)</b>	<b>-2 337</b>	<b>1 124</b>	<b>267</b>
-30	-38	-24	Invested in fixed- and intangible assets	-29	-42	-32
3	5	18	Sale of fixed- and intangible assets at sale price	19	5	10
-114	-951	-1 104	Purchase of long-term securities	-1 104	-951	-114
365		391	Sale of long-term securities	391		365
42	74	128	Dividends received from long-term shareholdings	104	65	40
<b>266</b>	<b>-910</b>	<b>-591</b>	<b>Cash flow from investment in fixed assets (H)</b>	<b>-619</b>	<b>-923</b>	<b>269</b>
	-3		Liquidity effect on purchase and sale of subsidiaries (I)		-5	
<b>390</b>	<b>1 149</b>	<b>-959</b>	<b>CHANGE IN LIQUID ASSETS (F+G+H+I)</b>	<b>-959</b>	<b>1 149</b>	<b>390</b>
565	955	2 104	Liquid assets as at 01.01	2 104	955	565
<b>955</b>	<b>2 104</b>	<b>1 145</b>	<b>Liquid assets as at 31.12</b>	<b>1 145</b>	<b>2 104</b>	<b>955</b>
			Liquid assets as at 31.12 consist of:			
881	1 854	1 081	Cash and claims on central banks	1 081	1 854	881
74	250	64	Deposits with and claims on banks - no agreed maturities	64	250	74
<b>955</b>	<b>2 104</b>	<b>1 145</b>	<b>Total liquid assets as at 31.12</b>	<b>1 145</b>	<b>2 104</b>	<b>955</b>



# Notes

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## Note 1 – Accounting principles

### GENERAL INFORMATION

The Sparebanken Hedmark Group consists of the Parent Bank, Sparebanken Hedmark, and its wholly owned subsidiaries, Hedmark Eiendom AS, SpareBank 1 Finans Østlandet AS, Vato AS and Meglereiendom AS. Subsidiaries are balanced to the original cost with a deduction of write-downs in the Parent Bank's accounts.

SpareBank 1 Gruppen AS, BN Bank ASA (formerly known as Glitnir Bank ASA), Torggt 22 AS and SpareBank 1 Utvikling DA are incorporated in the Bank's accounts according to the cost method of accounting, and included in the Group's accounts as joint venture companies according to the equity method of accounting.

Fageråsen Invest AS and Engerdalen Høvleribygge AS are shown in the Bank's accounts according to the cost method and are both included in the Group's accounts, according to the equity method of accounting.

Sparebanken Hedmark is domiciled in Norway, with its head office located in Hamar. The Bank has 27 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's accounts are finally approved on 25 March 2010 by the Supervisory Board, 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), which are approved by the EU and have been applied as of 31.12.2009. 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 from 01.01.2007 and this occurred with retroactive effect. Sparebanken Hedmark has not taken advantage of the opportunity to start applying new standards or changes in standards which are obligatory from 01.01.2010 or later.

#### Reporting currency

The reporting currency is NOK (Norwegian kroner), which is also the Group's financial currency. All amounts are in NOK millions unless stated otherwise.

#### Consolidation

The Group's 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 that 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, 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 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, while 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 over which the Bank has significant influence, but not total control. The accounting treatment of associated companies commences from the time significant influence is established and continues until it no longer applies. 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.

Fageråsen Invest AS and Engerdal Høvleribygge AS are both treated as associated companies in the accounts of the Parent Bank and Group. The equity stakes are 36 and 20 percent respectively.

#### Joint ventures

In a joint venture company, the partners involved have joint control over operations based on contractual agreements. These agreements demand unanimity between the partners involved concerning strategic, financial and operations-related decisions. Joint venture 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 percent shareholding in SpareBank 1 Gruppen AS. The other shareholders are SpareBank 1 SR-Bank, SpareBank 1 Midt-Norge, SpareBank 1 Nord-Norge and Samarbeidende Sparebanker AS, with each owning 19.5 percent, and LO (the Norwegian Federation of Trade Unions) owning 10 percent. The management structure for the SpareBank 1 alliance is stipulated in an agreement between the shareholders. The Sparebanken Hedmark Group classes its equity stake in SpareBank 1 Gruppen as an investment in a joint venture company.

The Bank owns 50 percent of shares in Torggata 22 AS. The company is incorporated in the accounts as a joint venture company, as is SpareBank 1 Utvikling DA, in which the Bank has an 11 percent shareholding. The other shareholders in the latter company are members of the SpareBank 1 alliance.



### Loans to and claims on customers

Once the Bank had started using IFRS from 01.01.2007, loans have been assessed at amortised cost according to IAS 39. The assessment of loans according to IAS 39 follows the same principles as the lending rules and regulations dated 21 December 2004, with reference to FSAN's circular letter no. 10/2005.

Fixed interest rate loans and loans with interest rate guarantees are pointed out at the true value over the results after Fair Value Option (FVO) in IAS 39. Gains and losses arising from a change in the true value are recognised as income from other financial investments. Loans are presented as clean price, i.e. without accrued interest rates.

Loans transferred to SpareBank 1 Boligkreditt AS are deducted from the balance. The risk of loss on transferred loans is estimated against the annual provision for the treatment of transferred loans.

### Assessment of impairment in value of loans

On each balance sheet day, the Bank assesses whether for loans measured to amortised cost there is objective proof of a financial asset or group of financial assets having been subject to an impairment in value. This is only deemed to have taken place if, and only if, there is objective proof of impairment in value which may bring about reduced future cash flow 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 the value of a financial asset or 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
- a probability of the debtor entering into debt negotiations or other financial restructurings
- the active markets for the financial asset have come to an end due to financial problems, or
- observable data indicates that there is a measurable reduction in future cash flow 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 of the group

The Bank first assesses whether there is an individual, objective proof of impairment in value of financial assets which is 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, however significant, 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 establish whether any impairment in value has occurred. Assets which are individually assessed with regard to impairment in value, and where impairment in value has been 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 loss is calculated as the difference between the asset's book value and the present value of future cash flow (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 flow 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 flow 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 in effect 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.

### Confirmed losses

When it is highly probable that losses will be 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 little cover in relation to previous loss provisions, are charged to the profit and loss account.

### Assets available for sale

As part of the treatment of loans and guarantees in default the Bank will, in some cases, repossess assets which have been pledged as collateral security for such commitments. Repossessed assets which are expected to be realised are classified as fixed assets available for sale. In accordance with IFRS 5, at the time of repossession these assets are assessed at fair market value minus sales costs. The difference between this value and the value of the loan commitment is adjusted through the profit and loss account. Repossessed assets which cannot be expected to be sold are capitalised as fixed assets in the Bank's balance sheet.

### 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 life expectancy is factored into the computation of the agreement's effective interest. The Group does not have contracts pertaining to 'sale and lease back' of property, plant and equipment.

### Goodwill and other immaterial assets

Goodwill is defined as the difference between the purchase price and the values of the acquired business included in the balance sheet, after the acquisition cost has been allotted to identifiable tangible and intangible interests, liabilities and contingent liabilities. In the case of the acquisition of associated- and joint venture companies, goodwill 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. Should an impairment in value need to be assessed, this is made on the basis of the lowest level at which cash flow may be identified. The write-down of goodwill is not reversed.

Negative goodwill is taken to income immediately. Negative goodwill relating to investments in associated companies and joint ventures is included in the accounts immediately after the equity method of accounting, along with the results from the company.

Other immaterial assets are written off linearly over the calculated lifetime for that immaterial asset.

#### **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, while building sites are shown in the accounts at cost price minus write-downs. The acquisition cost includes all direct costs relating to what is required in order to make sure that the asset will function as intended, as well as costs involving their dismantling and removal. Straight-line depreciation is applied in order to allocate cost price minus any residual value over the life of the operating equipment involved.

When agreeing on a depreciation schedule, the various assets are split into components of different economic lives to the extent required, and any estimated residual value is taken into consideration. Real estate, plant and equipment which are individually deemed to be of little importance, such as PCs and other office equipment, are not assessed individually for residual value, economic life or impairment in value, but as groups. The different classes of real estate, plant and equipment have the following economic lives:

Buildings, furniture and fittings	10-100 years
Movable property	3-25 years

Real estate, plant and equipment which has depreciated is subject to a write-down test according to IAS 36, when circumstances indicate that this is required.

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

#### **Pensions**

Until 01.07.2008, the Sparebanken Hedmark Group companies have provided benefit-based pension schemes for their staff. These schemes have been guaranteed through payments made to insurance companies or pension funds, and 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, with 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, actuary gains and losses (estimated discrepancies) may be shown directly against the equity capital when applying IFRS in the accounts. The Group has chosen to implement this principle in connection with the transition to IFRS.

#### **Funding**

Bond loans and certificate-based loans in addition to fixed interest rate deposits and term deposits are estimated at fair market value through the profit and loss account according to Fair Value Option (FVO) in IAS 39. Any change in fair market value from the time of the opening balance sheet is account as income from financial investments.

Other liabilities are included at cost, which is fair value of the consideration received after the deduction of transaction costs. Loans are subsequently assessed at amortised cost. Any difference between the initial cost and settlement amount at maturity is subject to accrual accounting over the life of the loan, by applying the loan's effective rate of interest.

#### **Derivatives**

Derivatives consist of currency and interest instruments, a guarantee obligation with export finance in addition to hedging instruments combined with structured products. Derivatives are recorded at real value through profit and loss. Gains and losses that have arisen from an alteration in the derivative's market value are recorded in the results as income from other financial investments. Unrealised gains and losses are presented as gross in the balance.

#### **Other financial instruments**

All financial instruments are included and measured in accordance with IAS 39 and are presented in conformity with IAS 32. Note clarifications follow demands set up in IFRS 7.

Financial instruments that are not derivatives consist of stocks, shares and equity evidence, as well as certificates, bonds and interest funds. Stocks, shares and equity evidence are classified at the true value in the results, or as available for sale. Certificates, bonds and interest funds are classified at the true value in the results. All financial instruments are classified at the true value in the results, measured at the true value, and alterations in value are recorded in the results as income from other financial investments. Gains and losses on financial assets classified as available for sale are recognised directly in the equity capital and specified in the arrangement over recorded income, costs and value alterations (incidentally, see note 3 for a more detailed description of the account handling of financial instruments).

Financial instruments marked as true value in the results are, in the chief concern, classified after "Fair value option". The reclassification of financial instruments which were opened before October 2008 are therefore not used in Sparebanken Hedmark.

#### **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.



### 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 money 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 money items in foreign currencies on the balance sheet day in question, are included in the profit and loss account.

### Tax

Taxation cost consists of payable tax and deferred tax. Payable tax is defined as calculated tax on the year's results subject to tax, while deferred tax is shown in the accounts according to the debt method of accounting in compliance with IAS 12. The 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. A deferred tax asset is only to be included if an expected future result, subject to tax, would mean that the related tax benefit could be utilised.

### Segment 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.

Different kinds of operations are therefore conducted within the Group. The segmentation reporting within the Group is primarily divided into the following areas: personal markets, corporate markets, financing, estate agency business and other operations. Sparebanken Hedmark has utilised IFRS 8 Operating segments in the preparation of segment reporting from 01.01.2009.

### Events occurring after the balance sheet date

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 them. 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 opinion of the Board of Directors, this assumption was applicable at the time when the accounts were approved for publication.

### Issues, not taking into effect standards

Standard/interpretation	Theme (central changes)	Approved by EU	EU's effective date (IASB's effective date)
Revised IFRS 3	Revised standard. Includes other things, for one thing access to choose whether goodwill will be assigned to the minority or not. In addition, the goodwill will be gradually bought up, only measured by control acquisition time. Conditional considerations will be recognised at the true value and in addition will buy up expenditure costs.	Yes	01.07.09
New IFRS 9	Compensation classifications- and rule measurement in IAS 39 financial instruments – recognition and goals for financial assets. After IFRS 9, financial assets which have normal loan terms will account to the amortised cost, with less of a choice to get them to the real value, while other financial assets will account to the real value.	No (exposed)	(01.01.2013)
Revised IAS 24	The purpose of the changes has been to clarify and simplify the definition of close parties. The revised standards also provide some relief in the demands for additional clarification for public operations.	No (expected Q2 2010)	(01.01.2011)
Revised IAS 27	The revised version of this standard includes, among other things, accounting for changes of stakes in the subsidiary with the loss of control, as well as the allocation of negative equity ratios to the minority with the losses in the subsidiary.	Yes	01.07.09
Annual improvement project published April 2009	Discussing 15 alternations in 12 standards	No (expected Q1 2010)	(Essentially it has been varied 01.07.2009 and 01.01.2010))

In addition to the table over, the following issued standards have not been entered into force that are not relevant for the venture:

Revised IFRS 1, change in IFRS 1, change in IFRS 2, change in IAS 32, change in IAS 39, new IFRIC 12, change in IFRIC 14, new IFRIC 15, new IFRIC 16, new IFRIC 17, ny IFRIC 18 and new IFRIC 19.

## Note 2 – Financial risk management

### Overall responsibility and control

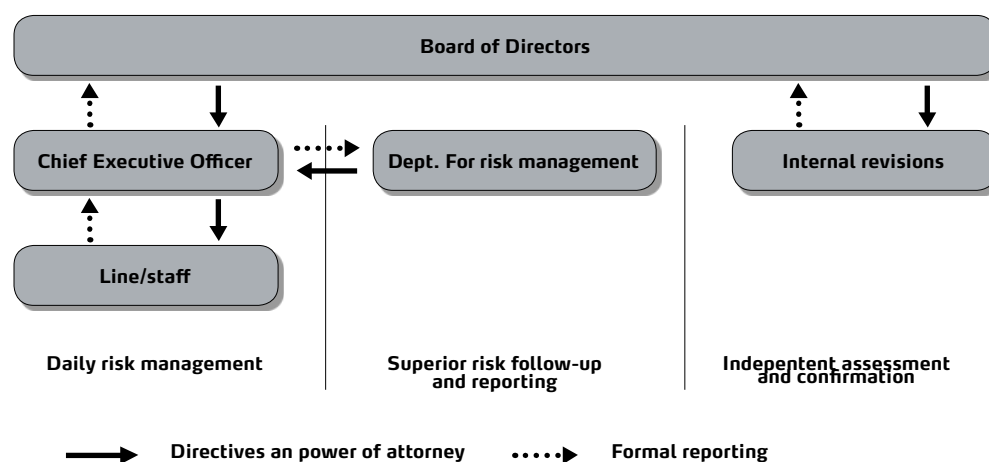
Risk management at Sparebanken Hedmark shall support its strategic development and achievement of goals. Furthermore, risk management shall ensure financial stability and appropriate management of the Bank's assets and liabilities management. This shall be achieved through:

- A strong corporate culture characterised by high awareness of risk management
- A good understanding of the types of risk which are important for revenue generation
- All efforts to be made in order to achieve optimal capital employment within the agreed business strategy, provided that the strategic capital targets at all times are met.
- To avoid that unexpected single events shall be capable of harming the Group's financial position to a serious extent.
- Making the most of synergy- and diversification effects

In order to ensure an effective and appropriate process for risk- and capital management, the overall framework shall be based on those elements which reflect the way in which Sparebanken Hedmark is managed by its Board of Directors and management.

- Strategic goals
- Organisation and corporate culture
- Identification of various types of risk
- Risk analysis
- Stress tests
- Risk strategies
- Capital management (including return and capital coverage)
- Reporting
- Follow-up
- Contingency plans
- Compliance

Management and control includes all processes and control benefits which have been initiated by the Group's leadership to ensure effective business management and implementation of the Group's strategies. Group places emphasis on a control- and management structure that promotes targets and independent management and control:



Sparebanken Hedmark will have a moderate to low risk profile, and this risk profile will ensure the Group's access to long-term funding at good prices. The size of and composition of the Group's risk adjustment capital will correspond with such an objective.

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 of for credit management at 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 the 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.

Sparebanken Hedmark's risk is registered partly through the calculation of expected losses and risk-adjusted capital. Sparebanken Hedmark uses the SpareBank 1 alliance's models for the computation of credit risk. The models are based on statistical calculations and on the fact that the risk-adjusted capital shall cover 99.9 percent of any unexpected losses. The calculation of risk-adjusted capital for other types of risk are to a larger extent based on qualitative methods.

Below is given a more detailed description of financial risk management relating credit risk, funding risk and market risk.

#### **Credit risk**

Sparebanken Hedmark's biggest financial risk exposure is the credit risk contained in its lending portfolio. Credit risk is the risk of loss relating to customers or other counterparts not being able or willing to meet their obligations to the Bank. Each year, the Board of Directors reviews the Bank's management documents and rules and regulations for 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 statistic models as the basis for the calculation of risk and the categorisation of the credit portfolio. Against the background of the models, customers are classified in the following subgroups: very low, low, medium, high and very high risk, as well as 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.

For further information, please see notes 20, 30 and 31

#### **Market risk**

Market risk is defined as the risk of loss due to changes in interest rates, share-/securities prices and foreign exchange rates. Market risk mainly occurs in connection with the Bank's investments in securities and as a result of funding activities, and in connection with interest rate- and foreign exchange trading. The management of market risk is done through limits agreed by the Board of Directors. These limits are agreed each year by the Board of Directors in connection with the revision of the financial strategy. Sparebanken Hedmark's positions in relation to limits are reported regularly to the Board of Directors and management.

The Board of Directors has agreed limits for the total interest rate risk, both with regard to basis risk and interest rate curve risk. Sparebanken Hedmark manages interest rate risk towards a desired level through interest rate fixings for placements and funding loans, and through the use of interest rate derivatives.

In the case of share risk, maximum limits have been established for the stock market and for foreign exchange risk limits have been put in place for maximum exposure totally and for each foreign currency involved.

For further information, please see notes 33 and 34.

#### **Funding risk**

Funding risk is defined as the risk of Sparebanken Hedmark being unable to refinance its liabilities or being unable to fund increases in assets 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 of the period during which the Bank would be able to be independent of new funding from the money- and capital markets.

The capital markets department is responsible for funding management, whereas the financial control department and risk management department monitor and report on the utilisation of limits in relation to the Bank's funding strategy. The funding risk is reduced through the diversification of funding loans with regard to different markets, sources of funding, financial instruments and maturities.

For further information, please see notes 29 and 32

#### **Miscellaneous**

Extended market information (Basel II – Pilar III) is described in a separate document on the Bank's home page.



## Note 3 – Critical estimates and assessments regarding the use of accounting principles

### MANAGEMENT'S ASSESSMENTS OF THE CHOICE OF ACCOUNTING PRINCIPLES

Sparebanken Hedmark made a number of choices of principles when it switched to IFRS on 01.01.2007. This mainly involves the following main areas in the accounts:

#### Financial Instruments

Derivatives, in addition to financial assets and liabilities classified as kept for turnover (HFO), are recognised and measured to the true value of the result in accordance with IAS 39. Financial instruments classified as HFO and included as of 12.31.09 only cover a part of the share portfolio. In addition, the following financial assets and liabilities are voluntarily earmarked to the real value in the results after the decision on "Fair Value Option" (FVO) in IAS 39, section 9: Bonds, certificates and interest funds in the Bank's portfolio, fixed-rate loans and loans with interest guarantees to customers, bonds and certificate deposits, BMA-deposits, fixed-rate deposits to customers as well as term deposits. Utilised for this purpose, FVO intends to achieve the most consistent possible measurements of assets and obligations which are gathered and assessed. Moreover, the measurement of the real value reduces the accounting disparity which would otherwise have arisen, in case assets and obligations are recognised on a different basis than attached derivatives. Derivate Equity instruments which are not classified as HFO are earmarked as available for sale (TFS). Changes in the true value for assets classified as TFS are recognised directly in the equity. With a considerable and longer decline in the real value of a TFS-asset, the cumulative loss is removed and recognised directly in the equity and also in the results. What should be understood with significant or long-term reduction in value is a question of judgement. Sparebanken Hedmark follows guidelines from the IFRIC, recommendations from the auditing environment and business standards to consider this issue. The assessments carried out on the instrument levels are designed to be considered as a reduction in value which assesses the assets at under 80 percent of the cost price on balance sheet day, or at a market price lower than the cost price which continues for more than 12 months. Further reduction in value on previous TFS-asset write-downs, expenses consecutive with later account cast-offs.

