

ANNUAL REPORT

2012



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Financial statement analysis Group

MAIN FIGURES

Result summary (NOK mill and % of average assets)	2012		2011	
	Amount	%	Amount	%
Net interest income	955	2,21 %	971	2,29 %
Net commissions and other (non-interest) income	435	1,00 %	285	0,67 %
Net income from financial investments	43	0,10 %	148	0,35 %
Total income	1 433	3,31 %	1 404	3,30 %
Total operating costs	864	2,00 %	815	1,92 %
Result before losses	569	1,31 %	589	1,39 %
Losses on loans and guarantees	42	0,10 %	50	0,12 %
Result before tax	527	1,22 %	539	1,27 %
Taxation cost	124	0,29 %	130	0,31 %
Result after tax	403	0,93 %	409	0,96 %
Minority interests	3	0,01 %		
Profitability				
Return on equity capital before tax		9,2 %		9,8 %
Return on equity capital after tax		7,0 %		7,5 %
Return on equity capital of total result after tax		9,0 %		4,7 %
Total operating costs in relation to total income		60,3 %		58,0 %
Total operating costs in relation to total income excl. income from financial investments		62,2 %		64,9 %
From the balance sheet				
Gross loans to customers	35 455		34 786	
Gross loans to customers including SpareBank 1 Boligkreditt AS	48 091		44 646	
Deposits from customers	28 137		25 907	
Deposits from customers in relation to gross loans to customers (excl. SpareBank 1 Boligkreditt AS)		79,4 %		74,5 %
Lending growth during the last 12 months		1,9 %		2,5 %
Lending growth during the last 12 months including SpareBank 1 Boligkreditt AS		7,7 %		6,8 %
Deposits growth during the last 12 months		8,6 %		7,6 %
Assets	44 113		42 483	
Average assets	43 290		43 143	
Losses and commitments in default				
Losses on loans as a percentage of gross loans		0,1 %		0,1 %
Commitments in default as a percentage of total commitments		1,2 %		1,0 %
Commitments in default as a percentage of total commitments incl. SpareBank 1 Boligkreditt AS		0,9 %		0,9 %
Other bad and doubtful commitments as a percentage of total commitments		0,7 %		1,1 %
Other bad and doubtful commitments as a percentage of total commitments incl. SpareBank 1 Boligkreditt AS		0,5 %		0,9 %
Net commitment in default and commitments with loss provisions as a percentage of total commitments		1,5 %		1,6 %
Financial strength				
Capital adequacy ratio		16,9 %		15,2 %
Core capital ratio		16,9 %		15,2 %
Net core capital	4 154		3 732	
Total equity capital	6 044		5 534	

FINANCIAL STATEMENT ANALYSIS PARENT BANK

	2012		2011	
	Amount	%	Amount	%
Result summary (NOK mill and % of average assets)				
Net interest income	834	1,94 %	871	2,07 %
Net commissions and other (non-interest) income	287	0,67 %	196	0,47 %
Net income from financial investments	41	0,10 %	180	0,43 %
Total income	1 162	2,71 %	1 247	2,96 %
Total operating costs	652	1,52 %	665	1,58 %
Result before losses	510	1,19 %	582	1,38 %
Losses on loans and guarantees	31	0,07 %	45	0,11 %
Result before tax	479	1,12 %	537	1,28 %
Taxation cost	116	0,27 %	133	0,32 %
Result after tax	363	0,85 %	404	0,96 %
Average assets	42 919		42 059	
Profitability				
Return on equity capital after tax		6,6 %		7,8 %
Total operating costs in relation to total income		56,1 %		53,3 %
Total operating costs in relation to total income excl. income from financial investments		58,2 %		62,3 %
Losses and commitments in default				
Losses on loans as a percentage of total commitments		0,1 %		0,1 %
Commitment in default as a percentage of total commitments		1,1 %		1,0 %
Commitments in default as a percentage of total commitments incl. SpareBank 1 Boligkreditt AS		0,8 %		0,8 %
Other bad debt and doubtful commitments as a percentage of total commitments		0,7 %		1,2 %
Other bad and doubtful commitments as a percentage of total commitments incl. SpareBank 1 Boligkreditt AS		0,6 %		0,9 %
Net commitments in default and bad and doubtful commitments as a percentage of total commitments		1,4 %		1,6 %
Financial strength				
Capital adequacy ratio		18,5 %		16,9 %
Core capital ratio		18,5 %		16,9 %
Net core capital	4 185		3 855	
Total equity capital	5 721		5 272	

A full-length portrait of Richard Heiberg, a middle-aged man with a mustache, standing outdoors. He is wearing a brown textured blazer over a white shirt and a dark tie with light-colored diagonal stripes. His right hand is in his pocket, and his left hand is resting on a wooden post. The background is a blurred cityscape.

"I would like to thank each and every one of the Bank's employees who do their best for our customers every day! Together we create something that leads thousands of customers to show us their confidence and choose Sparebanken Hedmark."

Richard Heiberg

Chief Executive Officer

2012 – an offensive year for Sparebanken Hedmark

Sparebanken Hedmark reported a Group profit after tax of NOK 403 million in 2012. The year has been characterized by good earnings for the parent bank, low losses, offensive investments in new markets and a focus on innovative solutions.

The year 2012 was an offensive year for Sparebanken Hedmark in many areas, regarding the development of products, services and markets. The investment in Oppland has started to show good results, with customer growth and positive figures for both Lillehammer and Gjøvik. In 2012, the Bank took an important next step in its investment in new markets with the acquisition of the business operations of SpareBank 1 Oslo Akershus in Årnes, Akershus. The Årnes office is located in the heart of the country's largest grain municipality Nes. The Bank can make a contribution here with its long-standing agricultural expertise. This venture is a natural extension of the Bank's market area in the southern section of the county along the Kongsvinger-Oslo axis.

The Bank has also strengthened its operations in its home county with the upgrading of its properties in Hamar and Stange. Both of the offices have been modernised with a future-oriented, open and counter-less office arrangement, where customers are met inside the door. The renewal and restructuring of our buildings will continue in the years to come. Sparebanken Hedmark has also proven to be forward-looking, innovative, and solution oriented in 2012 through the introduction of a fully electronic loan process, bank cards for children, and a number of new solutions for online banking and mobile banking. Cooperation within the SpareBank 1 Alliance has delivered many positive results in the area of products and channels.

Insurance sales are performing well, and the Bank also focuses offensively on becoming the preferred pension partner in Central Norway.

The Bank's profitability enhancement programme is progressing as planned until completion in June 2013, and it has resulted in the introduction of a new strategic management system, among other things. We will see the effects of this in the future. Many of the projects in the profitability enhancement programme will pay off in the form of more efficient solutions, reduced costs and higher earnings. The purpose of the programme is to ensure the future position of Sparebanken Hedmark as one of Norway's most solid and profitable banks.

The Group profit for the year, with growth in deposits, lending and low losses, contributes to reinforcing

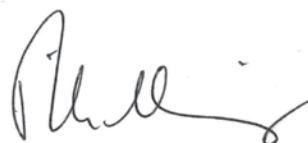
our position as one of Norway's best banks. The group profit after tax of NOK 403 million (NOK 409 million in 2011) is on par with last year's result. The profit has, however, been affected by the fact that the contribution from financial assets and liabilities was NOK 105 million less in 2012 than in the previous year. The Group has strengthened its equity, which consists entirely of retained earnings of over NOK 6 billion. The core capital adequacy ratio was strengthened significantly in 2012, and was 16.9 per cent at the end of the year.

Some challenges are envisioned in the future, in particular new government requirements which we know will affect our key figures. This will be of significance to the Bank's earnings needs. Even though we are solid, as a regional bank we are not so large that we do not need extra buffers to keep up with major national and international financial institutions. We know that Norway enjoys a unique position in Europe, but there is still a great deal of uncertainty concerning developments in the global economy. We can only hope that it will not affect us significantly in the future.