The market value is presented consistently as clean price, i.e. without accrued interest.

#### Pensions

In connection with the transition to IFRS, Sparebanken Hedmark decided to recognise estimate discrepancies which had not previously been included in the profit and loss account directly in equity.

The transition from the use of the 'corridor solution' for recognising estimate discrepancies directly in equity was done in order to make sure that in the annual accounts each year, Sparebanken Hedmark's pension liabilities are based on the parameters chosen for the computation of pension liabilities. With effect from the 2007 accounting year, estimate discrepancies are recognised directly in equity both as far as the Parent Bank and the Group are concerned.

#### Fixed assets

Fixed assets are valued at cost and depreciated over the anticipated economic life of the assets in question. On the transition to IFRS, a rearrangement of the portfolio of buildings and an assessment of the depreciation period for each individual component involved were done. This rearrangement and assessment of the depreciation period showed that earlier depreciation according to NGAAP had been larger than that which would have applied in accordance with the IFRS rules and regulations. The difference in depreciation was reversed once the transition to IFRS was made on 01.01.2007. No write-up or assessment at fair market value was made in connection with the transition to IFRS on 01.01.2007. An annual revision of the portfolio of real estate is completed by an external expert in order to assess the need if any for write-downs. The Bank does not have any investment properties.

### CRITICAL ESTIMATES

#### Losses on loans and guarantees

The Bank examines the corporate portfolio in order to identify credit risk and 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.

Loans transferred to SpareBank 1 Boligkreditt AS are deducted from the balance. The risk of loss on transferred loans is estimated against the annual provision for the treatment of transferred loans.

Individual write-down for losses or individual commitments is made when objective events trigger impairment in value for the Bank. Individual write-down is defined as the difference between the commitments' 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 measure 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.

#### **Financial instruments assessed at fair market value**

For financial instruments which are traded in a regular market, fair market value on the balance sheet day in question is used. The fair market value of financial instruments which are not traded in an active market is based on value assessment from Reuter's price setting service, brokerage firms or other external sources in addition to accepted theoretical calculation techniques based on observable interest rates and prices 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. Below is set out in more detail the assessment methods applied for the various financial instruments which are assessed at fair market value.

#### ***Shares, unit trust certificates/equity participations and Primary Capital Certificates (PCCs)***

Listed shares, unit trust certificates/equity participations and PCCs are assessed at closing bid prices on the balance sheet day in question. For unlisted companies, a value assessment hierarchy is applied which involves:

- 1) last known traded price
- 2) externally known value assessment
- 3) value assessment received from the company involved
- 4) own value assessment
- 5) cost price.

#### ***Bonds and certificates (loans)***

For bonds and certificates which are regularly valued by Reuter's price setting service, their indicated bid prices on the balance sheet days in question are applied. Other interest-bearing securities are valued against the interest rate curve (ask), adjusted for indicative trading spreads from recognised firms of brokers.

#### ***Securities-based debt***

Issued certificates and bonds are valued against the interest rate curve (bid), adjusted for indicated trading spread for Sparebanken Hedmark's securities-based debt.

#### ***Financial derivatives***

The Bank does not at the moment have any financial derivatives traded in a regular market. For non-standardised financial derivatives contracts (OTC), a theoretical price is estimated, based on market-related approximation, taking into consideration agreed cash flows and observable market information on the balance sheet day in question.

#### ***Other financial instruments assessed at fair market value ('BMA' deposits, fixed interest deposits, fixed interest rate loans and loans with interest rate guarantee)***

Fair market value is assessed as the value of the agreed cash flows discounted at market rate of interest adjusted for a trading spread assessed on a best judgment basis on the balance sheet day involved. 'BMA' deposits and loans with interest rate guarantee in addition contain financial derivatives elements. The products are assessed as a whole at fair market value.

#### **Intangible assets**

Write-down tests of intangible assets are mainly based on the discounting of expected future cash flows. Uncertainty will always be related 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 pension cost for the year are based on a number of estimates including the return on pension resources, future interest rate- and inflation levels, wage- and salary development, turnover of staff, development in the National Insurance's basic amount, and the general development in the number of former employees with disability pension and the life expectancies are of great importance. The uncertainty is to a large extent related to the gross liability and not to the net liability which is shown in the balance sheet. Any estimate changes as a result of changes in the abovementioned parameters will be recognised on an ongoing basis in equity both as far as the Bank and its subsidiaries are concerned. A 1 percentage point shrinkage in interest rates would mean that the Bank's gross pension liability would increase by about 20 percent over an average period of 20 years, given the other parameters remain unchanged.

## Note 4 - Segment information

This segment information is linked to the way the Group is controlled and followed up internally, in operations through result- and capital reporting, power of attorney and routine. The reporting of segments is divided into following areas: retail, corporate, property and financing in addition to activity. Property and financing is organised as independent companies. The result of the elimination of companies appears together with undispersed activity in a separate column.

2009 (NOK million)	Retail market	Corporate market	SpareBank 1 Finans Østlandet	Hedmark Eiendom	Undis- persed activity	Total
<b>Profit and loss account</b>						
Net interest income	475	294	99	1	-26	843
- of this, the amount that constitutes internal payments		39	-45	6		
Net provisions and other revenue	114	56	-9	52	21	234
- of this, the amount that constitutes internal payments		1	-1			
Net return on financial investments					74	74
Operating cost*	299	92	35	50	167	643
<b>Profit before losses per segment</b>	<b>290</b>	<b>258</b>	<b>55</b>	<b>3</b>	<b>-98</b>	<b>508</b>
Losses on loans and guarantees	18	117	11			146
<b>Profit per segment</b>	<b>272</b>	<b>141</b>	<b>44</b>	<b>3</b>	<b>-98</b>	<b>362</b>
<b>BALANCE</b>						
Gross loans to customers	19 941	11 593	2 044		568	34 146
- of this, the amount that constitutes internal payments		1 647	-1 647			
Individual write-down loans	-38	-154	-32			-224
Group write-downs loans	-26	-111	-7			-144
Other assets	182	1 703	82	108	5 638	7 713
<b>Total assets per segment</b>	<b>20 059</b>	<b>13 031</b>	<b>2 087</b>	<b>108</b>	<b>6 206</b>	<b>41 491</b>
Deposits from- and dept to customers	14 818	8 112			151	23 081
- of this, the amount that constitutes internal payments		106	-1	-103	-2	
Other dept and equity	5 241	4 919	2 087	108	6 055	18 410
<b>Total dept and equity per segment</b>	<b>20 059</b>	<b>13 031</b>	<b>2 087</b>	<b>108</b>	<b>6 206</b>	<b>41 491</b>

The Groups's operations were not divided up in 2008. Comparison figures are not available.

\*) Operating costs in divisions RM og CM consist of directly attributable personal and administration costs as well as distributed items concerning services carried out in the other division, IT and rent. Items do not include the distribution of the bank's staff costs in the divisions.

Specification of the net return on financial investments (NOK million)	2009	Group 2008	2007
Result share SpareBank 1 Gruppen eks dividend	100	-85	129
Result share BN Bank ASA	19	5	
Negative goodwill BN Bank ASA		312	
Sales BN Bank ASA	-181		
Dividend securities	10	14	40
Profit on exchange of shares	43	2	7
Net gains on securities, foreign currency and derivatives	85	-210	27
Net gains on other financial assets	-2	1	38
<b>Total net return on financial investments</b>	<b>74</b>	<b>39</b>	<b>241</b>



## Note 5 - Net interest income

Parent Bank			(NOK million)	Group		
2007	2008	2009		2009	2008	2007
			<b>Interest income</b>			
152	269	144	Interest receivable from loans to and claims on financial institutions	100	181	95
1820	2 373	1 590	Interest receivable from loans to and claims on customers	1 732	2 528	1 931
136	174	126	Interest earned from certificates, bonds and other interest-bearing securities	126	174	136
17	27	35	Interest included in the income on written-down loans	36	28	17
1	1	1	Other interest- and similar income	1		1
<b>2 126</b>	<b>2 844</b>	<b>1 896</b>	<b>Total interest income</b>	<b>1 994</b>	<b>2 910</b>	<b>2 180</b>
			<b>Interest costs</b>			
156	230	167	Interest on debt to financial institutions	167	292	183
711	1 102	620	Interest on deposits from and liabilities to customers	614	1 091	711
470	658	345	Interest payable on issued securities	345	596	435
	7	20	Levy paid to the Banks' Guarantee Fund	20	7	
		2	Other interest- and similar costs	5	8	5
<b>1 337</b>	<b>1 997</b>	<b>1 154</b>	<b>Total interest costs</b>	<b>1 151</b>	<b>1 994</b>	<b>1 334</b>
<b>789</b>	<b>847</b>	<b>742</b>	<b>Total net interest income</b>	<b>843</b>	<b>916</b>	<b>846</b>

## Note 6 - Net commission income

Parent Bank			(NOK million)	Group		
2007	2008	2009		2009	2008	2007
			<b>Commission income</b>			
11	10	12	Guarantee commission	11	9	9
13	8	7	Securities trading	7	8	13
105	101	84	Payments transmission	84	101	105
17	34	39	Insurance services	39	34	17
		27	Commission income from SpareBank 1 Boligkreditt AS	27		
18	17	18	Other commission income	18	17	18
<b>164</b>	<b>170</b>	<b>187</b>	<b>Total commission income</b>	<b>186</b>	<b>169</b>	<b>162</b>
			<b>Commission costs</b>			
25	23	28	Payments transmission	28	23	25
14	15	8	Other commission costs	17	20	22
<b>39</b>	<b>38</b>	<b>36</b>	<b>Total commission costs</b>	<b>45</b>	<b>43</b>	<b>47</b>
<b>125</b>	<b>132</b>	<b>151</b>	<b>Total net commission income</b>	<b>141</b>	<b>126</b>	<b>115</b>

## Note 7 - Income from other financial investments

Parent Bank				Group		
2007	2008	2009	(NOK million)	2009	2008	2007
			<b>Net income from financial assets and liabilities at fair market value</b>			
15	-47	33	Value change for equity capital instruments	33	-47	15
11	-50	32	- Price change - equity capital instruments 'available for sale'	32	-50	11
4	3	2	- Dividends from equity capital instruments 'available for sale'	2	3	4
-50	-241	235	Value change - interest rate instruments (assets)	235	-241	-50
2			- Bonds and certificates 'available for sale'			2
-52	-241	235	- Bonds and certificates included at fair value through P & L acct. (FVO)	235	-241	-52
127	-100	-174	Value change - securities included at fair value	-174	-100	127
	32	-9	Value change - cust. loans at fair value	-9	32	
5	-18	17	Value change - cust. deposits	17	-18	5
-72	234	-6	Value change for financial derivatives	-6	234	-72
5	-34	3	- Derivatives related to interest rate instruments (assets)	3	-34	5
-45	304	-37	- Derivatives related to securities-based debt	-37	304	-45
-11	-1	1	- Derivatives related to deposits from customers	1	-1	-11
	-35	22	- Guarantee liability regarding Eksportfinans	22	-35	
-21	1	4	- Other financial derivatives	4	1	-21
<b>25</b>	<b>-140</b>	<b>96</b>	<b>Total net income from financial assets and liabilities at fair market value</b>	<b>96</b>	<b>-140</b>	<b>25</b>
			<b>Net income from financial assets available for sale</b>			
21	11	8	Dividends from equity capital instruments	8	11	21
-6	-1	-6	Realised 'available for sale' financial instruments	-6	-1	-6
	-83	18	Write-down of 'available for sale' financial instruments	18	-83	
<b>16</b>	<b>-74</b>	<b>20</b>	<b>Total net income from securities available for sale</b>	<b>20</b>	<b>-74</b>	<b>16</b>
<b>17</b>	<b>19</b>	<b>22</b>	<b>Net income from foreign exchange trading</b>	<b>22</b>	<b>19</b>	<b>17</b>
<b>59</b>	<b>-194</b>	<b>138</b>	<b>Total net income from other financial investments</b>	<b>138</b>	<b>-194</b>	<b>59</b>

## Note 8 - Other operating income

Parent Bank				Group		
2007	2008	2009	(NOK million)	2009	2008	2007
4	4	4	Operating income from real estate	4	3	5
			Real estate turnover	52	46	49
6	5	6	Rental income	6	5	6
1	6	12	Gains on fixed assets	13	6	2
1	4	18	Other income	18	4	2
<b>12</b>	<b>19</b>	<b>40</b>	<b>Total other operating income</b>	<b>93</b>	<b>64</b>	<b>64</b>

## Note 9 - Operating costs

Parent Bank				Group		
2007	2008	2009	(NOK million)	2009	2008	2007
291	288	263	Personnel costs	308	332	327
185	196	201	Administration costs	225	217	204
42	42	39	Ordinary depreciation	41	45	44
8	8	8	Rental payments	10	10	10
		13	Wealth tax	13		
36	40	36	Other operating costs	46	47	43
<b>562</b>	<b>574</b>	<b>560</b>	<b>Total operating costs</b>	<b>643</b>	<b>651</b>	<b>628</b>
<b>Remuneration paid to Auditor (NOK thousand)</b>						
640	760	944	Statutory audit	1 378	1 087	915
		79	Tax consultancy	126		
		100	Other attestation services	113		
157	196	102	Other services	118	479	230
797	956	1 225	Total excluding value added tax	1 735	1 566	1 145
199	239	306	Value added tax	434	392	286
<b>996</b>	<b>1 195</b>	<b>1 531</b>	<b>Total</b>	<b>2 169</b>	<b>1 958</b>	<b>1 431</b>

Parent Bank				Group		
2007	2008	2009	Personnel costs	2009	2008	2007
205	201	226	Wages and salaries	258	233	232
38	43	-8	Pension costs (Note 25)	-5	49	42
48	44	45	Social costs	55	50	53
<b>291</b>	<b>288</b>	<b>263</b>	<b>Total personnel costs</b>	<b>308</b>	<b>332</b>	<b>327</b>
466	508	520	Average number of staff employed	585	571	524
455	485	489	Number of man-years as at 31.12	554	550	508
482	518	523	Number of staff as at 31.12	589	584	541

The interest rate subsidy for 2009 for the Parent Bank has been estimated at NOK 5 million measured in relation to the rate of interest which provides the basis for the taxation of benefits in kind for staff (NOK 7 million in 2008 and 5 million in 2007). For the Group as a whole, the interest subsidy has been estimated at NOK 5 million ( NOK 8 million in 2008 and 5 million in 2007). Loans to staff are described in note 20.



**REMUNERATION FOR MEMBERS OF THE MAIN BOARD OF DIRECTORS**

<b>2009 (NOK 1,000)</b>	<b>Fees</b>	<b>Other remuneration</b>	<b>Loans</b>	<b>Guarantees</b>
Gunnar Martinsen, Acting chairperson (from 27.11.2009)	125		172	
Richard H. Heiberg, Former chairperson (observer from 27.11.2009)	167	2	2 142	
Siri J. Strømmevold, Board member	110		4	
Grethe G. Fossum, Board member	105			
Espen B. Larsen, Board member (employee, included in salary)	105		1 997	
Jan Wibe, Board member	105		1 829	
Nina Cecilie Lier, Acting Board member	66			
Jarle Dalløkken, Deputy Board member				
Ola Gulli, Deputy Board member (employee, included in salary)	62		458	

<b>2008 (NOK 1,000)</b>	<b>Fees</b>	<b>Other remuneration</b>	<b>Loans</b>	<b>Guarantees</b>
Richard H. Heiberg, Chairperson	167	2	2 205	
Gunnar Martinsen, Deputy Chairperson	125		46	
Siri J. Strømmevold, Board member	113		13	
Grethe G. Fossum, Board member	106			
Espen B. Larsen, Board member (employee, included in salary)	119		1 952	
Jan Wibe, Board member	105		602	
Nina Cecilie Lier, Deputy Board member	22			
Gunveig Elvsæter Eggen, Deputy Board member				
Ola Gulli, Deputy Board member (employee, included in salary)	44		557	

<b>2007 (NOK 1,000)</b>	<b>Fees</b>	<b>Other remuneration</b>	<b>Loans</b>	<b>Guarantees</b>
Richard H. Heiberg, Chairperson	150	13	2 259	
Gunnar Martinsen, Deputy Chairperson	95	7	13	
Siri J. Strømmevold, Board member	95	16	2	
Grethe G. Fossum, Board member	95	1		
Atle Bratås, Board member (employee, included in salary)	95		868	
Jan Wibe, Board member	95	2	712	
Nina Cecilie Lier, Deputy Board member	20	2		
Gunveig Elvsæter Eggen, Deputy Board member	5			
Espen B. Larsen, Dep. Board member (employee, incl. in salary)	37		1 720	

**YTELSER TIL KONTROLLKOMITÈEN**

<b>2009 (NOK 1,000)</b>	<b>Fees</b>	<b>Other remuneration</b>	<b>Loans</b>	<b>Guarantees</b>
Pål Johnsrud, Chairperson	107			
Anders Brinck, Deputy Chairperson	55			
Gro Svarstad, Member	57			
Jan Erik Myrvold, Member	56		18	
Valborg Berthelsen, Member	55		2 320	
Mikael Løken, Deputy Member				
Morten Kongsrud, Deputy Member			2 559	
Kirsten Walmann, Deputy Member				
Ole Jan Hørstad, Deputy Member			649	
Gunn S. Hvamstad, Deputy Member			907	

<b>2008 (NOK 1,000)</b>	<b>Fees</b>	<b>Other remuneration</b>	<b>Loans</b>	<b>Guarantees</b>
Pål Johnsrud, Chairperson	107			
Anders Brinck, Deputy Chairperson	55			
Gro Svarstad, Member	56			
Jan Erik Myrvold, Member	56		6	
Valborg Berthelsen, Member	55		2 327	
Mikael Løken, Deputy Member				
Morten Kongsrud, Deputy Member			2 886	
Kirsten Walmann, Deputy Member			387	
Ole Jan Hørstad, Deputy Member			125	
Gunn S. Hvamstad, Deputy Member			718	

<b>2007 (NOK 1,000)</b>	<b>Fees</b>	<b>Other remuneration</b>	<b>Loans</b>	<b>Guarantees</b>
Pål Johnsrud, Chairperson	95			
Anders Brinck, Deputy Chairperson	50			
Gro Svarstad	50			
Jan Erik Myrvold	50		12	
Valborg Berthelsen	50		2 406	
Mikael Løken, Deputy Member				
Morten Kongsrud, Deputy Member			2 938	
Kirsten Walmann, Deputy Member			403	
Ole Jan Hørstad, Deputy Member			158	
Gunn S. Hvamstad, Deputy Member			483	

#### Remuneration for Supervisory Board members

<b>(NOK 1,000)</b>	<b>2009 Fees</b>	<b>2008 Fees</b>	<b>2007 Fees</b>
Christen Engeloug, Chairperson	37	20	18
Other members	2-22	2-6	1-2

None of the members of the Board of Directors or the control committee have loans transferred from Sparebanken Hedmark to SpareBank 1 Boligkreditt AS.