Our market share is still unique. It is the result of many years of good work, and this is our strength. Every step we take is, and must be, based on a long-term perspective. What we do now must hold up in a perspective that is further than tomorrow. Our customers must feel that we are doing our very best, not just each time we meet with them, but through all of our products, and in all of our self-service solutions and other channels. This is how we build confidence and how we acquire loyal customers.

I would like to thank each and every one of the Bank's employees who do their best for our customers every day! Together we create something that leads thousands of customers to show us their confidence and choose Sparebanken Hedmark! I would also like to thank all of the customers who choose to bank with us!

Together we create the future!

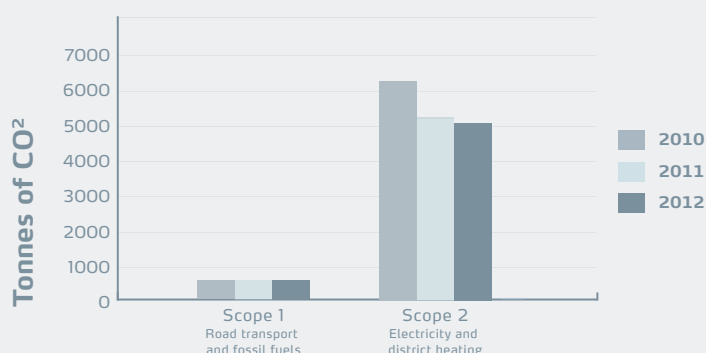


Richard Heiberg
Chief Executive Officer

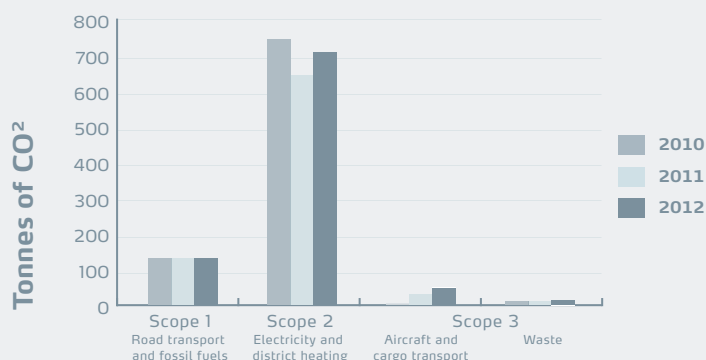
Carbon footprint statement for 2012

ENERGY AND CLIMATE INDICATORS	2010	2011	2012	11/12
Total emissions (tonnes of CO ₂)	908,7	839,4	941,3	12,1 %
Total energy consumption scope 1 and 2 (MWh)	6 847,2	6 094,8	5 746,1	-5,7 %
Energy consumption per square metre (kWh/m ²)	173,5	152,5	139,8	-8,3 %
CO ₂ emissions per full-time employee (tonnes CO ₂ /employee):	1,7	1,6	2,0	23,8 %
CO ₂ emissions relative to operating profit before tax (tonnes of CO ₂ /NOK million):	1,4	1,6	2,0	25,7 %

Annual energy consumption (MWh) Scope 1 and 2



Annual emissions per scope



REPORTING IN ACCORDANCE WITH THE GREENHOUSE GAS PROTOCOL

Scope 1: Direct emissions

Includes direct emissions from sources owned or controlled by the company, including the company's own cars or vehicles, or from processing or the transport of employees.

Scope 2: Indirect emissions

Emissions from purchased energy, mainly electricity and/or district heating.

Scope 3: Indirect emissions

Includes other indirect greenhouse gas emissions. The emissions are a result of the company's activities, but are emitted from sources not controlled by the company.



Business concept

Sparebanken Hedmark aims to offer new and existing customers comprehensive and forward-looking banking, finance and insurance products. Sparebanken Hedmark aims to be so proficient, nearby and engaged that private individuals, companies and the public sector prefer to have a longstanding relationship with the Bank. Through good profitability, good financial strength and independence, the Bank aims to contribute to growth and development in Hedmark.

Vision

The Bank's vision, **Together – to create**, makes the point that the Bank's results are achieved in cooperation with its customers. At the same time the vision implies an expectation of better interaction, additional initiatives and better results.

Values

Proficient, nearby and engaged are the Bank's core values, and they indicate that we would like to be a professional partner that defines needs and finds solutions together with our customers. We also aim to be active and outgoing in our contact with customers.

This is Sparebanken Hedmark

Sparebanken Hedmark is today the leading retail and commercial bank in Hedmark with 26 branch offices. The Bank also has a presence in Oppland with two offices, and in Akershus with one office.

Sparebanken Hedmark can trace its history back to 1845. Funds from local granaries, forest commons, municipalities and private individuals were pooled to found the first savings banks. The bank is the result of the merger of formerly independent savings banks in Hedmark. Through a number of mergers, 22 local savings banks have evolved to become Hedmark's largest source of capital with headquarters in Hamar. Sparebanken Hedmark assumed its current name in 1982. In the autumn of 2011, Sparebanken Hedmark moved into the neighbouring county as well, and the Bank now has branch offices in both Gjøvik and Lillehammer. In 2012, the Bank also established a presence in the Municipality of Nes in Akershus.

Mainstay

Today Sparebanken Hedmark is a mainstay of Hedmark society with its many branch offices in 20 of the county's 22 municipalities. The Group offers a wide range of products for loans, deposits, insurance, pensions, payment services, real estate brokerage, accounting services, leasing and financing.

As the leading player in our market area, we take responsibility for growth and development through financing individuals and companies who want to see good ideas come to fruition. In this way, the Bank helps people build, live and work here.

Close to the market

The Bank has a unique competitive advantage by virtue of its 170 years of local knowledge. Sparebanken Hedmark has a market share of 50 per cent with approximately 171,500 customers. The bank is close to the market with staff working around 500 man-years per annum across 29 branch offices. The Group also includes the subsidiaries EiendomsMegler 1 Hedmark Eiendom AS, SpareBank 1 Finans Østlandet AS and Consis AS, with a total of around 200 employees.

Self-owned

Sparebanken Hedmark is a self-owned financial institution without primary capital certificate holders, and with equity of NOK 5.7 billion in the Parent Bank. It pays approximately 20 per cent tax on its annual profit. The rest of the profit is put to work and reloaned. Thus the profit benefits the entire region.

About Hedmark

With 193,000 inhabitants, the people of Hedmark account for just over four per cent of Norway's population. In terms of area, Hedmark is the third largest county in Norway. The county has scattered settlements, and nearly half of the population lives in the municipalities of Hamar, Ringsaker, Stange and Løten. Hedmark has diverse business and industry, and it is the largest agricultural and forestry county in Norway. Divided by sector, manufacturing, building and construction, and the public sector are the largest employers. Unemployment is on par with the national average. The neighbouring county of Oppland has many similarities with Hedmark, both demographically and geographically.

Nature and recreation

Hedmark and Oppland have a wide variety of natural features, ranging from farmland in the south, to vast forests in the east and mountain ranges in the north. Large parts of these mountain ranges are protected. Norway's largest lake, Mjøsa, the longest river, Glomma, and the highest mountain, Galdhøpiggen (2469 metres above sea level), are important elements of our cultural landscape.

Co-owner of SpareBank 1

The Bank is a co-owner of SpareBank 1 Gruppen AS (12 per cent). This partnership ensures the Bank of competitiveness through good products, efficient IT services, purchasing schemes and the transfer of skills. The purpose is to pool our resources nationally with local strength. This allows customers outside Hedmark and Oppland to get good services throughout the country, since they can use all of the branch offices of the SpareBank 1 Alliance.