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

<b>2009 (NOK 1,000)</b>	<b>Salary and other short-term benefits</b>	<b>Other remuneration</b>	<b>Accrued pension rights last year</b>	<b>Directors' fees in subsidiaries etc.</b>	<b>Loans</b>	<b>Guarantees</b>
<b>Title/name</b>						
Harry Konterud, Chief Executive Officer	2 525	637	910		543	
Nils Arne Nordheim, Director, Corp. customers	1 286	60	427	85	786	
Kari E. Gisnås, General Manager, Markets	1 094	17	277	40	2 708	
Tore-Anstein Dobloug, General Manager, Finance	484	97	281			
Eldar Kjendlie, Personnel and Org. Manager	973	20	160		1 161	
Dag-Arne Hoberg, IT Manager	1 018	25	283		1 385	
Vidar Nordheim, Risk Manager	810	20	172			
Tor Morten Nygård, Bank manager	850	15	316			
Siv Stenseth, Information Manager	742	13	233		1 531	
Man. Dir Hedmark Eiendom AS, Nils Børresen	940	21	239			
Man. Dir. SpareBank1 Finans Østlandet AS, Hans Olav Wedvik	969	21	177		1 681	

<b>2008 (NOK 1,000)</b>	<b>Salary and other short-term benefits</b>	<b>Other remuneration</b>	<b>Accrued pension rights last year</b>	<b>Directors' fees in subsidiaries etc.</b>	<b>Loans</b>	<b>Guarantees</b>
<b>Title/name</b>						
Harry Konterud, Chief Executive Officer	2 160	424	629		634	
Nils Arne Nordheim, Director, Corp. customers	1 122	179	402	85	1 330	
Kari E. Gisnås, General Manager, Markets	969	15	268	40	2 873	
Arne Grunt, General Manager, Finance	993	22	381	75	1 150	
Eldar Kjendlie, Personnel and Org. Manager	926	20	155		1 305	
Dag-Arne Hoberg, IT Manager	962	22	267		1 459	
Siv Stenseth, Information Manager	717	13	224		1 510	
Man. Dir Hedmark Eiendom AS, Nils Børresen	1 201	22	283			
Man. Dir. SpareBank1 Finans Østlandet AS, Hans Olav Wedvik	862	21	177		1 298	

2007 (NOK 1,000)	Salary and other short-term benefits	Other remuneration	Accrued pension rights last year	Directors' fees in subsidiaries etc.	Loans	Guarantees
Title/name						
Harry Konterud, Chief Executive Officer	1 974	356	658		685	
Nils Arne Nordheim, Director, Corp. custs.	1 535	197	368	75	1 402	
Kari E. Gislås, General Manager, Markets	900	13	241	40	3 000	
Arne Grunt General Manager, Finance	937	41	334	35	1 400	
Eldar Kjendlie, Personnel and Org. Mgr.	849	39	137		1 433	
Dag-Arne Hoberg, IT Manager	904	38	264		1 528	
Siv Stenseth, Information Manager	626	35	169		1 764	
Man. Dir. Hedmark Eiendom AS, Nils Børresen	1 041	21	205			
Man. Dir. Sparebank1 Finans Østlandet AS, Hans Olav Wedvik	708	23	179		12	

#### Liabilities at the end of employment or relating to change in employment conditions for senior staff (Parent Bank)

An agreement has been entered into with the Bank's CEO according to which he shall continue in his job until he reaches the age of 67 years. From that time, the CEO is ensured of a retirement pension of 70 percent of leaving salary.

The Bank has a scheme involving a gradual reduction and early retirement pension for 3 (6,6) of the Bank's managers who had passed the age of 50 years on 1 January 2001. This arrangement provides the option of retiring at the age of 62 years. The cost for the year relating to the pension liability has been charged to the profit and loss account under 'Pensions'.

## Note 10 - Tax

Parent Bank				Group		
2007	2008	2009	(NOK million)	2009	2008	2007
464	227	646	Result before taxation cost	362	418	614
-93	59	-302	+/- permanent differences*	7	-108	-220
44	46	8	+/- change in temporary differences according to specification	-10	24	35
	-107	52	- of which recognised directly in equity	62	-107	
<b>415</b>	<b>225</b>	<b>404</b>	<b>The year's tax basis/taxable income</b>	<b>421</b>	<b>227</b>	<b>429</b>
116	63	113	Of which payable tax - 28 percent	124	64	121
	-1		Tax related to Group contributions not included in profit and loss acct.			
<b>116</b>	<b>62</b>	<b>113</b>	<b>Payable tax in the balance sheet</b>	<b>124</b>	<b>64</b>	<b>121</b>
	-11	2	Too much/little tax set aside in previous years	2	-11	
116	51	115	Total payable tax	126	53	121
116	63	113	Year's change in payable tax	124	64	121
-12	-13	-3	+/- change in deferred tax	2	-8	-9
	-11	2	+/- to much/little payable tax earlier in the year	2	-11	
	30	-15	+ change which is not included in the profit and loss account	-17	30	
<b>104</b>	<b>69</b>	<b>97</b>	<b>Taxation cost for the year</b>	<b>111</b>	<b>75</b>	<b>112</b>

\*Does not include tax deductible costs as well as the deduction for the result share linked to associated and jointly controlled companies (the result share is drawn out according to whether they have already been taxed by the individual company).

After IFRS, wealth tax rules are classified as an excise duty and not as a tax cost. In 2009, wealth tax is estimated to NOK 13 million and classified as other operating costs. The note is reworked for the accounting years of 2007 and 2008 with regards to this. Wealth tax for 2007 and 2008 respectively is NOK 10- and 12 million. However, the profit and loss account and the balance are not reworked for 2007 and 2008.



Parent Bank			Composition of deferred tax in balance sheet	Group		
2007	2008	2009		2009	2008	2007
			Temporary differences relating to:			
9	2		- Operating equipment		15	13
3	9	7	- Gains/losses	7	9	3
103	68	34	- Rev. of losses at trans. to new loan rules from 01.01.2006	34	68	103
	59	4	- Other temporary differences	4	59	5
<b>115</b>	<b>138</b>	<b>46</b>	<b>Total temporary differences</b>	<b>46</b>	<b>151</b>	<b>124</b>
<b>32</b>	<b>39</b>	<b>13</b>	<b>Deferred tax</b>	<b>13</b>	<b>42</b>	<b>35</b>
			Temporary differences relating to:			
344	450	336	- Net pension liabilities	342	469	362
35		31	- Securities	31		35
			- Adjustment of establishment fee - new loan rules from 01.01.2006			3
3		1	- Business assets	5		8
			- Other temporary differences			
			- Loss carried forward		20	30
<b>382</b>	<b>450</b>	<b>368</b>	<b>Temporary differences</b>	<b>378</b>	<b>489</b>	<b>438</b>
<b>107</b>	<b>126</b>	<b>103</b>	<b>Deferred tax asset</b>	<b>106</b>	<b>137</b>	<b>123</b>
<b>75</b>	<b>87</b>	<b>90</b>	<b>Net deferred tax asset included in accounts</b>	<b>93</b>	<b>95</b>	<b>88</b>

Parent Bank			Composition of deferred tax shown in profit and loss account	Group		
2007	2008	2009		2009	2008	2007
			Temporary differences relating to:			
	6		- Operating equipment			10
3			- Gains/losses		7	
	13	62	- Adjustment of establishment fees - new loan rules from 01.01.2006			
14	82	4	- Net pension liabilities	70	15	
4	2		- Securities	4	82	82
			- Other temporary differences		2	8
			- Loss carried forward		12	7
<b>21</b>	<b>103</b>	<b>67</b>	<b>Total temporary differences</b>	<b>75</b>	<b>118</b>	<b>107</b>
<b>6</b>	<b>29</b>	<b>19</b>	<b>Deferred tax</b>	<b>21</b>	<b>33</b>	<b>30</b>
			Temporary differences relating to:			
10	7	3	- Operating equipment	3	7	7
		90	- Securities	90		
1		2	- Gains/losses	2		1
20			- Net pension liabilities			28
34	34	34	- Rev. of loss provs. on transition to net loan rules from 01.01.2006	34	34	37
			- Other temporary differences			4
<b>65</b>	<b>41</b>	<b>129</b>	<b>Total temporary differences</b>	<b>129</b>	<b>41</b>	<b>77</b>
<b>18</b>	<b>11</b>	<b>36</b>	<b>Deferred tax asset</b>	<b>36</b>	<b>11</b>	<b>22</b>
<b>-12</b>	<b>17</b>	<b>-17</b>	<b>Net deferred tax assets included in accounts</b>	<b>-15</b>	<b>22</b>	<b>-10</b>

2007	2008	2009	Reconciliation of profit and loss account-included per. tax and pre-tax result	2009	2008	2007
128	63	184	28% of pre-tax result	112	117	172
1	1	2	Profit and loss account items not liable to tax (permanent differences)	88	-47	-35
-12	-21	-36	Share dividends	-36	-21	-12
-13	39	-54	Gains on securities according to exemption method	-54	39	-13
		2	Feedback of 3 % of tax-free earnings after exemption method	2		
	-11	2	Too much/little set aside for payable tax in previous years	2	-11	
	-2	-2	Too much/little set aside for deferred tax in previous years	-2	-2	
<b>104</b>	<b>69</b>	<b>97</b>	<b>Period tax through the profit and loss account</b>	<b>111</b>	<b>75</b>	<b>112</b>
<b>22 %</b>	<b>30 %</b>	<b>15 %</b>	<b>Effective tax rate</b>	<b>31 %</b>	<b>18 %</b>	<b>18 %</b>

## Note 11 - Other assets

Parent Bank				Group		
2007	2008	2009	(NOK million)	2009	2008	2007
10	10	10	Capital payments into pension fund	10	10	10
143	172	124	Accrued income, not yet received	138	181	138
173	187	195	Claims relating to securities	195	187	173
11	18	17	Prepaid costs, not yet incurred	17	18	14
53	31	24	Other debtors	86	101	166
<b>390</b>	<b>418</b>	<b>370</b>	<b>Other assets</b>	<b>446</b>	<b>497</b>	<b>501</b>

## Note 12 - Real estate, plant and equipment

Parent Bank				Group			
Buildings, sites and other real estate	Machinery, fixtures and transport eq	Total	(NOK million)	Buildings, sites and other real estate	Machinery, fixtures and transport eq.	Totalt	
322	206	528	Acquisition cost as at 01.01.2007	391	212	603	
10	22	32	Additions	10	22	32	
	13	13	Disposals	7	13	20	
332	215	547	Acquisition cost as at 31.12.2007	394	221	615	
105	124	229	Accumulated depreciation and write-down as at 01.01.2007	158	126	284	
11	28	39	Depreciation during the year	11	33	44	
			Write-down during the year				
	12	12	Disposals during the year		12	12	
116	140	256	Accumulated depreciation and write-down as at 31.12.2007	169	147	316	
<b>216</b>	<b>75</b>	<b>291</b>	<b>Value incorporated in the balance sheet as at 31.12.2007</b>	<b>225</b>	<b>74</b>	<b>299</b>	
332	215	547	Acquisition cost as at 01.01.2008	394	221	615	
11	21	32	Additions	19	25	44	
4	13	17	Disposals	4	13	17	
339	223	562	Acquisition cost as at 31.12.2008	409	233	642	
116	140	256	Accumulated depreciation and write-down as at 01.01.2008	169	147	316	
11	27	38	Depreciation during the year	12	29	41	
			Write-down during the year				
2	12	14	Disposals during the year	2	12	14	
125	155	280	Accumulated depreciation and write-down as at 31.12.2008	179	164	343	
<b>214</b>	<b>68</b>	<b>282</b>	<b>Value incorporate in the balance sheet as at 31.12.2008</b>	<b>230</b>	<b>69</b>	<b>299</b>	
339	223	562	Acquisition cost as at 01.01.2009	409	233	642	
9	12	21	Additions	9	16	25	
	23	23	Disposals		23	23	
348	212	560	Acquisition cost as at 31.12.2009	418	226	644	
125	155	280	Accumulated depreciation and write-down as at 01.01.2009	179	164	343	
8	25	33	Depreciation during the year	8	26	34	
			Write-down during the year				
	22	22	Disposals during the year		22	22	
133	158	291	Accumulated depreciation and write-down as at 31.12.2009	187	168	355	
<b>215</b>	<b>54</b>	<b>269</b>	<b>Value incorporate in the balance sheet as at 31.12.2009</b>	<b>231</b>	<b>58</b>	<b>289</b>	
		<b>0</b>	<b>Buildings available for sale</b>			<b>0</b>	

Depreciation - Rate for ordinary depreciation is 4-33% for machinery, fixtures and transport equipment and 1-4% for bank buildings and other real estate.

Collateral security pledged - The Bank has not pledged any of its fixed assets as security nor has it agreed to any limitations as far as the disposal of its fixed assets is concerned.

Acquisition cost of depreciated assets - The acquisition cost of fully depreciated assets which were still in use at the Bank in 2009 was NOK 142 million.

Acquisition cos of fixed assets which are temporarily not in operation - The Group did not have any fixed assets temporarily not in operation as at 31.12.2009.

## Note 13 - Intangible assets

Parent Bank				Group		
2007	2008	2009	(NOK million)	2009	2008	2007
			<b>Goodwill</b>			
22	22	22	Acquisition cost as at 01.01	25	25	25
			Additions/disposals			
22	22	22	Acquisition cost as at 31.12	25	25	25
			Accumulated write-downs as at 01.01			
			Write-downs during the year			
			Accumulated write-downs as at 31.12			
<b>22</b>	<b>22</b>	<b>22</b>	<b>Goodwill incorporated in the balance sheet as at 31.12</b>	<b>25</b>	<b>25</b>	<b>25</b>

The goodwill included in the balance sheet is mainly related to the acquisition of Bank 1 Hamar in 2006. In the Group's accounts, there is a smaller item relating to an earlier acquisition of Hedmark Eiendom. The goodwill items are assessed every year and written down in value if there is reason for it. It is not carried out in write-downs of goodwill in 2009.

Parent Bank				Group		
2007	2008	2009	(NOK million)	2009	2008	2007
			<b>Other intangible assets</b>			
87	90	90	Acquisition cost as at 01.01	90	90	87
3	3	2	Additions	2	3	3
	-3	-14	Disposals	-14	-3	
90	90	78	Acquisition cost as at 31.12	78	90	90
10	13	15	Accumulated depreciation as at 01.01	15	13	10
	-2	-9	Disposals accumulated depreciations	-9	-2	
3	4	5	Depreciation for the year	5	4	3
13	15	11	Accumulated depreciation as at 31.12	11	15	13
<b>77</b>	<b>76</b>	<b>67</b>	<b>Other intangible assets as at 31.12</b>	<b>67</b>	<b>76</b>	<b>77</b>

Other intangible assets consist of two different types of assets. One item is related to the acquisition of Bank 1 Hamar's customer portfolio in 2006 and will be depreciated over a period of 20 years on a straight-line basis.

The other intangible assets are internally-developed programmes which will be depreciated over a period of 4 years on a straight-line basis. This software was sold in its entirety in 2009.

Parent Bank				Group		
2007	2008	2009	(NOK million)	2009	2008	2007
<b>99</b>	<b>98</b>	<b>89</b>	<b>Total intangible assets as at 31.12</b>	<b>92</b>	<b>101</b>	<b>102</b>

## Note 14 - Associated companies, joint ventures and investment in subsidiaries

Firm	Time of acquisition	Registered office	Equity interest in percent
<b>Investment in subsidiaries</b>			
<b>Shares owned by the Parent Bank</b>			
Hedmark Eiendom AS	1988	Hamar, Norway	100 %
SpareBank 1 Finans Østlandet AS	1995	Hamar, Norway	100 %
Meglereiendom AS	2008	Hamar, Norway	100 %
Vato AS	1981	Hamar, Norway	100 %
<b>Shares owned by subsidiaries</b>			
Sørum & Søberg AS	2008	Hamar, Norway	100 %
<b>Investments in affiliated companies</b>			
Fageråsen Invest AS	2006	Trysil, Norway	36 %
Engerdal Høvleribbygg AS	1995	Engerdal, Norway	20 %
<b>Investments in jointly controlled operations</b>			
Torggt 22 AS	2001	Hamar, Norway	50 %
BN Bank ASA (sold in 2009)	2008	Trondheim, Norway	15 %
SpareBank 1 Gruppen AS	2006	Oslo, Norway	12 %
SpareBank 1 Utvikling DA	2006	Oslo, Norway	11 %

### Investments in subsidiaries

	Company's share capital	Acquisition cost 2007	Supply/retirement	Acquisition cost 2008	Supply/retirement	Acquisition cost 2009
Hedmark Eiendom AS	0,5	6	2	8		8
SpareBank 1 Finans Østlandet AS	285,0	285		285		285
Meglereiendom AS	0,2		3	3		3
Vato AS	0,6	8	1	9		9
<b>Total investment in subsidiaries</b>		<b>299</b>	<b>6</b>	<b>305</b>	<b>0</b>	<b>305</b>

### Investments in associated companies

2009	Book value 31.12.08	Additions/disposals	Result as income	Year's dividends	Book value 31.12.09
Fageråsen Invest AS	6		-1		5
Engerdal Høvleribbygg AS					0
<b>Total</b>	<b>6</b>	<b>0</b>	<b>-1</b>	<b>0</b>	<b>5</b>

2008	Book value 31.12.07	Additions/disposals	Result as income	Year's dividends	Book value 31.12.08
Fageråsen Invest AS	10		-4		6
Engerdal Høvleribbygg AS					0
<b>Total</b>	<b>10</b>	<b>0</b>	<b>-4</b>	<b>0</b>	<b>6</b>

2007	Book value 31.12.06	Additions/disposals	Result as income	Year's dividends	Book value 31.12.07
Actor AS	9	-5		-4	0
Fageråsen Invest AS	9		1		10
Engerdal Høvleribbygg AS	0				0
<b>Total</b>	<b>18</b>	<b>-5</b>	<b>1</b>	<b>-4</b>	<b>10</b>



## Investments in joint venture companies

2009	Book value 31.12.08	Additions/ disposals	Result as income	Year's dividends	Equity cap. adjustments	Book value 31.12.09
Torggt 22 AS	10					10
BN Bank ASA	363	-382	19			0
SpareBank 1 Gruppen AS	638	96	100	-96	-23	715
SpareBank 1 Utvikling DA	13					13
<b>Total</b>	<b>1 024</b>	<b>-286</b>	<b>119</b>	<b>-96</b>	<b>-23</b>	<b>738</b>

2008	Book value 31.12.07	Additions/ disposals	Result as income	Year's dividends	Equity cap. adjustments	Book value 31.12.08
Torggt 22 AS	9		1			10
BN Bank ASA		46	317			363
SpareBank 1 Gruppen AS	719	36	-85	-54	22	638
SpareBank 1 Utvikling DA	8	5				13
<b>Total</b>	<b>736</b>	<b>87</b>	<b>233</b>	<b>-54</b>	<b>22</b>	<b>1 024</b>

2007	Book value 31.12.06	Additions/ disposals	Result as income	Year's dividends	Equity cap. adjustments	Book value 31.12.07
Torggt 22 AS	8		2			10
SpareBank 1 Gruppen AS	503		141	-12	86	718
SpareBank 1 Utvikling DA	8					8
<b>Total</b>	<b>519</b>	<b>0</b>	<b>143</b>	<b>-12</b>	<b>86</b>	<b>736</b>

Together with the other banks in the SpareBank 1 Alliance, the Bank bought all shares in BN Bank ASA (formerly Glitnir Bank ASA) for NOK 300 million on 05.12.2008. It was entered into a shareholders agreement that governs further operations as jointly controlled enterprises. A preliminary acquisition analysis was made in accordance with IFRS 3, which shows identifiable net assets of NOK 2,377 million. The Bank's share of acquisition costs, including expenses, was NOK 46 million, and the number of identifiable net assets totals NOK 357 million. The difference between the identifiable net assets and the acquisition costs which are in accordance with IAS 28 brought income (negative goodwill) and is included in the result shares for 2008. With the sale of shares in 2009, this item was brought back in the consolidated accounts.

## Investment in associated companies and joint ventures

Parent Bank				Group		
2007	2008	2009	(NOK million)	2009	2008	2007
449	445	532	Book value as at 01.01	1 030	746	536
-4	87	50	Additions/disposals	-104	87	-5
		-3	Write downs			
			Changes in equity capital	-23	18	87
			Share of result	-64	233	144
			Dividends paid	-96	-54	-16
<b>445</b>	<b>532</b>	<b>579</b>	<b>Book value as at 31.12.</b>	<b>743</b>	<b>1 030</b>	<b>746</b>

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

Parent Bank				Group		
2007	2008	2009	(NOK million)	2009	2008	2007
39			Sale of Actor Fordringsforvaltning AS			38
4			Dividends from Actor Fordringsforvaltning AS			
12	54	96	Dividends from SpareBank 1 Gruppen AS			
			Share of SpareBank 1 Gruppen AS's result	100	-85	141
			Share of BN Bank ASA's result	19	5	
			Negative goodwill relating to BN Bank ASA		312	
		153	Sale of BN Bank ASA	-181		
2	5		Dividends from Hedmark Eiendom AS			
	4	25	Dividends from SpareBank 1 Finans Østlandet AS			
		-3	Write-downs Fageråsen Invest AS			
			Shares of result from other comps.	-2	1	3
<b>57</b>	<b>63</b>	<b>271</b>	<b>Total income</b>	<b>-64</b>	<b>233</b>	<b>182</b>

## Note 15 - Shares and equity stakes

Parent Bank			Shares and equity stakes (NOK million)	Group		
2007	2008	2009		2009	2008	2007
91	43	76	At fair value through the profit and loss account	76	43	91
91	43	76	- Quoted	76	43	91
320	367	458	Available for sale	458	367	320
60	72	69	- Quoted	69	72	60
260	295	389	- Unquoted	389	295	260
<b>411</b>	<b>410</b>	<b>534</b>	<b>Total shares and equity stakes</b>	<b>534</b>	<b>410</b>	<b>411</b>
<b>151</b>	<b>115</b>	<b>145</b>	<b>Total - quoted companies</b>	<b>145</b>	<b>115</b>	<b>115</b>
<b>260</b>	<b>295</b>	<b>389</b>	<b>Total - unquoted companies</b>	<b>389</b>	<b>295</b>	<b>260</b>

The portfolio of shares and equity participations is the same at the Parent Bank and in the Group.

Total shares at fair value through the profit and loss account are classified as 'available for sale' in accordance with IAS 39. Market prices that are used for shares and equity proof trading on the stock exchange are the purchase price (bid) on balance sheet day.

Quoted companies	Eq. stake (%)	Our portfolio (number)	Acq. Cost (NOK 1000)	Market value/ book value (NOK 1000)
Aceryg	0,0 %	32 400	2 849	2 969
Austevoll Seafood	0,0 %	59 000	2 124	2 130
Bonheur	0,0 %	13 200	2 710	2 145
DOF	0,1 %	58 900	3 720	2 250
Ekornes	0,0 %	18 000	2 351	2 151
Farstad Shipping	0,1 %	25 800	2 777	3 315
Komplett	0,2 %	25 900	2 051	1 116
Lerøy Seafood Group	0,1 %	42 400	3 746	4 452
Norsk Hydro	0,0 %	99 600	3 701	4 852
Od fjell ser. A	0,0 %	29 700	3 431	1 537
Orkla	0,0 %	61 000	3 515	3 468
Prosafe	0,0 %	75 000	4 816	2 764
SalMar	0,1 %	71 700	2 892	3 234
Seadrill	0,0 %	42 100	2 978	6 227
Solstad Offshore	0,1 %	35 400	3 536	3 823
Statoil	0,0 %	46 730	6 597	6 767
TGS-NOPEC Geophysical Co.	0,1 %	58 100	5 255	6 089
VISA Inc.	0,0 %	13 710	5 891	6 910
Wilh. Wilhelmsen ser. A	0,1 %	29 200	6 585	3 548
Yara International	0,0 %	21 700	2 201	5 722
<b>Total quoted shares</b>			<b>73 724</b>	<b>75 468</b>
SpareBank 1 Nord-Norge	0,1 %	11 682	1 659	1 285
SpareBank 1 Nøtterøy-Tønsberg	4,6 %	50 500	5 555	4 772
Sparebanken Møre	0,5 %	30 449	8 482	7 034
Totens Sparebank	16,9 %	732 566	74 430	56 774
<b>Total - quoted Primary Capital Certificates (PCCs)</b>			<b>90 126</b>	<b>69 865</b>
<b>Total quoted companies</b>			<b>163 850</b>	<b>145 332</b>

Unquoted companies	Eq. stake (%)	Our portfolio (number)	Acq. Cost (NOK 1000)	Market value/ book value (NOK 1000)
Eiendoms kreditt	2,0 %	32 510	3 446	3 641
Eksportfinans	1,3 %	3 499	52 127	77 678
Nordito	3,1 %	313 715	12 090	74 955
Norgesinvestor IV	1,7 %	62 000	6 200	5 580
Norgesinvestor Opportunities	6,4 %	60 000	6 000	6 354
Norgesinvestor Pro	10,8 %	150 000	15 000	18 213
Scanpole Norge	11,4 %	70 434	7 436	2 113
SpareBank 1 Boligkreditt AS	5,4 %	1 299 689	195 081	195 081
Others			9 797	5 392
<b>Total - unquoted companies</b>			<b>307 177</b>	<b>389 007</b>
<b>Total - share and equity participations</b>			<b>471 027</b>	<b>534 340</b>

## Note 16 - Certificates, bonds and rate securities portfolio

Parent Bank			Certificates and bonds acc. to sectors of issuers (NOK million)	Group		
2007	2008	2009		2009	2008	2007
			Public sector issuer			
	51	190	- nominal amount	190	51	
	51	190	- fair market value	190	51	
			Financial companies			
1 890	2 450	3 195	- nominal value	3 195	2 450	1 890
1 845	2 245	3 158	- fair market value	3 158	2 245	1 845
			Non-financial companies			
735	747	783	- nominal value	783	747	735
729	670	794	- fair market value	794	670	729
<b>2 625</b>	<b>3 248</b>	<b>4 167</b>	<b>Total certificates and bonds - nominal value</b>	<b>4 168</b>	<b>3 248</b>	<b>2 625</b>
<b>2 574</b>	<b>2 966</b>	<b>4 142</b>	<b>Total certificates and bonds - fair market value</b>	<b>4 142</b>	<b>2 966</b>	<b>2 574</b>
2 574	2 966	4 142	Certificates and bonds	4 142	2 966	2 574
91	43	76	Shares and equity participations/unit trusts (see note 15)	76	43	91
<b>2 665</b>	<b>3 009</b>	<b>4 218</b>	<b>Total securities at fair value through P &amp; L account</b>	<b>4 218</b>	<b>3 009</b>	<b>2 665</b>

All certificates and bonds are incorporated at fair market value through the profit and loss account in accordance with Fair Value Option (FVO) in IAS 39. The real value will be presented as clean price, i.e. without accrued interest

Certificates and bonds are assessed in principle in relation to the actual interest rate curve against which the securities are regulated as far as the interest rate is concerned, adjusted for an indicated trading spread for each issuer in question. Parts of the portfolio are assessed at prices provided by Reuter's price setting service. The value change in the interest rate securities portfolio is primarily ascribable to changes in trading spreads which may be attributed partly to changes in events and the assets' credit risk, but this credit risk is deemed to be non-quantifiable.

For a more detailed specification of the risk linked to bonds, please refer to note 30 and 33

## Note 17 - Financial derivatives

### A general description

Financial derivatives are classified at fair value through the profit and loss account in compliance with IAS 39, and presented as clean price ie without accrued interest. Unrealised gains are shown under Assets and unrealised losses under Liabilities in the balance sheet.

Financial derivatives comprise forward exchange contracts, swaps and options in addition to combinations of these, including FRAs. The financial instruments are all traded in markets other than the stock exchanges as so-called 'Over the counter' (OTC) derivatives. This means that the agreements involved are tailor-made with regard to the underlying object, number, price and maturity. Financial derivatives are traded in on behalf of the Group's customers and with other financial institutions in order to take care of the market risk which is incurred as a result of the Sparebanken Hedmark Group's ordinary operations.

### Parent Bank and Group

All amounts are identical for Parent Bank and Group.

#### At fair value through profit and loss account

2009

	Contract sum	Fair value	
		Assets	Liabilities
<b>Foreign currency instruments</b>			
Forward exchange contracts	2 569	21	35
Foreign currency swaps	1 480	15	5
Total foreign currency instruments	4 049	36	40
<b>Interest rate instruments</b>			
Interest rate swaps (incl. int. rate- and currency swaps)	7 779	95	99
Short interest rate swaps (FRAs)	0	0	0
Other interest rate contracts	1 133	6	1
Total interest rate instruments	8 912	102	99
<b>Other financial derivatives</b>			
Guarantee liability in respect of Eksportfinans ASA	67	0	13
<b>Total currency- and int. rate instrs. (NOK million)</b>			
<b>Total interest rate instruments</b>	<b>8 912</b>	<b>102</b>	<b>99</b>
<b>Total currency instruments</b>	<b>4 049</b>	<b>36</b>	<b>40</b>
<b>Total other financial derivatives</b>	<b>67</b>	<b>0</b>	<b>13</b>
<b>Total</b>	<b>13 028</b>	<b>138</b>	<b>152</b>

#### At fair value through profit and loss account

2008

2007

	Contract sum	Fair value		Contract sum	Fair value	
		Assets	Liabilities		Assets	Liabilities
<b>Foreign currency instruments</b>						
Forward exchange contracts	2 834	177	145	2 168	1	6
Foreign currency swaps	2 235	8	106	768	0	-2
Total foreign currency instruments	5 069	185	251	2 936	1	4
<b>Interest rate instruments</b>						
Interest rate swaps (incl. int. rate- and currency swaps)	8 085	319	114	7 593	32	277
Short interest rate swaps (FRAs)	300	1	1	0	0	0
Other interest rate contracts	1 327	9	5	1 334	2	18
Total interest rate instruments	9 712	328	120	8 926	34	295
<b>Other financial derivatives</b>						
Guarantee liability in respect of Eksportfinans ASA	67	0	35	0	0	0
<b>Total currency- and int. rate instrs. (NOK million)</b>						
<b>Total interest rate instruments</b>	<b>9 712</b>	<b>328</b>	<b>120</b>	<b>8 926</b>	<b>34</b>	<b>295</b>
<b>Total currency instruments</b>	<b>5 069</b>	<b>185</b>	<b>251</b>	<b>2 936</b>	<b>1</b>	<b>4</b>
<b>Total other financial derivatives</b>	<b>67</b>	<b>0</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>14 848</b>	<b>514</b>	<b>405</b>	<b>11 862</b>	<b>35</b>	<b>299</b>



## Note 18 - Valuation of the fair value of financial instruments

With effect from 1 January 2009, the Group has implemented changes in IFRS 7 linked to financial instruments measured to the real value on balance sheet day. The changes require the presentation of the real value measurements per level with the following level classification for measuring the real value:

- Listed prices in an active market for an identical asset or obligation (level 1)
- Valuation based on other observable factors either directly (price) or indirectly (derived from prices) than listed price (used in level 1) for assets or obligations (level 2)
- Valuation based on factors that are not taken from observable markets (not observable assumptions) (level 3)

The following table presents the Group's assets and liabilities measured against the real value (clean price) as of 31 December 2009.

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through results				
– Derivatives		138		138
– Bonds and certificates		4 142		4 142
– Equity instruments	76			76
– Fixed rate loans		946		946
– Loans with interest guarantees			14	14
Financial assets available for sale				
– Equity instruments	69		389	458
<b>Total assets</b>	<b>145</b>	<b>5 226</b>	<b>403</b>	<b>5 774</b>
<b>Obligations</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial obligations at fair value through results				
– Derivatives		-140	-13	-152
– Debt securities		-7 320		-7 320
– Fixed rate deposits		-25		-25
– BMA-deposits			-2	-2
<b>Total obligations</b>	<b>0</b>	<b>-7 485</b>	<b>-15</b>	<b>-7 500</b>

The real value of financial instruments which are traded in active markets is based on the market price on balance sheet day. A market is regarded as active in case market rates are simple and regularly available from a stock exchange, dealer, broker, industry clarification, price-setting service or regulatory authority, and these prices represent actual and regularly obliging market transactions at an arm's length distance. Market prices for financial assets use the current purchase price; for financial obligations the current selling price is used. These instruments are included in level 1. Instruments included in level 1 only cover equity instruments listed on the Oslo or New York Stock Exchange, classified as kept for trading or available for sale.

The real value of financial instruments that are not traded in an active market (simple OTC derivatives, for example) is determined by using valuation methods. These valuation methods maximise the use of observable data where available, and settle themselves down at the minimum of the Group's own estimates. In case all essential data that is required to determine the real value of an instrument is observable data, the instrument is included in level 2.

In case one or several of the essential pieces of data is not based on observable market data, the instrument is included in level 3.

Special valuation methods which are used to assess financial instruments include:

- True value of interest rate swaps are calculated as the present value of the estimated future cash flow based on observable yield curves. The real value of bonds and certificates (assets and obligations) are estimated as the present value of the estimated future cash flow based on observable yield curves, including an indicated credit spread on issuers from a recognised broker or Reuters price-setting service.
- The real value of fixed rate deposits and –loans is estimated as the present value of the estimated future cash flow based on an observable swap curve, with the addition of an implicit mark-up estimated as the difference between the referenced interest rate and the interest rate given by the bank's price list on balance sheet day.
- True value of forward contracts in foreign currency is determined by looking at the present value of the difference between the agreed forward exchange rate and the foreign exchange rate on balance sheet day.
- Other techniques, such as multiplier models, have been used to determine the true value on the remaining financial instruments.

The following table presents the changes in the instruments classified in level 3 as of 31 December 2009:

	<b>Loans with interest guarantees</b>	<b>Equity instruments</b>	<b>Derivatives</b>	<b>BMA-deposits</b>	<b>Total</b>
Incoming balance	16	295	-35	-2	274
Investments in the period		160			160
Sales in the period (at book value)	-2	-139			-141
Gains or losses recognised in the results		-6	22		15
Gains or losses recognised directly in the total result		79			79
Outgoing balance	14	389	-13	-2	388
Gains or losses for the period are included in the results for assets owned on balance sheet day	0	3	22	0	25

## Note 19 Financial institutions - claims and liabilities

Parent Bank			Loans to and claims on financial institutions (NOK million)	Group		
2007	2008	2009		2009	2008	2007
74	249	64	Loans to and claims - no agreed maturity or period of notice	64	249	75
1 199	1 502	1 734	Loans to and claims - with agreed maturity or period of notice	88	73	23
<b>1 273</b>	<b>1 751</b>	<b>1 798</b>	<b>Total</b>	<b>152</b>	<b>322</b>	<b>98</b>
<b>Breakdown of loans and claims in most significant currencies</b>						
1 202	1 643	1 690	NOK	44	214	27
28	37	30	EURO	30	37	28
18	21	26	CHF	26	21	18
11	39	47	JPY	47	39	11
14	11	5	Other	5	11	14
<b>1 273</b>	<b>1 751</b>	<b>1 798</b>	<b>Total</b>	<b>152</b>	<b>322</b>	<b>98</b>

			Liabilities to financial institutions (NOK million)			
2007	2008	2009		2009	2008	2007
12	229	18	Loans and deposits without agreed maturities or period of notice	17	226	12
2 975	4 527	5 031	Loans and deposits with agreed maturities or period of notice	5 031	4 527	2 958
<b>2 987</b>	<b>4 756</b>	<b>5 049</b>	<b>Total</b>	<b>5 048</b>	<b>4 753</b>	<b>2 970</b>
<b>Breakdown of liabilities in the most significant currencies</b>						
625	1 842	2 683	NOK	2 682	1 839	608
2 353	2 901	2 365	EURO	2 365	2 901	2 353
8	5		SEK		5	8
1	8		DKK		8	1
		1	Other	1		
<b>2 987</b>	<b>4 756</b>	<b>5 049</b>	<b>Total</b>	<b>5 048</b>	<b>4 753</b>	<b>2 970</b>

Deposits and loans from/to financial institutions are mainly on the basis of floating rates of interest.

Claims on and liabilities to financial institutions are classified as loans and claims according to IAS 39 and assessed at amortised cost.

## Note 20 - Loans to and claims on customers

Parent Bank			(NOK million)	Group		
2007	2008	2009		2009	2008	2007
			<b>Loans according to types of claims</b>			
			Financial leasing agreements	1 009	1 051	962
2 351	3 388	2 962	Overdraft- and working capital facilities	2 962	3 388	2 351
920	1 029	1 182	Building loans	1 182	1 029	920
28 134	28 347	27 957	Repayment loans	28 993	29 089	28 650
<b>31 405</b>	<b>32 764</b>	<b>32 101</b>	<b>Gross loans and claims on customers</b>	<b>34 146</b>	<b>34 557</b>	<b>32 883</b>
169	217	329	Write-downs	368	252	198
<b>31 236</b>	<b>32 547</b>	<b>31 772</b>	<b>Net loans and claims on customers</b>	<b>33 778</b>	<b>34 305</b>	<b>32 685</b>
			<b>Loans according to markets</b>			
21 948	21 635	20 722	Wage- and salary earners	21 562	22 184	22 305
9 431	11 102	11 374	Industry and commerce	12 543	12 336	10 536
26	27	5	Public sector	41	37	42
<b>31 405</b>	<b>32 764</b>	<b>32 101</b>	<b>Gross loans and claims</b>	<b>34 146</b>	<b>34 557</b>	<b>32 883</b>
169	217	329	Write-downs	368	252	198
<b>31 236</b>	<b>32 547</b>	<b>31 772</b>	<b>Net loans and claims</b>	<b>33 778</b>	<b>34 305</b>	<b>32 685</b>
			<b>Of which subordinated capital</b>			
			Equity and related capital in financial institutions			
7	7	2	Other equity and related capital	2	7	7
<b>7</b>	<b>7</b>	<b>2</b>	<b>Subordinated loan capital shown under loans</b>	<b>2</b>	<b>7</b>	<b>7</b>
<b>365</b>	<b>453</b>	<b>507</b>	<b>Of which loans to staff</b>	<b>588</b>	<b>527</b>	<b>442</b>
			<i>Of which loans to employees were transferred to SpareBank 1 Boligkreditt AS</i>	21		
			<i>Of repayment loans, loans recognised at fair value through the profit and loss account (FVO)</i>			
487	517	946	-Fixed interest loans to customers, book value	946	517	487
498	496	934	-Fixed interest loans to customers, nominal value	934	496	498
17	16	14	-Loans with interest rate guarantee, book value	14	16	17
17	16	14	-Loans with interest rate guarantee, nominal value	14	16	17

Repayment loans to staff are based on a 30-year repayment period and monthly repayments. The rate of interest for repayment loans and 'Flexiloans' for staff amounts to 75 percent of the lowest interest rate for private market loans and 'Flexiloans'. The total loan amount according to these conditions cannot exceed NOK 1.5 million for each member of staff.