See sparebank1.no for more information on the SpareBank 1 Group and Alliance.

Socially committed bank

The region should be a good place to grow up, a good place to live and a good place to move to. We are doing our part to keep it that way.

Sparebanken Hedmark has a mutually dependent relationship with the communities that it serves. The Bank has been present in Hedmark for almost 170 years, and it is concerned about the development of the county and the Mjøsa region. If people are happy, live well, have educational opportunities and secure jobs, the Bank can also do well. The fact that the Bank has been financially sound over time is important to the residents and businesses. Having a solid source of capital with headquarters in the region provides security and a close proximity to the decision-making process.

Sustainable operations

The Bank plays an important role in economic development and wants to be a model of good business practices, including issues related to the environment, human resources and ethics. Our goal is to ensure that the banking operations endure and are sustainable. In other words, all business activities and the creation of value must be in line with nature's sustainability.

Sparebanken Hedmark takes employee and human rights, basic social needs, and nature's sustainability into consideration in its operations.

Donations to charitable causes

The bank also ploughs funds back into communities, through, for example, sponsorship of recreational sports and programmes for children and young people. In addition, Sparebanken Hedmark has a long tradition of returning part of its profit to the local communities. Each year the Bank donates millions of kroner. These donations go to clubs, associations, and other good causes. Financial support can be sought through the Bank's website, and the funds are allocated as a rule after the financial statements have been adopted at the beginning of the year.

Endowment fund

The Bank has a separate endowment fund for major cultural, research and education projects. Over the last seven years Sparebanken Hedmark has allocated NOK 175 million to this fund. From this fund, the Bank has donated gifts to sports and public health, including artificial grass pitches, ski track machines and skiing and biathlon facilities. Cultural donations have been made, for example,

to the Kirsten Flagstad Museum, the Ringsaker Opera, and various other cultural projects in Hamar, Kongsvinger and Ringsaker. Other recipients of donations include the Hamar and Hedmarken Tourist Association, historic entities in Hedmark and Oppland, Hedmark Knowledge Park and the Trysil Airport.

Sparebanken Hedmark's art fund

The Art Fund Board approved donations totalling NOK 5.3 million in 2012. A total of 27 young artists received grants totalling NOK 1 million. A statue of the skier and resistance fighter Oddbjørn Hagen was unveiled at Åkrestrømmen in Rendalen in July. Other major projects that have been approved and are in progress include the decoration of Stor-Elvdal Lower Secondary School, a sculpture in memory of the immigration of Finns in the Municipality of Grue, art for the new square in Brumunddal, and the Big Elk at the Bjøråa rest area on main road 3 in Stor-Elvdal.

Environment

Sparebanken Hedmark has certified all its branch offices in accordance with the Eco-Lighthouse principle. The idea is to raise awareness of Bank employees with regard to consumption, travel, waste management and energy consumption. The Bank also prepares its own carbon footprint statements through its focus on CO₂, based on the international Greenhouse Gas Protocol Initiative standard. The purpose is to document and reduce the Bank's consumption and increase the degree of recycling. The challenge so far has been to establish a reliable statistical basis for comparison of our consumption from year to year. The total greenhouse gas emissions for the year were 940 tonnes of CO₂, which is an increase of 12 per cent. This is attributed to a change in the assessment basis, in which the emission factor for electricity in 2012 was changed from 99 grams CO₂/kWh to 112 grams CO₂/kWh. Actual energy consumption has declined by almost 6 per cent, from 6,095 in 2011 to 5,746 in 2012. The consumption of heating oil declined by all of 20 per cent, while the consumption of district heating increased. This is a good development.

MAGNUS AASEN NEW DIRECTOR IN EIENDOMSMEGLER 1 HEDMARK EIENDOM AS

Magnus Aasen took office in November as director of EiendomsMegler 1 Hedmark Eiendom AS, after having been appointed to the position a year. Aasen is the architect behind the company's new strategy.