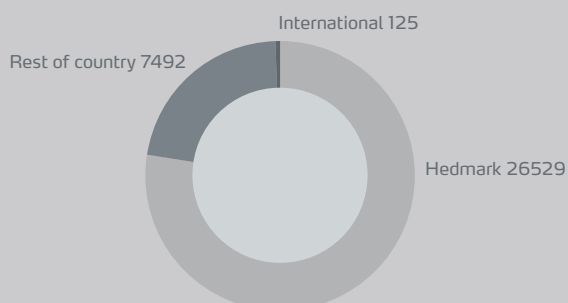
### Gross loans

Parent Bank			Breakdown according to risk group (NOK million)	Group		
2007	2008	2009		2009	2008	2007
19 829	19 085	18 631	Lowest risk	18 631	19 296	19 829
3 479	4 176	3 957	Low risk	5 046	5 653	4 233
5 011	5 843	6 118	Medium risk	6 858	5 907	5 504
1 674	1 281	1 009	High risk	1 112	1 295	1 905
1 194	2 049	1 834	Highest risk	1 834	2 072	1 194
218	330	552	Commitments in default	665	334	218
<b>31 405</b>	<b>32 764</b>	<b>32 101</b>	<b>Total</b>	<b>34 146</b>	<b>34 557</b>	<b>32 883</b>

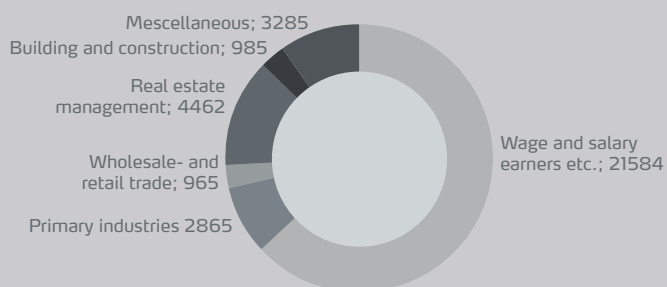
Parent Bank			Breakdown according to geographical areas (NOK million)	Group		
2007	2008	2009		2009	2008	2007
26 060	26 222	25 530	Hedmark	26 529	27 090	26 756
5 236	6 423	6 446	Rest of the country	7 492	7 348	6 018
109	119	125	International	125	119	109
<b>31 405</b>	<b>32 764</b>	<b>32 101</b>	<b>Total</b>	<b>34 146</b>	<b>34 557</b>	<b>32 883</b>

Parent Bank			Breakdown according to different sectors (NOK million)	Group		
2007	2008	2009		2009	2008	2007
21 948	21 635	20 722	Wage- and salary earners etc.	21 584	22 184	22 305
26	27	5	Public sector	41	34	34
2 263	2 588	2 704	Primary industries	2 865	2 745	2 413
123	268	283	Paper and pulp industry	294	276	130
271	372	262	Other industry	336	443	333
752	880	726	Building and construction	985	1 212	1 059
61	69	94	Power- and water supply	136	101	87
866	1 227	788	Wholesale- and retail trade	965	1 408	1 021
218	196	194	Hotels and restaurants	201	205	435
3 149	3 994	4 439	Real estate management	4 462	4 011	3 166
992	696	1 618	Business services	1 801	895	1 153
664	699	258	Transport and communications	468	930	676
72	113	8	Miscellaneous	8	110	71
<b>31 405</b>	<b>32 764</b>	<b>32 101</b>	<b>Total</b>	<b>34 146</b>	<b>34 554</b>	<b>32 883</b>

Gross loans- breakdown according to geographical areas (Group)



Gross loans - breakdown according to different sectors (Group)





### Total commitments (Loans, guarantees and unutilised facilities)

Parent Bank			Breakdown according to risk groups (NOK million)	Group		
2007	2008	2009		2009	2008	2007
20 857	20 253	20 854	Lowest risk	20 854	20 253	20 857
5 007	6 049	4 650	Low risk	5 846	7 123	5 762
5 397	6 226	7 168	Medium risk	7 923	6 798	5 890
1 762	1 347	1 199	High risk	1 318	1 508	1 993
1 321	2 165	2 266	Highest risk	2 266	2 165	1 321
231	341	602	Commitments in default	715	422	231
<b>34 575</b>	<b>36 381</b>	<b>36 649</b>	<b>Total</b>	<b>38 922</b>	<b>38 269</b>	<b>36 054</b>

Parent Bank			Breakdown according to different sectors (NOK million)	Group		
2007	2008	2009		2009	2008	2007
23 111	23 019	22 244	Wage- and salary earners etc.	23 083	23 571	23 468
26	27	5	Public sector	41	34	34
2 560	2 951	2 983	Primary industries	3 144	3 108	2 710
203	350	475	Paper and pulp industry	496	358	210
419	617	325	Other industry	427	708	481
1 211	1 296	1 231	Building and construction	1 557	1 655	1 518
181	91	118	Power- and water supply	160	123	207
1 202	1 688	982	Wholesale- and retail trade	1 221	1 896	1 357
236	223	210	Hotels and restaurants	217	232	453
3 365	4 274	5 648	Real estate management	5 678	4 291	3 382
1 209	919	2 028	Business services	2 233	1 122	1 370
780	813	392	Transport and communications	655	1 063	792
72	113	8	Miscellaneous	10	111	72
<b>34 575</b>	<b>36 381</b>	<b>36 649</b>	<b>Total</b>	<b>38 922</b>	<b>38 269</b>	<b>36 054</b>

In addition, loan commitments of NOK 129 million in Division RM and NOK 449 million in division CM were given as of 31.12.2009. These are not included in the total commitments.

### Individual write-downs

Parent Bank			Breakdown according to risk groups (NOK million)	Group		
2007	2008	2009		2009	2008	2007
87	117	192	In default (internal definition)	224	144	108

In the Bank's internal risk classification system, all engagements with individual write-downs are classified as defaults, regardless of the external definition of defaults (see note 1).

It is not distributed on various risk groups such as the other commitments. The distribution of risk groups is based on the bank's estimated default probability for all customers in the loans portfolio based on objective historical data.

The customers are rescored monthly in the bank's portfolio system.

Parent Bank			Breakdown according to sectors (NOK million)	Group		
2007	2008	2009		2009	2008	2007
22	28	44	Wage- and salary earners etc.	52	33	25
4	4	3	Primary industries	11	9	7
5	15	21	Paper and pulp industries	21	15	5
20	9	7	Other industry	12	14	26
1	1	6	Building and construction	8	3	3
2	2	1	Power- and water supply	1	2	2
7	4	16	Wholesale- and retail trade	17	7	8
2	8	15	Hotel and restaurants	15	8	2
15	30	46	Real estate management	46	30	15
7	12	30	Transport and communications	36	17	8
2	4	3	Miscellaneous	5	6	7
<b>87</b>	<b>117</b>	<b>192</b>	<b>Total</b>	<b>224</b>	<b>144</b>	<b>108</b>

### Expected average annual net loss next twelve months

Parent Bank		Breakdown according to risk groups		Group		
2007	2008	2009	(NOK million)	2009	2008	2007
1	1	1	Lowest risk	1	1	1
1	2	1	Low risk	6	6	5
11	14	9	Medium risk	12	17	13
5	7	14	High risk	18	11	8
21	25	51	Highest risk	51	25	21
8	16	25	Commitments in default	25	16	8
<b>47</b>	<b>65</b>	<b>101</b>	<b>Total</b>	<b>113</b>	<b>76</b>	<b>56</b>

The expected average annual net loss is the amount that the Parent Bank's statistics expect to lose on the loans portfolio during the course of the 12-month period. It has been calculated with a background in historical data. In a cyclical upturn, the annual loss will actually be lower than the average expected loss. In an economic downturn, the actual losses could, in the same way, be higher.

		Group		
Loans to and claims on customers relating to financial leasing agreements		2009	2008	2007
Gross claims relating to financial leasing agreements				
- Up to 1 year		206	55	75
- Between 1 and 5 years		762	858	831
- Over 5 years		99	146	55
<b>Total</b>		<b>1 067</b>	<b>1 059</b>	<b>961</b>
Not accrued income related to financial leasing agreements		3	4	3
Net investments relating to financial leasing agreements		1 064	1 056	959
Net investment related to financial leasing agreements:				
- Up to 1 year		205	53	75
- Between 1 and 5 years		759	857	829
- Over 5 years		99	146	55
<b>Total</b>		<b>1 064</b>	<b>1 056</b>	<b>959</b>

## Note 21 - Information on fair value

Parent Bank	Book value 31.12.09	Fair value 31.12.09	Book value 31.12.08	Fair value 31.12.08	Book value 31.12.07	Fair value 31.12.07
<b>ASSETS</b>						
Loans to and receivables from financial institutions	1 798	1 798	1 751	1 751	1 273	1 273
Net loans to receivables from costumors						
RM	20 664	20 664	21 608	21 608	21 926	21 926
CM	11 108	11 108	10 939	10 939	9 479	9 479
Securities	4 675	4 675	3 376	3 376	2 985	2 985
Derivatives	138	138	514	514	35	35
<b>Total financial assets</b>	<b>38 383</b>	<b>38 383</b>	<b>38 188</b>	<b>38 188</b>	<b>35 698</b>	<b>35 698</b>
<b>OBLIGATIONS</b>						
Liabilities to financial institutions	5 049	5 049	4 756	4 756	2 987	2 987
Deposits from and liabilities to customers	23 184	23 184	22 484	22 484	21 024	21 024
Liabilities established by the issuance of securities	7 320	7 320	9 232	9 232	8 944	8 944
Derivatives	152	152	405	405	299	299
<b>Total financial obligations</b>	<b>35 705</b>	<b>35 705</b>	<b>36 877</b>	<b>36 877</b>	<b>33 254</b>	<b>33 254</b>

Group	Book value 31.12.09	Fair value 31.12.09	Book value 31.12.08	Fair value 31.12.08	Book value 31.12.07	Fair value 31.12.07
<b>ASSETS</b>						
Loans to and receivables from financial institutions	152	152	322	322	98	98
<i>Net loans to receivables from costumors</i>						
RM	21 503	21 503	22 160	22 160	22 283	22 283
CM	12 275	12 275	12 145	12 145	10 402	10 402
Securities	4 676	4 676	3 376	3 376	2 985	2 985
Derivatives	138	138	514	514	35	35
<b>Total financial assets</b>	<b>38 744</b>	<b>38 744</b>	<b>38 517</b>	<b>38 517</b>	<b>35 803</b>	<b>35 803</b>
<b>OBLIGATIONS</b>						
Liabilities to financial institutions	5 048	5 048	4 753	4 753	2 970	2 970
Deposits from and liabilities to customers	23 081	23 081	22 389	22 389	20 812	20 812
Liabilities established by the issuance of securities	7 320	7 320	9 232	9 232	8 944	8 944
Derivatives	152	152	405	405	299	299
<b>Total financial obligations</b>	<b>35 601</b>	<b>35 601</b>	<b>36 779</b>	<b>36 779</b>	<b>33 025</b>	<b>33 025</b>

### General

#### Financial instruments considered to be fair value

Most of the financial instruments, with the exception of customer loans and customer deposits with running interest in addition to debt to financial institutions, are considered to be fair value.

For a closer description, please refer to notes 1 and 3.

#### Financial instruments measured at amortised cost

Financial Instruments that do not measure to the fair value account to the amortised cost. For a more detailed description see note 1.

The amortised cost implies that the evaluation of the balance sheet items after originally agreed cash flow, eventually adjusted for write-downs.

Evaluation of the actual value will always be burdened with uncertainty.

#### Fair value evaluation of records carried to the amortised cost

We have divided the true value evaluation of records carried to the amortised cost as follows: Loans to and receivables from financial institutions, loans to customers (RM), loans to customers (CM), deposits from and liabilities to customers and liabilities to financial institutions.

Loans to customers and credit institutions are priced in different ways. Here is a general view of the various price models supporting each of the different categories:

- Loans to and receivables from financial institutions are priced on the basis of NIBOR.
- Loans to customers (RM) are priced with fluid and solid customer interest.
- Loans to customers (CM) are priced with fluid and solid customer interest, as well as some loans priced on the basis of NIBOR.

All fixed-rate loans are recognised at value in the bank's accounts.

Sparebanken Hedmark considers that loans in personal markets with fluid interest rates have the right market price every time. Loans to corporate markets with fluid interest rates also have the correct market price for the balance sheet date. The reason for this is that the fluid interest rate is continuously assessed and adjusted in accordance with interest rate levels in capital markets and changes in competitive situations.

NIBOR loans of 5,802 million (distributed to corporate markets and financial institutions) as of 31.12.2009 have been signed with different margins and with a different time interval for interest regulations. Of these loans, just under 800 million have margins with a solid contract length. Overall, this portfolio is judged to have the correct market price after the Bank's assessment. The other NIBOR loans can be continually renegotiated. It is the aim of Sparebanken Hedmark that these loans have the right market price any time.

#### Liabilities to financial institutions and deposits to customers

For deposits to customers and liabilities to financial institutions, it is estimated that the real value is the same as the book value since these all have a largely fluid interest rate.

Based on the aforementioned assessments, there will be no difference between the book value and the real value in the table above.

## Note 22 Losses on loans, guarantees etc.

Parent Bank									(NOK million)	Group								
2007			2008			2009				2009			2008			2007		
RM	CM	Total	RM	CM	Total	RM	CM	Total		RM	CM	Total	RM	CM	Total	RM	CM	Total
-2	-55	-57	6	28	34	10	71	81	Period's change in individual write-downs	12	73	85	8	33	41	-54	-54	
3	5	8	11	7	18	-1	38	37	Period's change in group write-downs	-1	37	36	12	6	18	2	5	7
4	52	56	3	12	15	3	10	13	Confirmed losses on commitments which were previously written down	9	11	20	7	12	19	4	56	60
13	3	16	9	1	10	13	2	15	Confirmed losses on commitments with no previous write-downs	13	3	16	10	1	11	15	3	18
6	1	7	7	4	11	7	3	10	Recoveries from previously written down loans, guarantees etc.	7	4	11	8	5	13	6	1	7
12	4	16	22	44	66	18	118	136	Total losses on loans, guarantees etc.	26	120	146	29	47	76	15	9	24

Parent Bank									(mill. NOK)	Group								
2007			2008			2009				2009			2008			2007		
RM	CM	Total	RM	CM	Total	RM	CM	Total		RM	CM	Total	RM	CM	Total	RM	CM	Total
26	126	152	22	68	90	28	93	121	Individual write-downs to cover losses on loans, guarantees etc. as at 01.01	33	115	148	22	90	112	26	145	171
4	52	56	3	12	15	3	10	13	Confirmed losses on loans, guarantees etc. during the period where individual write-downs have previously been made	4	16	20	7	17	24	4	57	61
5	26	31	4	13	17	5	19	24	Reversal of previous years' write-downs	5	27	32	4	13	17	5	33	38
1	2	3	5	13	18	1	26	27	Increase in write-downs on commitments where individual write-downs had previously been made	1	30	31	5	17	22	1	14	15
4	18	22	8	37	45	16	67	83	Write-downs on commitments where no write-downs had previously been made	20	79	99	11	44	55	4	21	25
22	68	90	28	93	121	37	157	194	Individual write-downs to cover losses on loans and guarantees as at 31.12 *)	45	181	226	27	121	148	22	90	112

\*) Guarantee provisions are included under 'Other liabilities' in the balance sheet and at 31.12.2009 this amounts to NOK 2 million.



Parent Bank										Group								
2007			2008			2009				2009			2008			2007		
RM	CM	Total	RM	CM	Total	RM	CM	Total	(NOK million)	RM	CM	Total	RM	CM	Total	RM	CM	Total
13	61	74	16	66	82	27	73	100	Collective write-downs to cover loan- and guar. losses as at 01.01	29	79	108	19	71	90	16	68	84
3	5	8	11	7	18	-1	38	37	Period's collective write-downs to cover loans and guarantees		36	36	10	8	18	3	3	6
16	66	82	27	73	100	26	111	137	Collective write-downs to cover losses on loans and guarantees as at 31.12	29	115	144	29	79	108	19	71	90

Parent Bank			Losses according to different sectors			Group		
2007	2008	2009	(NOK million )			2009	2008	2007
9	10	26	Wage- and salary earners etc.			29	11	13
			Public sector			-1		
3	1		Primary industries			4	4	3
-1	4	4	Paper and pulp industries			4	4	-1
13	1		Other industry			-1		13
-2	1	9	Building and construction			11	3	
		5	Power- and water supply			5		
-5		7	Wholesale- and retail trade			7	2	-5
	9	6	Hotels and restaurants			6	9	
2	17	17	Real estate management			17	17	2
-2	4	20	Business services			22	6	
-2	1	5	Transport and communications			7	1	-1
-7			Other industries				1	-7
8	18	37	Collective write-down			36	18	7
16	66	136	Losses on loans to customers, guarentees etc.			146	76	24

Parent Bank					Group					
2005	2006	2007	2008	2009	Commitments in default and bad and doubtful commitments	2009	2008	2007	2006	2005
297	350	182	229	453	Commitments in default	518	272	278	398	313
397	165	149	179	234	Other bad and doubtful commitments	247	202	208	180	397
694	515	331	408	687	Total commitments in default and bad and doubtful commitments	765	474	486	578	710
195	142	90	121	194	Individual write-downs	224	144	112	161	197
499	373	241	287	493	Net commitments in default and bad and doubtful commitments	541	330	374	417	513

## Note 23 Deposits from customers

Parent Bank				Group		
2007	2008	2009	(NOK million)	2009	2008	2007
20 160	20 811	22 469	Deposits from/liabs. to custs., no agreed maturities	22 363	20 716	19 949
864	1 673	718	Deposits from/liabs. to custs., with agreed maturities	718	1 673	863
<b>21 024</b>	<b>22 484</b>	<b>23 187</b>	<b>Total deposits from customers</b>	<b>23 081</b>	<b>22 389</b>	<b>20 812</b>

*Of total deposits, deposits recognised as fair value through the profit and loss account (FVO)*

128	176	25	- Fixed interest rate deposits - book value	25	176	128
129	172	25	- Fixed interest rate deposits - nominal value	25	172	129
124	848	-	- Term deposits - book value	-	848	124
125	835	-	- Term deposits - nominal value	-	835	125
7	2	2	- BMA' deposits - book value	2	2	7
6	2	2	- BMA' deposits - nominal value	2	2	6

2007	2008	2009	Breakdown according to different sectors	2009	2008	2007
13 443	14 327	15 110	Wage- and salary earners etc.	15 110	14 327	13 443
2 041	2 013	2 165	Public sector	2 165	2 013	2 041
712	746	621	Primary industries	621	746	712
92	93	86	Paper and pulp industry	86	93	92
578	603	325	Other industry	325	603	578
386	396	408	Building and construction	408	396	386
40	28	228	Power- and water supply	228	28	40
655	659	596	Wholesale- and retail trade	596	659	655
84	80	76	Hotels and restaurants	76	80	84
959	1 397	1 349	Real estate management	1 349	1 397	959
1 029	1 262	2 044	Bbusiness services	1 938	1 262	817
295	374	174	Transport and communications	174	374	295
710	506	5	Miscellaneous	5	411	710
<b>21 024</b>	<b>22 484</b>	<b>23 187</b>	<b>Total deposits by different sectors</b>	<b>23 081</b>	<b>22 389</b>	<b>20 812</b>

2007	2008	2009	Breakdown according to geographical areas	2009	2008	2007
18 746	19 934	20 449	Hedmark	20 343	19 839	18 534
2 093	2 315	2 498	Rest of the country	2 498	2 315	2 093
185	235	240	International	240	235	185
<b>21 024</b>	<b>22 484</b>	<b>23 187</b>	<b>Total deposits by geographical areas</b>	<b>23 081</b>	<b>22 389</b>	<b>20 812</b>

## Note 24 Other liabilities

Parent Bank			Other liabilities in balance sheet (NOK million)	Group		
2007	2008	2009		2009	2008	2007
344	450	336	Pensjon liabilities (note 25)	349	470	361
4	4	2	Guarantee provisions	2	4	4
10	21	20	Trade creditors	25	23	15
441	480	441	Other	631	656	738
<b>799</b>	<b>955</b>	<b>799</b>	<b>Total other liabilities</b>	<b>1 007</b>	<b>1 153</b>	<b>1 118</b>
<b>Guarantees etc. provided (agreed guarantee amounts)</b>						
457	426	387	Payment guarantees	387	426	457
175	181	173	Contract guarantees	173	181	175
1	1	1	Loans guarantees	1	13	1
5	5	5	Guarantees for tax	5	5	5
140	114	109	Other guarantees	109	114	140
23	23	33	Guarantee in favour of Savings Banks' Guarantee Fund	33	23	23
<b>801</b>	<b>750</b>	<b>708</b>	<b>Total guarantees provided</b>	<b>708</b>	<b>762</b>	<b>801</b>
<b>Other guarantees - not on the balance sheet</b>						
2 369	2 888	3 840	Unutilised facilities	4 068	2 972	2 369
<b>2 369</b>	<b>2 888</b>	<b>3 840</b>	<b>Total other liabilities</b>	<b>4 068</b>	<b>2 972</b>	<b>2 369</b>
<b>3 959</b>	<b>4 593</b>	<b>5 347</b>	<b>Total liabilities</b>	<b>5 783</b>	<b>4 887</b>	<b>4 288</b>

Buildings	Securities	Total	Collateral assets pledged as security	Buildings	Securities	Total
	2 966	2 966	Assets pledged as security in 2009*		2 966	2 966
	2 000	2 000	Related liabilities in 2009		2 000	2 000
	2 400	2 400	Assets pledged as security in 2008*		2 400	2 400
	1 000	1 000	Related liabilities in 2008		1 000	1 000
	2 036	2 036	Assets pledged as security in 2007*		2 036	2 036
			Related liabilities in 2007			

\* Deposit bonds as collateral for loan access from Norges Bank.

### 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 to be appropriate.

## Note 25 Pensions

The Bank's guaranteed pension scheme is organised through the Bank's own pension fund, providing the right to certain future pension benefits from the age of 67 years. The guarantee scheme was closed on 30 June 2008. Employees who have been with the Bank from 1 July 2008 are offered a contributory occupational pension. Staff who are members of the now closed pension scheme can choose to transfer to the contributory pension scheme with effect from 1 January 2009. 45 of the employees have chosen to make such a transfer. Through a gradual transfer from a benefit-based- to a contributory pension scheme, the Bank and Group expect more stability and predictability and, gradually, reduced future pension costs.

In a closed arrangement, spouse pensions, children's pensions and disability pensions also have further fixed rules. From 01.01.2009, spouse and children's pensions are taken from the bank's pension scheme. These changes explain a revenue in 2009 under plan change/transition to pension contributions. The pension schemes satisfy the requirements to the obligatory occupational pension.

In addition, the Group has pension liabilities involving former employees who retired early and some employees with salaries exceeding 12 times the basic amount. The banking- and financial services industry has entered into an agreement relating to statutory early retirement pension (SERP) for staff from the age of 62 years. The Bank's own part amounts to the National Insurance's accruals for pensions paid for employees who take advantage of SERP. The Bank's liability is 100 percent per annum from 62 to 64 years of age. In the age period between 64 and 67 years, the bank will pay 60 percent of the basic pension and old-age pension as well as AFP additionally per year.

The computation is based on the assumption that 25 percent of the employees involved will avail themselves of this scheme from the age of 62 years and 25 percent from the age of 64 years. The costs relating to SERP will be systematically allocated over the remaining pension accrual period.

### Contributory pension from 01.07. 2008

Salary between 1 and 6 G (G is basic amount)	5 %
Salary between 6 and 12 G	8 %

Salary includes fixed additions, but does not comprise overtime, taxable benefits in kind and other remuneration.

The closed pension scheme comprises	Parent Bank	Group
Staff	444	497
Pensioners	207	208

### Computation of costs and liabilities for the closed pension scheme is based on the following assumptions:

Financial assumptions as at 31.12	01.01.10	01.01.09	01.01.08	01.01.07
Discounting rate of interest	4,40 %	4,00 %	4,80 %	4,30 %
Expected return on pension resources	4,80 %	5,50 %	5,50 %	4,30 %
Expected future wage- and salary increase	4,50 %	4,50 %	4,75 %	4,00 %
Expected adjustment in basic amount (G)	4,25 %	4,25 %	4,50 %	2,50 %
Expected adjustment in pension	4,25 %	4,25 %	4,50 %	2,50 %
Employer's social security contributions	14,10 %	14,10 %	14,10 %	14,10 %
Expected voluntary retirement	2,00 %	2,0 %	2,0 %	2,0 %
Expected Statutory Early Retirement Pension take-up from age of 62 years	25,00 %	25,0 %	35,0 %	50,0 %
Disability table applied	IR02	IR02	IR02	IR73
Mortality table applied	K2005	K2005	K2005	K63

The times mentioned above state from which point in time the liability is computed with changed assumptions. This for example means that the pension liability as at 31.12.2009 has been discounted on the basis of the assumptions which apply on 1 January 2010, whereas the annual cost for 2009 is based on the assumptions which applied at the beginning of the year.

## Pension cost

### Guaranteed scheme

Parent Bank				Group		
2007	2008	2009	(NOK million)	2009	2008	2007
19	23	26	Present value of pension accruals for the year	30	28	21
23	28	26	Interest cost of the pension liability	27	28	24
-15	-22	-22	- Return on pension resources (minus administrative costs)	-22	-22	-15
		-53	Effect of changed scheme/trans. to contrib. p. etc. - p & l acct.	-55		
5	4	4	Employer's soc. sec. contr. subject to accrual accounting	5	5	7
<b>32</b>	<b>34</b>	<b>-18</b>	<b>Net pension cost</b>	<b>-16</b>	<b>40</b>	<b>37</b>

Actual return on pension resources

3,9 %    4,1 %    4,7 %

4,7 %    4,1 %    3,9 %

### Non-guaranteed scheme

Parent Bank				Group		
2007	2008	2009	(NOK million)	2009	2008	2007
6	5	4	Present value of pension accruals for the year	4	5	5
4	4	3	Interest cost for the pension liability	3	4	5
			- Return on pension resources (minus administrative costs)			
		2	Contributory pension through the profit and loss account	2		
			Changed plan effect/trans. to contrib. p. etc. - p & l account			
-4	1	1	Employer's social service contributions subj. to accr. accounting	1	1	-5
<b>6</b>	<b>9</b>	<b>10</b>	<b>Net pension cost</b>	<b>10</b>	<b>9</b>	<b>5</b>

### Total - guaranteed and non-guaranteed schemes

Parent Bank				Group		
2007	2008	2009	(NOK million)	2009	2008	2007
25	28	31	Present value of pension accruals for the year	35	33	27
27	32	29	Interest cost for the pension liability	30	32	28
-15	-22	-22	- Return on pension resources (minus administrative costs)	-22	-22	-15
		2	Contributory pension through the profit and loss account	2		
		-53	Changed plan effect/trans. to contrib. p. sch. etc. - p&l acct.	-55		
1	5	5	Employer's social security contributions	6	6	2
<b>38</b>	<b>43</b>	<b>-8</b>	<b>Net pension cost</b>	<b>-5</b>	<b>49</b>	<b>42</b>



## Pension liability

### Guaranteed scheme

Parent Bank				Group		
2007	2008	2009	(NOK million)	2009	2008	2007
523	597	743	Gross liability as at 01.01	756	620	544
19	23	26	Pension accruals for the year	30	28	22
23	28	26	Interest relating to pension liability	27	29	23
		-81	Plan change effect/transition to pension contributions etc	-81		
-11	-11	-14	Pensions paid out	-16	-18	-11
43	106	-46	Estimate discrepancies recognised directly in equity capital	-40	104	42
<b>597</b>	<b>744</b>	<b>655</b>	<b>Gross liability as at 31.12</b>	<b>675</b>	<b>764</b>	<b>620</b>
343	387	425	Value of pension resources as at 01.01	430	396	355
36	44	35	Paid into the scheme	35	47	36
15	22	22	Interest on pension resources for the year	26	22	15
		-34	Plan change effect/transition to pension contributions etc	-34		
-11	-11	-14	Pensions paid out	-14	-18	-11
4	-16	-4	Estimate discrepancies recognised directly in equity capital	-4	-18	1
<b>387</b>	<b>425</b>	<b>429</b>	<b>Value of pension resources as at 31.12</b>	<b>438</b>	<b>428</b>	<b>396</b>
25	25	45	Employer's social security contributions (ESSC) as at 01.01	46	28	26
-5	-6	-5	ESSC on pension premium paid in	-6	-7	-5
	22	-6	ESSC on estimate discrepancies	-5	22	
		-7	ESSC Plan change effect/transition to pension contributions etc	-7		
5	4	4	ESSC on pension cost for the year	5	4	7
<b>25</b>	<b>45</b>	<b>32</b>	<b>ESSC as at 31.12</b>	<b>33</b>	<b>47</b>	<b>28</b>
205	235	364	Net pension liability guaranteed scheme as at 01.01	382	252	215
235	364	258	Net pension liability guaranteed scheme as at 31.12	270	382	252

### Non-guaranteed scheme

Parent Bank				Group		
2007	2008	2009	(NOK million)	2009	2008	2007
100	94	76	Gross liability as at 01.01	78	95	101
6	5	4	Pension accruals for the year	4	5	5
4	4	3	Interest on pension liability	3	5	5
-6	-7	-11	Pensions paid out	-11	-7	-6
	-3		Change in scheme		-3	
-10	-16	-4	Estimate discrepancies recognised directly in equity	-5	-17	-10
<b>94</b>	<b>76</b>	<b>68</b>	<b>Gross liability as at 31.12</b>	<b>69</b>	<b>77</b>	<b>95</b>
19	15	11	ESSC liability as at 01.01	11	14	19
		-1	ESSC on pension premium paid in	-1		
	-5	-1	ESSC on estimate discrepancies 2007/2008	-1	-5	
-4	1	1	ESSC on pension cost for the year	1	2	-5
<b>15</b>	<b>11</b>	<b>10</b>	<b>ESSC liability as at 31.12</b>	<b>10</b>	<b>11</b>	<b>14</b>
119	109	86	Net pension liability - non-guaranteed scheme as at 01.01	88	109	120
109	86	78	Net pension liability - non-guaranteed scheme as at 31.12	79	88	109

### Total - guaranteed and non-guaranteed scheme

Parent Bank				Group		
2007	2008	2009	Summary of pension liability	2009	2008	2007
324	344	450	Net pension liability as at 01.01	470	361	335
344	450	336	Net pension liability as at 31.12	349	470	361

**Actuarial gains and losses (estimate discrepancies)**

<b>Parent Bank</b>				<b>Group</b>		
<b>2007</b>	<b>2008</b>	<b>2009</b>	(NOK million)	<b>2009</b>	<b>2008</b>	<b>2007</b>
26	-119	52	Period's actuarial gains/losses and pre-tax losses incl. in equity capital	60	-118	-32
-19	138	86	Cumulative act. gains/losses and pre-tax losses incl. in equity capital	93	153	35

**Composition of the pension resources in the Group**

	<b>2009</b>	<b>2008</b>	<b>2007</b>
Shares	0,30 %	6,00 %	24,80 %
Short-term bonds	25,31 %	32,40 %	21,50 %
Certificats	35,30 %		
Money market	39,09 %	11,50 %	7,50 %
Long-term bonds		28,70 %	27,70 %
Property		17,10 %	15,60 %
Other		4,30 %	2,90 %

## Note 26 Capital adequacy and capital management

Parent Bank			(NOK million)	Group		
BASEL II transition 31.12.07	BASEL II 31.12.08	BASEL II 31.12.09		BASEL II 31.12.09	BASEL II 31.12.08	BASEL II transition 31.12.07
3 840	3 870	4 550	<b>Reserves</b>	4 600	3 916	4 067
			Deductions:			
	-308	-69	Over-funding of pension liabilities	-69	-308	
-179	-185	-179	Unrealised value change due to reduced/increased value of liabilities	-183	-195	-193
-56	-31	-139	Deferred tax, goodwill and other intangible assets	-139	-31	-56
			Capital adequacy reserve	-552	-456	-420
-478	-558	-649	Minus equity and related capital in other financial institutions	-173	-102	-270
<b>-713</b>	<b>-1 082</b>	<b>-1 036</b>	<b>Total deductions</b>	<b>-1 116</b>	<b>-1 092</b>	<b>-939</b>
			Additions:			
25	14	63	45% of unrealised gain on shares classified as available for sale	63	14	25
-25	-14	-63	Deduction in equity and related capital in other financial institutions	-63	-14	-25
<b>0</b>	<b>0</b>	<b>0</b>	<b>Total additions</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>3 127</b>	<b>2 788</b>	<b>3 514</b>	<b>Net equity and related capital</b>	<b>3 484</b>	<b>2 824</b>	<b>3 128</b>
			<b>Risk-weighted asset calculation basis:</b>			
	13	10	Local and regional authorities	10	13	
			Public-owned enterprises	3		
	2 175	2 233	Institutions	1 859	2 138	
	6 013	5 195	Companies	5 499	6 675	
	3 400	5 805	Mass market	6 829	4 188	
	8 763	8 068	Security on mortgaged property	8 068	8 763	
	800	455	Commitments due for repayment	490	838	
	5		Preference bonds		5	
	25	79	Shares in securities funds	79	25	
	388	726	Other commitments	851	513	
21 493	21 580	22 571	Total credit risk	23 688	23 155	22 769
1 617	1 700	1 753	Operational risk	2 054	1 875	1 754
27			Market risk			27
-675	-463	-858	Deductions from the weighted asset calculation basis	-941	-470	-916
<b>22 462</b>	<b>22 818</b>	<b>23 466</b>	<b>Total calculation basis</b>	<b>24 801</b>	<b>24 561</b>	<b>23 634</b>
<b>13,9 %</b>	<b>12,2 %</b>	<b>15,0 %</b>	<b>Capital adequacy ratio</b>	<b>14,1 %</b>	<b>11,5 %</b>	<b>13,2 %</b>

The Bank has in its entirety deducted the non-accrual unamortised estimate discrepancy relating to the pension liability.

We have not made use of the transitional rule in this area.

The Bank does not have comparative figures for the risk-weighted asset calculation basis for 2007.

### CAPITAL MANAGEMENT

Sparebanken Hedmark will have a capital management that ensures:

- an effective financing and- use in relation to the Group's strategic goals and approved business strategy
- competitive return
- satisfactory capital adequacy from the chosen risk profile
- competitive return terms and good long-term access to loans in capital markets
- making the most of the growth opportunities in the Group's defined market area at all times
- that no single event shall be able to damage the Group's financial position to a serious extent

On the basis of the strategic goal, the annual capital plan has been worked out for the following three years to ensure a long-term and targeted capital management.

The capital plan will take into account projections of the Group's financial development for the next three years. These projections will take into consideration the expected development in the period, as well as a situation with serious economic repercussions over a minimum of three years.

With a basis in projections of the total capital requirements, the management and Board make an overall assessment about whether the capital needs are sufficient and adapted to Sparebanken Hedmark's current and future risk profile and strategic goals.

Sparebanken Hedmark has a strategic goal of a regulatory capital adequacy of 12 percent for the Parent Bank. This will ensure sufficient capital to:

- ensure the protection of the Group's creditors
- fulfil the authorities' requirements of the minimum 8 percent capital adequacy

For further information concerning Sparebanken Hedmark's management of capital and risk, please refer to the 'Basel II – Pilar III' document on the Bank's website.

## Note 27 Close parties

Transactions between close parties. Close parties here mean associated companies, joint venture businesses and subsidiaries. The Bank's outstanding accounts with staff and members of the Board of Directors are shown in note 9.

<b>Loans (NOK million)</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Loans outstanding as at 1.1	1 503	1 187	1 019
Loans granted during the period	229	328	175
Repayments	3	12	7
<b>Outstanding loans as at 31.12</b>	<b>1 729</b>	<b>1 503</b>	<b>1 187</b>
Interest income	47	93	57
Losses on loans	0	0	0
<b>Deposits (NOK million)</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Deposits as at 1.1	109	230	157
New deposits during the period	1	4	99
Withdrawals	7	125	26
<b>Deposits as at 31.12</b>	<b>103</b>	<b>109</b>	<b>230</b>
Interest costs	4	10	8

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

## Note 28 Debt incurred through the issuance of securities

<b>Parent Bank</b>				<b>Group</b>		
<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>(NOK million)</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
			Certificate-based debt			
900	1 506	200	- nominal value	200	1 506	900
900	1 522	200	- fair market value	200	1 522	900
			Bond debt			
8 310	7 925	7 150	- nominal value	7 150	7 925	8 310
8 044	7 710	7 120	- fair market value	7 120	7 710	8 044
<b>9 210</b>	<b>9 431</b>	<b>7 350</b>	<b>Total debt through issuance of securities, nominal value</b>	<b>7 350</b>	<b>9 431</b>	<b>9 210</b>
<b>8 944</b>	<b>9 232</b>	<b>7 320</b>	<b>Total debt through issuance of securities, fair value</b>	<b>7 320</b>	<b>9 232</b>	<b>8 944</b>
4,6 %	6,0 %	5,7 %	Average rate of interest - certificates	5,7 %	6,0 %	4,6 %
4,9 %	6,5 %	3,3 %	Average rate of interest - bond debt	3,3 %	6,5 %	4,9 %

<b>Bond debt according to maturities</b>						
1 885			2008			1 885
1 275	2 781		2009		2 781	1 275
1 000	1 300	1 500	2010	1 500	1 300	1 000
850	850	850	2011	850	850	850
1 000	1 000	1 000	2012	1 000	1 000	1 000
1 100	1 350	1 350	2013	1 350	1 350	1 100
750	750	1 250	2014	1 250	750	750
630	630	630	2015	630	630	630
450	450	450	2016	450	450	450
	50	50	2018	50	50	
270	270	270	2020	270	270	270
<b>9 210</b>	<b>9 431</b>	<b>7 350</b>	<b>Total bond debt</b>	<b>7 350</b>	<b>9 431</b>	<b>9 210</b>

Debt securities are pointed out at the real value of the result in accordance with Fair Value Option in IAS 39, and present the net holding and with a clean price, i.e. without accrued interest. Issued certificates and bonds are estimated against the yield curve (bid), adjusted for an indicated turnover spread of the bank's debt securities estimated by DnB NOR Markets.

The average interest rate is estimated as the actual interest cost in the year (including related interest rate swaps) as a percentage of the average debt security holding.

The reduced level of turnover spread in 2009 has, in isolation, increased the real value of the bank's debt securities by an estimated NOK 238 million. At the year end, the estimated details in the difference between the market value of debt securities on the basis of the spread curve on balance sheet day, and the projected value of the debt securities estimated with the basis of a spread curve so it was on borrowing time for debt, have been kept even by other factors. As of 31.12.2008 the difference was NOK 307 million, while this was reduced to NOK 69 million by 31.12.2009.

## Note 29 - Maturity analysis of assets and liabilities

Parent Bank			2009 (NOK million)	Group		
Not more than 12 months	More than 12 months	Total		Not more than 12 months	More than 12 months	Total
			ASSETS			
1 081		<b>1 081</b>	Cash and claims on central banks	1 081		<b>1 081</b>
1 798		<b>1 798</b>	Loans to and claims on financial institutions	152		<b>152</b>
6 954	24 818	<b>31 772</b>	Net loans to customers	7 182	26 596	<b>33 778</b>
39	99	<b>138</b>	Financial derivatives	39	99	<b>138</b>
1 284	2 934	<b>4 218</b>	Securities - at fair value through the profit and loss account	1 284	2 934	<b>4 218</b>
46	412	<b>458</b>	Securities - available for sale	46	412	<b>458</b>
	884	<b>884</b>	Investment in associated companies, joint ventures and subsidiaries		743	<b>743</b>
	89	<b>89</b>	Intangible assets		92	<b>92</b>
2		<b>2</b>	Real estate, plant and equipmenet	3	289	<b>292</b>
	269	<b>269</b>	Assets held for sale			<b>0</b>
	90	<b>90</b>	Tax-related asset		93	<b>93</b>
356	14	<b>370</b>	Other assets	432	14	<b>446</b>
<b>11 560</b>	<b>29 609</b>	<b>41 169</b>	<b>Total assets</b>	<b>10 219</b>	<b>31 272</b>	<b>41 491</b>
			LIABILITIES			
1 103	3 946	<b>5 049</b>	Liabilities to financial institutions	1 103	3 946	<b>5 049</b>
23 187		<b>23 187</b>	Deposits from and liabilities to customers	23 081		<b>23 081</b>
1 504	5 816	<b>7 320</b>	Debt incurred through the issuance of securities	1 504	5 816	<b>7 320</b>
40	112	<b>152</b>	Financial derivatives	40	112	<b>152</b>
113		<b>113</b>	Liabilities relating to period tax	124		<b>124</b>
463	336	<b>799</b>	Other liabilities	657	349	<b>1 006</b>
<b>26 410</b>	<b>10 210</b>	<b>36 620</b>	<b>Total liabilities</b>	<b>26 509</b>	<b>10 223</b>	<b>36 732</b>

Parent Bank			2008 (NOK million)	Group		
Not more than 12 months	More than 12 months	Total		Not more than 12 months	More than 12 months	Total
			ASSETS			
1 854		<b>1 854</b>	Cash and claims on central banks	1 854		<b>1 854</b>
1 751		<b>1 751</b>	Loans to and claims on financial institutions	322		<b>322</b>
7 197	25 350	<b>32 547</b>	Net loans to customers	7 323	26 982	<b>34 305</b>
196	318	<b>514</b>	Financial derivatives	196	318	<b>514</b>
236	2 773	<b>3 009</b>	Securities - at fair value through the profit and loss account	236	2 773	<b>3 009</b>
367		<b>367</b>	Securities - available for sale	367		<b>367</b>
	837	<b>837</b>	Investment in associated companies, joint ventures and subsidiaries		1 030	<b>1 030</b>
	98	<b>98</b>	Intangible assets		101	<b>101</b>
		<b>0</b>	Real estate, plant and equipmenet	1		<b>1</b>
	282	<b>282</b>	Assets held for sale		299	<b>299</b>
	87	<b>87</b>	Tax-related asset		95	<b>95</b>
408	10	<b>418</b>	Other assets	487	10	<b>497</b>
<b>12 009</b>	<b>29 755</b>	<b>41 764</b>	<b>Total assets</b>	<b>10 786</b>	<b>31 608</b>	<b>42 394</b>
			LIABILITIES			
787	3 969	<b>4 756</b>	Liabilities to financial institutions	784	3 969	<b>4 753</b>
22 482	2	<b>22 484</b>	Deposits from and liabilities to customers	22 389		<b>22 389</b>
2 805	6 426	<b>9 231</b>	Debt incurred through the issuance of securities	2 805	6 426	<b>9 231</b>
254	152	<b>406</b>	Financial derivatives	254	152	<b>406</b>
74		<b>74</b>	Liabilities relating to period tax		76	<b>76</b>
493	450	<b>943</b>	Other liabilities	470	671	<b>1 141</b>
<b>26 895</b>	<b>10 999</b>	<b>37 894</b>	<b>Total liabilities</b>	<b>26 702</b>	<b>11 294</b>	<b>37 996</b>