WEEKLY POCKET MONEY APP

Sparebanken Hedmark and SpareBank 1 launched a new weekly pocket money app that makes it easier and more fun to manage pocket money, the first Nordic bank to do this. With the app, children, young people and parents can set up regular tasks for which pocket money is to be paid. The children can enter their own savings goals with amounts, and upload images of what they want to save for. Thus the distribution of tasks and payment can be accomplished in a way that is both practical and fun for parents and children.

PRINCIPAL SPONSOR FOR BIRKEN

Towards the end of the year, the Bank entered into a three-year cooperation agreement with the BirkenbeinerRaces. Birken is one of the strongest brands in Norway and reflects the values and ambitions of the Bank well. There is broad representation among the participants, and Birken has local roots and spotlights the region in a positive way.

MOODY'S MAINTAINS THE BANK'S A1 RATING

Moody's announced in March that they were considering downgrading a number of Norwegian banks, including Sparebanken Hedmark. Towards the end of the year it was announced that we would maintain our A1 rating, as one of only three Norwegian banks to do so. At the end of the year, the Bank was still under review for a downgrade.

MUNICIPALITY OF HAMAR BECAME A CUSTOMER

The Chief Municipal Executive Martin Kulild and Richard Heiberg signed the principal bank agreement for the Municipality of Hamar in October. This agreement is valid for three years. Solid local roots make it natural for Sparebanken Hedmark to be the banker for the municipalities. Sparebanken Hedmark is now the banker for 12 out of 22 municipalities in Hedmark.

EIENDOMSMEGLER 1

In the autumn, Hedmark Eiendom changed its name to EiendomsMegler 1 and is affiliated with the SpareBank 1 Alliance. The company's goal is to strengthen cooperation on the development of technology, expertise and branding. A key goal is to increase cooperation with the Bank. Hedmark Eiendom was formed in 1975, when Sparebanken Hedmark established its own real estate brokerage department. The department was subsequently spun off as a separate company and had 37 years of real estate brokerage experience in Hedmark at the end of the year. EiendomsMegler 1 now consists of a total of 139 brokerage offices in Norway, with 750 employees and sales of around 20,000 properties annually.

200 PARTICIPATED AT THE MANAGEMENT CONFERENCE

In September, more than 200 participants attended the annual management conference under the common title of "Opportunities of the Interior". Minister of Finance Sigbjørn Johnsen, CEO Morten Ørbeck of Eastern Norway Research Institute, Chief Editor Carsten Bleness of Hamar Arbeiderblad and vocalist Bjarne Brøndbo from DDE were among the lecturers. Feedback from the participants has been very good.



ART FUND DISTRIBUTES GRANTS TO YOUNG TALENTS

The Sparebanken Hedmark Art Fund distributed grants to 27 young artists from Hedmark in 2012. The grants were for NOK 25,000, 50,000 or 75,000, and a total of NOK 1 million was distributed. Many different forms of art were represented. A total of 118 young artists applied for a grant from the art fund this year. The grants were awarded in the auditorium at the Hedmark Museum. Chairman of the Art Fund Board Wenche Sælthre Høyve presided over the ceremony. The funds are distributed to talented young people who are pursuing higher education or who need support for various forms of art, equipment, instruments, or in order to get started after finishing their studies.

A LOOK 20

KJELL HARALDSEN NEW HEAD OF THE LIFE AND PENSION AREA

Kjell Haraldsen succeeded Sæmund Stenersen, who had built up this area at the bank, in the autumn. Since 2005, the department had grown to become the best pension department in Hedmark, and the best corporate pension department in the Alliance. – Our strength lies in the professional skills of our advisors and how they communicate with customers on complex subjects, says Kjell Haraldsen.

CORPORATE MOBILE BANKING LAUNCHED

Sparebanken Hedmark launched corporate mobile banking as the first bank in Norway to do so in 2012. SpareBank 1 has a tradition of involving customers and its own employees in the development of mobile services. They did so this time as well.