Parent Bank			2007 (NOK million)	Group		
Not more than 12 months	More than 12 months	Total		Not more than 12 months	More than 12 months	Total
			ASSETS			
881		<b>881</b>	Cash and claims on central banks	881		<b>881</b>
1 273		<b>1 273</b>	Loans to and claims on financial institutions	98		<b>98</b>
5 555	25 681	<b>31 236</b>	Net loans to customers	5 555	27 130	<b>32 685</b>
	35	<b>35</b>	Financial derivatives		35	<b>35</b>
133	2 532	<b>2 665</b>	Securities - at fair value through the profit and loss account	133	2 532	<b>2 665</b>
87	233	<b>320</b>	Securities - available for sale	87	233	<b>320</b>
	744	<b>744</b>	Investment in associated companies, joint ventures and subsidiaries		746	<b>746</b>
	99	<b>99</b>	Intangible assets		102	<b>102</b>
		<b>0</b>	Real estate, plant and equipment			<b>0</b>
	291	<b>291</b>	Assets held for sale		299	<b>299</b>
	75	<b>75</b>	Tax-related asset		88	<b>88</b>
380	10	<b>390</b>	Other assets	491	10	<b>501</b>
<b>8 309</b>	<b>29 700</b>	<b>38 009</b>	<b>Total assets</b>	<b>7 245</b>	<b>31 175</b>	<b>38 420</b>
			LIABILITIES			
	2 987	<b>2 987</b>	Liabilities to financial institutions		2 970	<b>2 970</b>
21 022	2	<b>21 024</b>	Deposits from and liabilities to customers	20 810	2	<b>20 812</b>
1 879	7 065	<b>8 944</b>	Debt incurred through the issuance of securities	1 879	7 065	<b>8 944</b>
6	293	<b>299</b>	Financial derivatives	6	293	<b>299</b>
127		<b>127</b>	Liabilities relating to period tax	121		<b>121</b>
443	345	<b>788</b>	Other liabilities	773	345	<b>1 118</b>
<b>23 477</b>	<b>10 692</b>	<b>34 169</b>	<b>Total liabilities</b>	<b>23 589</b>	<b>10 675</b>	<b>34 264</b>

## Note 30 - Credit quality by class - financial assets

Parent Bank		Not matured - not written down						Matured or individually written down	Total
2009 (NOK million)	Notes	Lowest risk	Low risk	Medium risk	High risk	Highest risk			
Loans to and claims on financial institutions	19		1 798						1 798
Loans to and claims on customers									
Retail market	20	14 600	2 665	1 965	251	257	191		19 929
Corporate market	20	3 332	1 165	4 071	743	1 561	354		11 226
Loans to and claims on customers and financial institutions classified as financial assets at fair value through the profit and loss account at first inclusion in the accounts									
Retail banking	20	606	89	42	3	3	1		744
Corporate banking	20	93	38	40	12	14	5		202
Total		18 631	5 755	6 118	1 009	1 835	551		33 899
Financial investments									
Certificates and bonds	16	1 256	2 110	738	38				4 142
Total		1 256	2 110	738	38	0	0		4 142
Total		19 887	7 865	6 856	1 047	1 835	551		38 041

Parent Bank		Not matured - not written down						Matured or individually written down	Total
2008 (NOK million)	Notes	Lowest risk	Low risk	Medium risk	High risk	Highest risk			
Loans to and claims on financial institutions	19	1 751							1 751
Loans to and claims on customers									
Retail market	20	15 387	2 745	2 276	326	304	106		21 144
Corporate market	20	3 335	1 389	3 497	939	1 727	216		11 103
Loans to and claims on customers and financial institutions classified as financial assets at fair value through the profit and loss account at first inclusion in the accounts									
Retail banking	20	296	37	31	6				370
Corporate banking	20	67	5	39	10	18	8		147
Total		20 836	4 176	5 843	1 281	2 049	330		34 515
Financial investments									
Certificates and bonds	16	1 336	816	745	45	24			2 966
Total		1 336	816	745	45	24	0		2 966
Total									
		22 172	4 992	6 588	1 326	2 073	330		37 481

Parent Bank		Not matured and not written down						Matured or individually written down	Total
		Lowest risk	Low risk	Medium risk	High risk	Highest risk			
2007									
(NOK million)	Notes								
Loans to and claims on financial institutions	19	1 273							1 273
Loans to and claims on customers									
Retail banking	20	16 321	2 461	2 154	286	254	72		21 548
Corporate banking	20	3 158	971	2 794	1 367	921	143		9 354
Loans to and claims on customers and financial institutions classified as financial assets at fair value through the profit and loss account at first inclusion in accounts									
Retail banking	20	288	29	23	4				344
Corporate banking	20	62	18	40	18	18	3		159
Total		21 102	3 479	5 011	1 675	1 193	218		32 678
Financial investments									
Certificates and bonds	16		2 052	473	49				2 574
Total		0	2 052	473	49	0	0		2 574
Total		21 102	5 531	5 484	1 724	1 193	218		35 252
Group		Not matured and not written down						Matured or individually written down	Total
		Lowest risk	Low risk	Medium risk	High risk	Highest risk			
2009									
(NOK million)	Notes								
Loans to and claims on financial institutions	19		152						152
Loans to and claims on customers									
Retail banking	20	14 623	2 996	2 449	251	257	215		20 791
Corporate banking	20	3 332	1 899	4 328	846	1 561	443		12 409
Loans to and claims on customers and financial institutions classified as financial assets at fair value through the profit and loss account at first time inclusion in accounts									
Retail banking	20	606	89	42	3	3	1		744
Corporate banking	20	93	38	40	12	14	5		202
Total		18 654	5 174	6 859	1 112	1 835	664		34 298
Financial investments									
Certificates and bonds	16	1 256	2 110	738	38				4 142
Total		1 256	2 110	738	38	0	0		4 142
Total		19 910	7 284	7 597	1 150	1 835	664		38 440

From 2009, the model for risk classification is changed. This amendment has been carried out after a validation of the model, which showed that the likelihood of loss in the RM segment was set for high and the likelihood for loss in the CM segment was set for low. Before 2009 it was only the probability of loss that governed classification. From 2009, safety class is also considered as an element in the classification model. Changes in the model have meant that shares with a considerably low risk in RM have increased, while equivalent shares in CM have reduced.

The distribution of financial investments in various risk groups have been carried out based on ratings from Standard Poor's, Moody's, Fitch or DnB NOR Markets after the conversion table below. For some providers/issues discussed, it is not the official rating from the rating agencies or DnB NOR Markets. These are estimated to be distributed in the group with low risk NOK 51 million, medium risk NOK 128 million and high risk NOK 24 million.

Group			Not matured and not written down					Matured or individually written down	Total
			Lowest risk	Low risk	Medium risk	High risk	Highest risk		
<b>2008</b>									
(NOK million)	Notes								
Loans to and claims on financial institutions	19	322							322
Loans to and claims on customers									
Retail banking	20	15 387	2 966	2 599	326	304	121		21 703
Corporate banking	20	3 335	2 147	3 746	1 030	1 727	347		12 332
Loans to and claims on customers and financial institutions classified as financial assets at fair value through the profit and loss account at first time inclusion in accounts									
Retail banking	20	296	37	31	6				370
Corporate banking	20	67	5	39	10	18	8		147
<b>Total</b>		<b>19 407</b>	<b>5 155</b>	<b>6 415</b>	<b>1 372</b>	<b>2 049</b>	<b>476</b>		<b>34 874</b>
<b>Financial investments</b>									
Certificates and bonds	16	1 336	816	745	45	24			2 966
<b>Total</b>		<b>1 336</b>	<b>816</b>	<b>745</b>	<b>45</b>	<b>24</b>	<b>0</b>		<b>2 966</b>
<b>Total</b>		<b>20 743</b>	<b>5 971</b>	<b>7 160</b>	<b>1 417</b>	<b>2 073</b>	<b>476</b>		<b>37 840</b>

Group			Not matured and not written down					Matured or individually written down	Total
			Lowest risk	Low risk	Medium risk	High risk	Highest risk		
<b>2007</b>									
(NOK million)	Notes								
Loans to and claims on financial institutions	19	98							98
Loans to and claims on customers									
Retail banking	20	16 321	2 612	2 351	292	254	73		21 903
Corporate banking	20	3 158	1 575	3 091	1 571	921	161		10 477
Loans to and claims on customers and financial institutions classified as financial assets at fair value through the profit and loss account at first time inclusion in accounts									
Retail banking	20	288	29	23	4				344
Corporate banking	20	62	18	40	18	18	3		159
<b>Total</b>		<b>19 927</b>	<b>4 234</b>	<b>5 505</b>	<b>1 885</b>	<b>1 193</b>	<b>237</b>		<b>32 981</b>
<b>Financial investments</b>									
Certificates and bonds	16	2 052	473	49					2 574
<b>Total</b>		<b>0</b>	<b>2 052</b>	<b>473</b>	<b>49</b>	<b>0</b>	<b>0</b>		<b>2 574</b>
<b>Total</b>		<b>19 927</b>	<b>6 286</b>	<b>5 978</b>	<b>1 934</b>	<b>1 193</b>	<b>237</b>		<b>35 555</b>

Credit quality	Rating (presented in S&P's format)			
Lowest risk	AAA	AA+	AA	AA-
Low risk	A+	A	A-	
Medium risk	BBB+	BBB	BBB-	
High risk	BB+	BB	BB-	
Highest risk	B+ or lower			

## Note 31 - Breakdown of matured loans, not written down

The table shows matured amounts of loans and overdrafts on credits/deposits according to the number of days after maturity.

### Parent Bank

#### 2009

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and claims on customers	9	6	21	5	41
<b>Total</b>	<b>9</b>	<b>6</b>	<b>21</b>	<b>5</b>	<b>41</b>

#### 2008

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and claims on customers	19	5	3	19	46
<b>Total</b>	<b>19</b>	<b>5</b>	<b>3</b>	<b>19</b>	<b>46</b>

#### 2007

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and claims on customers	19	8	2	19	48
<b>Total</b>	<b>19</b>	<b>8</b>	<b>2</b>	<b>19</b>	<b>48</b>

### Group

#### 2009

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and claims on customers	12	10	22	8	52
<b>Total</b>	<b>12</b>	<b>10</b>	<b>22</b>	<b>8</b>	<b>52</b>

#### 2008

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and claims on customers	25	10	4	22	61
<b>Total</b>	<b>25</b>	<b>10</b>	<b>4</b>	<b>22</b>	<b>61</b>

#### 2007

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and claims on customers	27	11	3	30	71
<b>Total</b>	<b>27</b>	<b>11</b>	<b>3</b>	<b>30</b>	<b>71</b>



## Note 32 Liquidity risk

### Parent Bank

Per 31.12.2009 (NOK million)	On demand	Under 3 months	3-12 months	1 - 5 years	over 5 years	Total
<b>CASH FLOWS TIED TO LIABILITIES</b>						
Liabilities to financial institutions	-18	-28	-1 158	-3 444	-765	-5 413
Deposits from and liabilities to customers	-23 160		-27			-23 187
Debt incurred through issuance of securities		-368	-1 376	-4 993	-1 501	-8 238
Financial derivatives		18	48	185	43	294
Liabilities relating to period tax			-113			-113
Other liabilities			-463		-336	-799
<b>Total Cash flow liabilities</b>	<b>-23 178</b>	<b>-378</b>	<b>-3 089</b>	<b>-8 252</b>	<b>-2 559</b>	<b>-37 456</b>

### Group

Per 31.12.2009 (NOK million)	On demand	Under 3 months	3-12 months	1 - 5 years	over 5 years	Total
<b>CASH FLOWS TIED TO LIABILITIES</b>						
Liabilities to financial institutions	-18	-28	-1 158	-3 444	-765	-5 413
Deposits from and liabilities to customers	-23 054		-27			-23 081
Debt incurred through issuance of securities		-368	-1 376	-4 993	-1 501	-8 238
Financial derivatives		18	48	185	43	294
Liabilities relating to period tax			-124			-124
Other liabilities			-657		-349	-1 006
<b>Total Cash flow liabilities</b>	<b>-23 072</b>	<b>-378</b>	<b>-3 294</b>	<b>-8 252</b>	<b>-2 572</b>	<b>-37 568</b>

The control of the liquidity risk is based on a financial strategy which is annually adopted by the Board of Directors. The strategy sets a framework for the size of the liquidity reserve, as well as the liquidity needs for various maturities. The size of the liquidity reserve shall at any given time be so that in an ordinary operational situation, the bank is independent of external financing for 12 months. Additionally, the bank in a stressful situation defined as a full crisis will be able to maintain its operations for at least three months.

Liquidity reserves consist of cash, deposited securities in Norges Bank which give borrowing rights, not commonly used committed drawing rights, mortgages that are ready to sell to SpareBank 1 Boligkreditt as well as funds and listed shares. The reserve as of 31.12.2009 was 7.900 million NOK.

Sparebanken Hedmark has a spread on its deposits of several markets both nationally and internationally. The average maturity on the financing at the turn of the year is 3.3 years.

A separate contingency plan has been established for liquidity.

## Note 33 Market risk relating to interest rate sensitivity

Interest rate risk is incurred due to the various asset- and liabilities items having different remaining interest rate fixing periods. The total interest rate risk may be divided into four different elements:

- Basis risk
- Administrative risk
- Interest rate curve risk
- Spread risk

The Bank's Board of Directors has agreed limits for the total interest rate risk with regard to basis risk and interest rate curve risk.

The Bank manages interest rate risk towards the desired level of placements and funding loans through the interest rate fixing, and through the use of interest rate derivatives such as FRAs and interest rate swaps.

Basis risk is the value change in the Bank's assets and liabilities occurring when the entire interest rate curve does a parallel shift. This risk is shown in the table below by calculating the interest rate risk on fixed interest rate positions as the impact on the financial instruments' fair market value from an interest rate change where the entire interest rate curve is deemed to make a parallel shift of 1 percentage point. Administrative interest rate risk has not been taken into consideration, i.e. the effect of the fact that in practice it will take some time from when an interest rate change occurs in the market until the Bank has managed to adjust the terms and conditions for deposits and loans at floating rates of interest. As a main rule, the Financial Agreement Act stipulates the need for minimum six weeks' notice in the case of an interest rate increase on loans to customers and eight weeks for an interest rate reduction for deposits from customers.

<b>Basis risk Group (NOK million)</b>	<b>Int. rate risk - 1 p.p change</b>	<b>Int. rate risk - 2 p.p. ch.</b>
Bonds	-18	-36
Fixed interest rate loans	-19	-39
Fixed interest rate deposits	0	0
Certificate-based loans	0	1
Bond loans	101	202
Other fixed interest rate financing	12	26
Financial derivatives	-85	-169
<b>Total interest rate risk</b>	<b>-9</b>	<b>-18</b>

A plus sign in front of the figure indicates that the Bank makes a profit from an increase in interest rates.

Although the above calculations show that the Bank will profit from an increase in interest rates, the way in which the increase in interest rates happens is not unimportant. The table below shows this interest rate curve risk (the risk of the interest rate curve shifting differently within the different time periods when there is a change in interest rates) by measuring the Bank's net interest rate exposure within the different time periods.

Interest rate curve risk Group (NOK million)	Int. r.risk - 1 p.p. change	Int. rate risk - 2 p.p. ch.
0 - 1 mnd	0	1
1 - 3 mndr	8	15
3 - 6 mndr	0	1
6 - 12 mndr	6	12
1 - 2 år	0	-1
2 - 3 år	-7	-13
3 - 4 år	-5	-10
4 - 5 år	-2	-4
5 - 7 år	-6	-13
7 - 10 år	-3	-5
<b>Total interest rate risk</b>	<b>-9</b>	<b>-18</b>

**Spread risk** is the risk of the market's pricing of the different issuers not changing in the same way as the underlying reference rates of interest, for example the yield on government bonds or the swap rates of interest.

## Note 34 Market risk relating to foreign exchange exposure

Foreign currency risk is the risk of the Bank incurring a loss as a result of changes in the foreign exchange rates. The Bank has both throughout the year and at the end of the year had a limited foreign currency risk. Guidelines have been agreed for exposure in foreign currencies. Amongst other things, total positions have been agreed in foreign currencies, both on an aggregate basis and for different currencies. All significant foreign currency positions are hedged at all times.

As at 31.12.2007, 31.12.2008 and 31.12.2009 the net positions in the most important currencies were converted into NOK, based on fair market value of the underlying assets, as follows:

Parent Bank				Group		
2007	2008	2009	Net currency exposure - NOK (NOK million)	2009	2008	2007
12	6	3	EUR	3	6	12
2	3	-1	DKK	-1	3	2
	3	1	USD	1	3	
	2	-13	CHF	-13	2	
1	-2	-1	JPY	-1	-2	1
		1	SEK	1		
-1	1	1	Andre	1	1	-1
<b>14</b>	<b>12</b>	<b>-9</b>	<b>Total</b>	<b>-9</b>	<b>12</b>	<b>14</b>
300	200	200	Total f/x limit for gross positions	200	200	300
100	100	100	Total limit for each currency	100	100	100
0	0	0	Impact on result after tax of 3 % change	0	0	0
1	1	-1	Impact on result after tax of 10% change	-1	1	1

## Note 35 Events occurring after balance sheet date

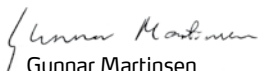
Bank 1 Oslo AS demergers from the Group SpareBank 1 Gruppen AS from 01.01.2010 and as of then will be an independent commercial bank. Bank 1 Oslo AS has up to now been a wholly owned subsidiary of SpareBank 1 Gruppen AS and has thereby been indirectly owned by Sparebanken Hedmark with 12%.

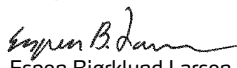
Sparebanken Hedmark will own 12% of the bank and 12% in SpareBank 1 Group AS as before. The demerger of Bank 1 Oslo AS will not lead to accounting consequences of significance.

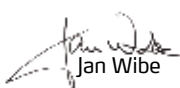
## Statement from the Board of directors and chief executive officer

We confirm that according to our firm belief the annual accounts for the period from 1 January to 31 december 2009 have been prepared in accordance with international standards for financial reporting (IFRS) and that the information in the annual report gives a true picture of the Parent Bank's and Group's assets, liabilities, financial position and result as a whole, and a correct overview of the information mentioned in the Securities Trading Act, § 5-5.

Sparebanken Hedmark's Board of Directors  
Hamar, 31 December 2009/08 March 2010

  
Gunnar Martinsen  
Acting Chairperson

  
Espen Bjørklund Larsen

  
Jan Wibe

  
Siri J. Strømmevold

  
Grethe G. Fossum

  
Nina C. Lier

  
Harry Konterud  
Chief Executive Officer

arebanken Hedmark - en sterk  
hedmarkspatist  
- en sterk hedmark







# Contro Committee report for 2009

**REPORT FOR 2009**  
for  
**SPAREBANKEN HEDMARK'S SUPERVISORY BOARD**  
from  
**SPAREBANKEN HEDMARK'S CONTROL COMMITTEE**

In accordance with Law relating to Financial Activities, the Savings Bank' Act and its own instructions and work plan, the Control Committee has monitored the Bank's activities in 2009.

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.

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.

The focus for the committee has been liquidity management and the financial strategy.

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 SpareBank 1 Finans Østlandet 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 2009.