NEW ONLINE BANKS

At the start of the year, our 75,000 online banking users could experience a new online bank. At that time, Sparebanken Hedmark changed to the SpareBank 1 Alliance solution. The conversion gave the Bank's customers access to new and more updated services, such as mobile banking and various apps. The online bank was upgraded with several user-friendly and modern solutions in 2012 as a result of this transition.

APPROVED AS AN IRB BANK

After a two-year application process, the Bank was finally approved as an IRB (Internal Rate Based) bank. IRB is a special method of calculating the Bank's capital adequacy by means of internal methods. This method results in better capital adequacy (all else being equal), but also places greater demands on the risk management system of the Bank. The Bank's freedom of action increases through a reduction in the equity capital requirements. The Bank has thus obtained better management and control of the risk that the company is exposed to at any given time.



MANAGEMENT TALENTS
Sparebanken Hedmark established a one-year development programme for potential managers in January. Younger employees under the age of 35 were given the opportunity to develop their managerial ambitions. The aim of the programme is also to give the Bank an opportunity to discover talents within its own organisation. Organisational psychologist Sverre Kile was responsible for the professional content.

NOTICE OF POSSIBLE DOWNGRADE

In March Moody's issued a warning of a possible downgrade of Norwegian banks, including Sparebanken Hedmark. Moody's pointed out, for example, that higher residential housing prices and a higher debt-to-asset ratio could result in greater vulnerability in the event of a possible economic downturn in Norway.

INTEREST RATES LOWERED

The Bank lowered its interest rates for deposits and loans in March. After that, the Bank's lowest home mortgage loan rate was 3.45 per cent for mortgage loans for young people. BSU savings accounts for young home savers had the Bank's best deposit rate of 4.65 per cent.

BACK 12

"A LOOK BACK" 2012 CONTINUES ON THE NEXT PAGE

INCREASED STAKE IN TOTENS

Sparebanken Hedmark acquired 220,829 equity certificates in Totens Sparebank in June. The Bank was already the largest equity certificate holder in Totens before this. Altogether, the Bank owns 10.6 per cent of the equity certificate and primary capital of Totens Sparebank. – This is a financial investment for Sparebanken Hedmark.

GIVE A TEN CAMPAIGN ON FACEBOOK RESULTED IN RECORD NUMBER OF LIKES

The Bank created its own Facebook page in April. Responding to customer inquiries is a key task, and therefore the customer centre is strongly involved. The local donation campaign, Give A Ten, resulted in 20,000 likes in a short period of time. At the national level, the SpareBank 1 banks quickly established themselves as the leading financial actor in social media by far.

NEW CHAIRMEN OF THE SUPERVISORY BOARD AND CONTROL COMMITTEE

Jonny Holen from Elverum was elected as the new Supervisory Board Chairman in March after the resignation of Christen Engeloug, who had held the office for 12 years. Pål Jan Stokke from Hamar became the new Deputy Chairman. Vidar Brøbakken from Hamar was elected as the new Control Committee Chairman after the resignation of Pål Johnsrud, who had held the office for 12 years. Mikael Løken from Elverum became the new Deputy Chairman.

E-CONTRACTS LAUNCHED

In June the Bank started testing the new signature solution that has been developed in the Alliance. This means that customers can easily sign contract documents online. Customers will be sent an e-mail with a link to SpareBank 1's signature portal. Here they will have access to relevant contracts in PDF format, both their own private contracts and the company's contracts. The documents will be signed by means of the BankID identification system. When this has been done, the customer advisor will receive notice by e-mail that the documents have been signed and archived. This solution will be launched in August.



FIRST FEMALE BOARD CHAIRMAN

Siri J. Strømmevold was elected as the new Board Chairman, replacing Gunnar Martinsen, in March. Strømmevold thus became the first female Board Chairman of the Bank. She is an IT engineer with many years of experience as a manager in the oil industry, has broad Board experience, and is the General Manager of Tynset Bokhandel. Strømmevold has been on the Bank's Board since 2006. "Sparebanken Hedmark is an important contributor to society and I am looking forward to getting started," says Strømmevold. It is also the first time there is a majority of women on the Bank's Board.