**Hamar, 8th March 2010**  
**The Control Committee of Sparebanken Hedmark**

Paal Johnsrud

Anders Brinck

Gro Svarstad

Jan Erik Myrvold

Valborg Berthelsen



# Auditor's report for 2009



**PricewaterhouseCoopers AS**  
Postboks 1100  
NO-2305 Hamar  
Telephone +47 95 26 00 00  
Telefax +47 23 16 10 00

To the Annual Shareholders' Meeting of Sparebanken Hedmark

## Auditor's report for 2009

We have audited the annual financial statements of Sparebanken Hedmark as of 31 December 2009, showing a profit of NOK 549 000 000 for the parent company and a profit of NOK 251 000 000 for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The annual financial statements comprise the financial statements of the parent company and the group. The financial statements of the parent company comprise the balance sheet, the statements of income, comprehensive income, cash flows, changes in equity and the accompanying notes. The financial statements of the group comprise the balance sheet, the statements of income, comprehensive income, cash flows, changes in equity and the accompanying notes. International Financial Reporting Standards as adopted by the EU have been applied in the preparation of the financial statements. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the laws, regulations and auditing standards and practices generally accepted in Norway, including standards on auditing adopted by The Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Company and the Group as of 31 December 2009 and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations

Hamar, 8 March 2010

**PricewaterhouseCoopers AS**

Ola Tronsrud  
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

Alta Arendal Bergen Bodo Drammen Egersund Florø Fredrikstad Førde Gardermoen Gol Hamar Hardanger Harstad Haugesund Kongsberg Kongsvinger Kristiansand Kristiansund Lyngseidet Mandal Mo i Rana Molde Mosjøen Måløy Namsos Oslo Sandefjord Sogndal Stavanger Stryn Tromsø Trondheim Tønsberg Ulsteinvik Ålesund  
PricewaterhouseCoopers navnet refererer til individuelle medlemsfirmaer tilknyttet den verdensomspennende PricewaterhouseCoopers organisasjonen  
Medlemmer av Den norske Revisorforening • Foretaksregisteret: NO 987 009 713 • [www.pwc.no](http://www.pwc.no)

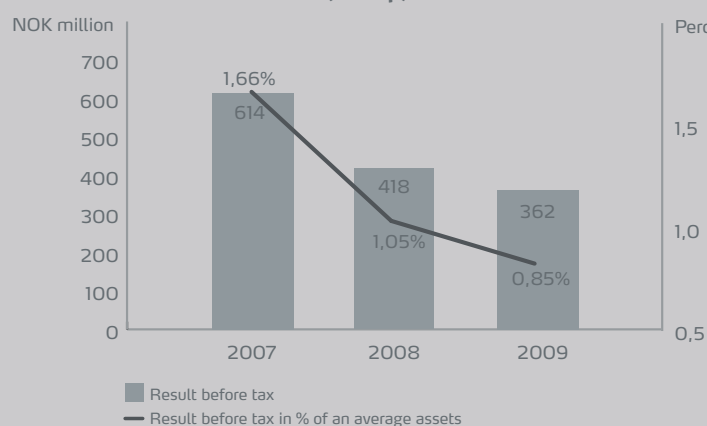
## FINANCIAL STATEMENT ANALYSIS GROUP

## KEY FIGURES FOR THE GROUP

Result summary (NOK mill and % of av.assets)

	2009		2008		2007	
	Kr	%	Kr	%	Kr	%
Net interest income	843	1,98 %	916	2,29 %	846	2,29 %
Net commissions and other (non-interest) income	234	0,55 %	190	0,48 %	179	0,48 %
Net income from financial investments	74	0,17 %	39	0,10 %	241	0,65 %
<b>Total income</b>	<b>1 151</b>	<b>2,70 %</b>	<b>1 145</b>	<b>2,87 %</b>	<b>1 266</b>	<b>3,42 %</b>
<b>Total operating costs</b>	<b>643</b>	<b>1,51 %</b>	<b>651</b>	<b>1,63 %</b>	<b>628</b>	<b>1,70 %</b>
<b>Result before losses</b>	<b>508</b>	<b>1,19 %</b>	<b>494</b>	<b>1,24 %</b>	<b>638</b>	<b>1,72 %</b>
Losses on loans and guarantees	146	0,34 %	76	0,19 %	24	0,06 %
<b>Result before tax</b>	<b>362</b>	<b>0,85 %</b>	<b>418</b>	<b>1,05 %</b>	<b>614</b>	<b>1,66 %</b>
Taxation cost	111	0,26 %	87	0,22 %	122	0,33 %
<b>Result after tax</b>	<b>251</b>	<b>0,59 %</b>	<b>331</b>	<b>0,83 %</b>	<b>492</b>	<b>1,33 %</b>
Average assets	42 516		39 957		36 997	
<b>Profitability</b>						
Return on equity capital before tax		8,2 %		10,1 %		16,8 %
Return on equity capital after tax		5,7 %		8,0 %		13,5 %
Return on equity capital of total result after tax		8,5 %		6,0 %		14,4 %
Total operating costs in relation to total income		55,9 %		56,9 %		49,6 %
Total operating costs in rel.to total income excl. Income from financial investments		59,7 %		58,9 %		61,3 %
<b>From the Balance Sheet</b>						
Gross loans to customers	34 146		34 557		32 883	
Gross loans to customers including SpareBank 1 Boligkredit	38 710		36 476		32 883	
Deposits from customers	23 081		22 389		20 812	
Deposits from customers in relation to gross loans to customers (excl. Boligkredit)		67,6 %		64,8 %		63,3 %
Lending growth during the last 12 months		-1,2 %		5,1 %		8,0 %
Lending growth during the last 12 months including SpareBank 1 Boligkredit		6,1 %		10,9 %		8,0 %
Deposits growth during the last 12 months		3,1 %		7,6 %		10,3 %
Assets	41 491		42 394		38 420	
<b>Losses and commitments in default</b>						
Losses on loans as a percentage of gross loans		0,4 %		0,2 %		0,1 %
Commitment in default as a percentage of gross loans		1,5 %		0,8 %		0,8 %
Other bad and doubtful commitments as a percentage of gross loans		0,7 %		0,6 %		0,6 %
<b>Financial strength</b>						
Capital adequacy ratio		14,1 %		11,5 %		13,2 %
Core capital ratio		14,1 %		11,5 %		13,2 %
Net core capital	3 484		2 824		3 128	
Total equity capital	4 759		4 398		4 156	

Result before tax (Group)



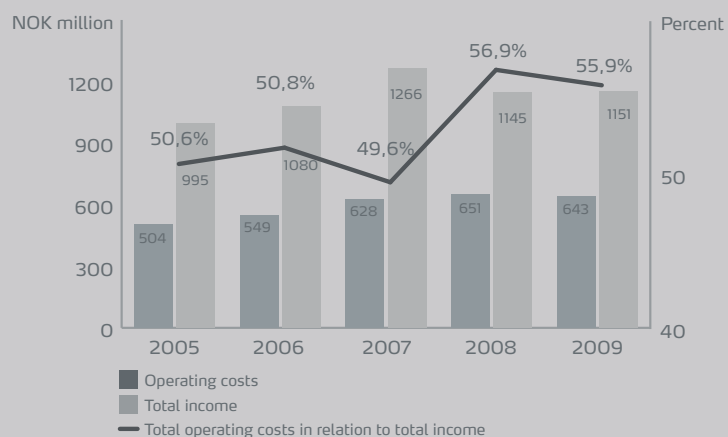
Lending and deposit growth during the last 12 months (Group)



## FINANCIAL STATEMENT ANALYSIS PARENT BANK

Result summary (NOK mill and % of av.assets)	2009		2008		2007	
	Kr	%	Kr	%	Kr	%
Net interest income	742	1,77 %	847	2,15 %	789	2,15 %
Net commissions and other (non-interest) income	191	0,45 %	151	0,38 %	137	0,37 %
Net income from financial investments	409	0,97 %	-131	-0,33 %	116	0,32 %
<b>Total income</b>	<b>1 342</b>	<b>3,19 %</b>	<b>867</b>	<b>2,20 %</b>	<b>1 042</b>	<b>2,84 %</b>
<b>Total operating costs</b>	<b>560</b>	<b>1,33 %</b>	<b>574</b>	<b>1,46 %</b>	<b>562</b>	<b>1,53 %</b>
<b>Result before losses</b>	<b>782</b>	<b>1,86 %</b>	<b>293</b>	<b>0,74 %</b>	<b>480</b>	<b>1,31 %</b>
Losses on loans and guarantees	136	0,32 %	66	0,16 %	16	0,04 %
<b>Result before tax</b>	<b>646</b>	<b>1,54 %</b>	<b>227</b>	<b>0,58 %</b>	<b>464</b>	<b>1,27 %</b>
Taxation cost	97	0,23 %	81	0,21 %	114	0,31 %
<b>Result after tax</b>	<b>549</b>	<b>1,31 %</b>	<b>146</b>	<b>0,37 %</b>	<b>350</b>	<b>0,96 %</b>
Average assets	42 040		39 440		36 626	
<b>Financial strength</b>						
Capital adequacy ratio		15,0 %		12,2 %		13,9 %
Core capital ratio		15,0 %		12,2 %		13,9 %
Net core capital	3 514		2 788		3 127	
Total equity capital	4 549		3 870		3 840	
<b>Profitability</b>						
Total operating costs in relation to total income		41,7 %		66,2 %		53,9 %
Total operating costs in rel.to total income excl. Income from financial investments		60,0 %		57,5 %		60,7 %
<b>Losses and commitments in default</b>						
Losses on loans as a percentage of gross loans		0,4 %		0,2 %		0,1 %
Commitment in default as a percentage of gross loans		1,4 %		0,7 %		0,6 %
Other bad and doubtful commitments as a percentage of gross loans		0,7 %		0,5 %		0,5 %

Operating costs and total income (Group)



Total operating cost in % of average assets (Group)









## Subsidiaries

### Hedmark Eiendom AS

#### Improvement in markets

**In the first half of the year, Eiendom's markets were characterised by the financial crisis. However, by the summer they had considerably improved and by autumn they were virtually back to normal for the used house business.**

Roughly every third property in the county of Hedmark is sold through Hedmark Eiendom AS. We started the year with a large order reserve; this was due to the financial crisis and very low turnover in the autumn of 2008. The first half of 2009 was also characterised by the financial crisis, but from June the market was steady in the used house business. However, the new housing- and leisure time markets were weak throughout the whole of 2009. The market for industrial property was virtually absent all year.

After a period where buyers had difficulty financing the purchase of a new house before their old one was sold, the financial markets began to return to normal. After that, home owners could once again buy and sell.

After the fall in house prices in 2008, they went up considerably in 2009 and ended at the record levels from 2007. The upturn in Hedmark's house prices has been somewhat stronger than the national average.

Hedmark Eiendom AS sold 1,211 houses in 2009, a small increase in relation to 2008. The value of the sales was approximately NOK 1.75 billion, on a level with the previous year.

The leisure market was halved from 2007 to 2009, which has something to do with the financial crisis. In 2009, Hedmark Eiendom AS sold 154 holiday homes, as opposed to 194 in 2008.

The pre-tax result was NOK 2.3 million, compared with effectively no result in 2008. In the subsidiary Sørumsø & Sørberg AS, the result before tax was improved from minus NOK 2.3 million in 2008 to NOK 0.6 million in 2009.

Hedmark Eiendom has 37 full-time employees spread across 33 man hours throughout the year. Most employees are estate agents, lawyers or brokers with transitional exams. The company has a high level of competence within all areas of property management.

Particularly in bad times, the company has the advantage of being a local estate agent which is owned by the county's largest bank. Competition among agents in the county is strong, which is good in a period where the property market is weak.

**Hedmark Eiendom AS** is a wholly owned subsidiary of Sparebanken Hedmark and is the county's leading estate agent. The company has offices in the largest urban areas in Hedmark, Hamar, Stange, Kongsvinger, Elverum, Trysil, Brumunddal and Moelv. The company owns all the shares in the subsidiary Sørumsø & Sørberg AS. For more information go to [www.hedmark-eiendom.no](http://www.hedmark-eiendom.no).

### SpareBank 1 Finans Østlandet AS

**Demand for financial products in 2009 was somewhat better than in 2008. New sales ended up at NOK 1 105 million. The result was NOK 44.3 million before tax.**

2009 was a good year for the company despite the after-effects of the financial crisis. The results before tax increased from NOK 23.5 million in 2008 to NOK 44.3 million in 2009. The reason for the good results is mainly in the growth in loans within segments and areas that have given the company good profitability.

Loans have increased by around NOK 236 million, while the company's losses on credit have been within what would be expected under the prevailing circumstances. The Board of Directors is satisfied that SpareBank 1 Finans Østlandet reached its main goal for 2009.

The company has continued its ambitions to further develop its operations and expects a moderate increase in sales for 2010. In the corporate markets, lower activity was reported in several industries – especially building and construction. Increasing unemployment has been and is a concern that less has been current in 2009. We will follow this development carefully in the period ahead and we are prepared for a stronger negative development.

#### About SpareBank 1 Finans Østlandet

SpareBank 1 Finans Østlandet is a wholly owned subsidiary of Sparebanken Hedmark, with its head office in Hamar. The company is also in the process of establishing an office in Oslo. The organisation is a significant player within leasing and vendor's lien financing in Hedmark and Oppland. Its presence in Oslo, Akershus and Østfold will increase, among other things as a result of the parent bank's attachment to the SpareBank 1 alliance. For more information, see [www.sb1fo.no](http://www.sb1fo.no).





# Representatives of the Savings bank

## BOARD OF REPRESENTATIVES

### Members elected from the depositors:

Christen Engeloug – Chairperson	Ilseeng
Lars Petter Heggelund - Deputy Chairperson	Flisa
Roald Andersen	Engerdal
Terje Austad	Koppang
Kjell Berg	Furnes
Liv Anne Borkhus	Alvdal
Per Olaf Børke	Hamar
Erik Flataas	Folldal
Goro Brita Aardal Hagen	Moelv
Knut Hartz	Rena
Jonny Holen	Elverum
Gunnar Cato Lund	Skarnes
Finn Ola Moen	Rendalen
Torstein Amund Opdahl	Namnå
Oddbjørn Roverudseter	Kongsvinger
Knut Røe	Tyllidalen
Sven Peter Sinnerud	Ottestad
Linda Marielle Skogstad	Trysil
Per Otto Sletten	Våler i Solør
Pål-Jan Stokke	Hamar
Per Morten Wangen	Magnor
Vigdis Øvergård	Os i Østerdalen

### County council elected members:

Ivar Arnesen	Våler i Solør
Herdis Bragelien	Namnå
Gry Grønland	Ljørdalen
Terje Hoffstad	Atna
Tore André Johnsen	Brumunddal
Maj S. Lund	Ridabu
Ditte Geisler Olsen	Ottestad
Kaare Johan Ommundsen	Løten
Solveig Seem	Hamar
Martin Skramstad	Løten
Per Gunnar Sveen	Elverum

### Employee elected members:

Anita H Amundsen	Hamar
Johan Ragnar Eggen	Alvdal
Lise Flendalen	Elverum
Roger Granseth	Kongsvinger
Iver Helstad	Våler i Solør
Tor Ingelstad	Hamar
Idar Jørgensen	Stange
Bjørn Gunnar Pedersen	Hamar
Øyvind Sandbakk	Trysil
Eli Aske Solberg	Hamar
Karen Storlien	Brumunddal

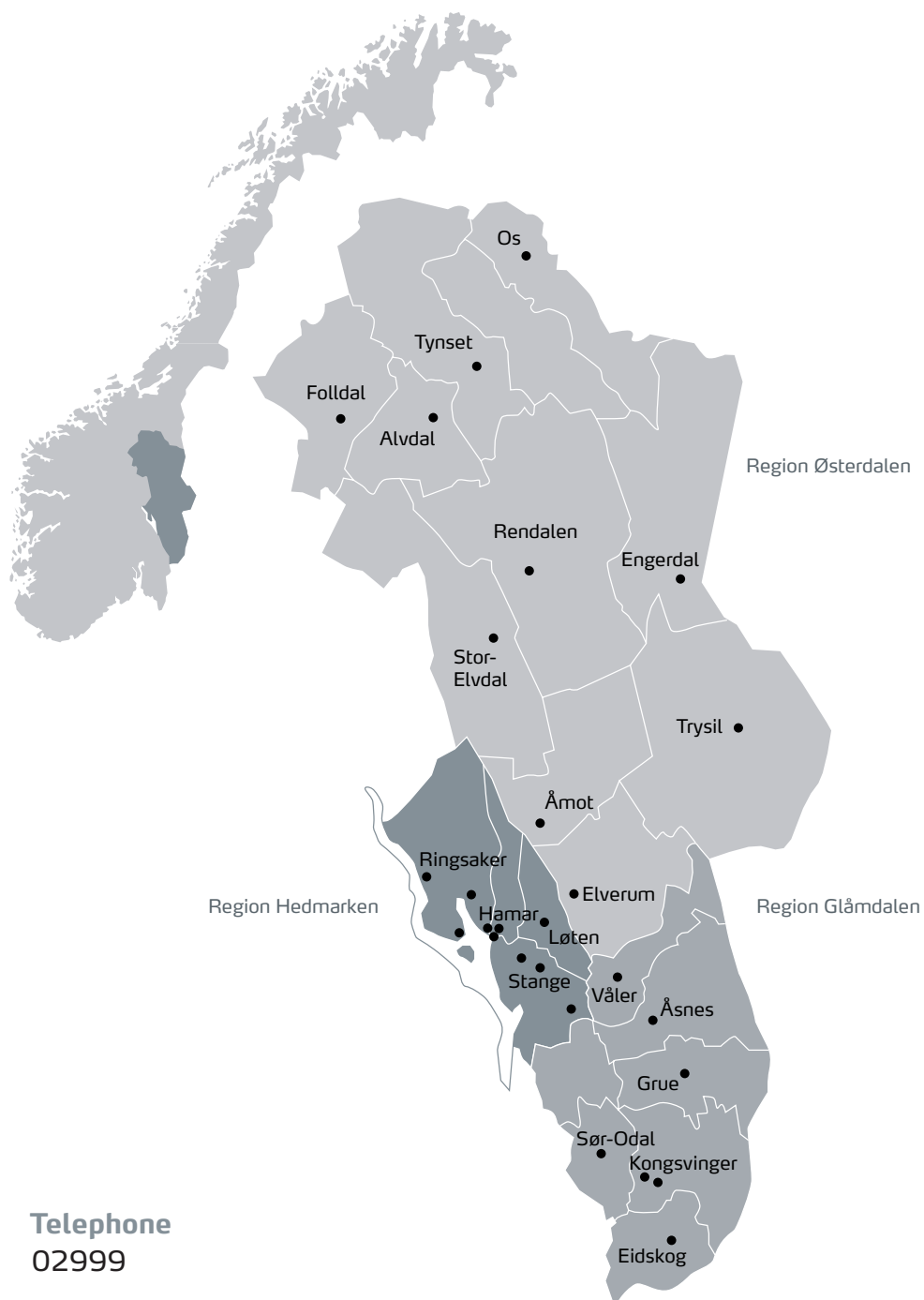
## BOARD OF DIRECTORS

Gunnar Martinsen - Deputy Chairperson	Nes Hedmark
Espen Bjørklund Larsen - employee	Hamar
Grethe G. Fossum	Kirkenær
Siri J. Strømmevold	Tynset
Jan Wibe	Hamar
Nina C. Lier	Gaupen

## CONTROL COMMITTEE

Pål Johnsrud - Chairperson	Ingeberg
Anders Brinck - Deputy Chairperson	Nes Hedmark
Valborg Berthelsen	Hamar
Jan Erik Myrvold	Kongsvinger
Gro Svarstad	Nybergsund

Sammen  
skaper vi Hedmark  
Sammen skaper vi Hedmark



**Telephone**  
02999

**Email**

Private customer centre: [kundesenter@sparebanken-hedmark.no](mailto:kundesenter@sparebanken-hedmark.no)

Company customer centre: [bedrift@sparebanken-hedmark.no](mailto:bedrift@sparebanken-hedmark.no)

**Internet banking**

[www.sparebanken-hedmark.no](http://www.sparebanken-hedmark.no)

**Company administration**

Strandgata 15, Postboks 203, N-2302 Hamar

Organisation's number 920 426 530

# Corporate Management 2010