ETHICS WEEK

In April the Bank's annual ethics week was held with both external and internal lecturers. This year's topic was about the employees' relationship to social media. The week generated a great deal of enthusiasm and learning.



Bank of the future in Hamar

In October the newly redecorated Hamar office reopened. The offices are located in three buildings that were erected in 1917, 1940 and 1968, respectively. These offices emerge now as a uniform, customer-friendly and forward-looking bank. The large open offices with a number-ticket system and counters in front have now been replaced by a pleasant arena area where customers are met by customer hosts. Customer conversations take place in special meeting rooms. The customer advisors sit

in an open-plan office behind this area when they are not meeting customers. This saves resources while also ensuring better interaction between employees. The office has room for approximately 50 employees, where 25 employees had worked previously. The Bank's real estate brokers from EiendomsMegler 1 and employees from the former Ridabu office have new workplaces here now. Approximately 400 square metres has been freed up and will be used for other purposes.



Office opened in Årnes, Akershus

In August, the Bank decided to acquire Bank 1 Oslo Akershus's office in Årnes in the Municipality of Nes. In November the office opened with a banking staff of four and two employees from the brokerage operations, which became part of EiendomsMegler 1 Hedmark Eiendom AS at the same point in time. The Årnes office was established three years ago and has shown a positive development. The population of Årnes is approximately 20,000. The reason for this investment is the fact the Nes is a natural extension of the Glåmdal region. The Municipality of Nes is showing strong growth, and it is the largest grain municipality in Norway. For Sparebanken Hedmark, this is a strategically important investment in order to strengthen the Bank's position south of Hedmark in the naturally adjoining section of Akershus.

First to offer electronic loan processing

A couple from Elverum became the Bank's and possibly the world's first customers who completed a full loan process online, including electronic property registration with the Norwegian Mapping Authority. – This will be the future for our customers, said Karine Skipnes and Roar Bernhus. In 10–15 minutes, a number of documents were signed by means of the BankID system, registered and the money was transferred shortly thereafter. The online loan process has been prepared in cooperation with the SpareBank 1 Alliance.



Bank cards for children

Cash is on its way out. In October Sparebanken Hedmark introduced a bank card for children down to the age of eight. The card is tailored to children in several ways, with low amount limits and no fees. It cannot be used for online purchases, and it does not contain any identity information. The card has been developed in cooperation with Barnevakten.no and the consumer authorities. The aim is to give children early experience with bank cards, so that they will have the best possible training to handle their own consumption, among other things.

Vinterkys

"At the Bank's newly decorated offices in Hamar, Lillehammer and Stange, the meeting rooms have been given unique names and decorated accordingly. Here we see the meeting room "Winter Kiss" in Lillehammer."

Directors' report

Economic situation in 2012

Global growth was 3.3 per cent in 2012, in spite of negative growth in Europe. Among the major economies, China and India still contributed the most, even if the growth rate was declining. In the USA the level of activity increased somewhat, even though it was still low in a historical context.

The international credit markets showed positive developments in 2012. Access to capital improved greatly for the most exposed countries in the euro zone, while the price for long-term funding fell significantly.

In Norway, 2012 was marked by a high level of activity and a continued decline in unemployment. Both high oil investments and growth in residential housing investments contributed to this. Petroleum-related industries experienced good profitability and high capacity utilisation, at the same time as lower competitiveness was experienced for traditional goods exports as a result of high cost inflation and a strong currency. Traditional service sectors and distributive trades experienced a more stable development, driven by income growth, low interest rates and increasing residential property wealth.

Norges Bank sets interest rates with the aim of stabilising inflation at 2.5 per cent. The central bank changed the key rate once in 2012, and at the end of the year the interest rate was 1.5 per cent, compared with 1.75 per cent at the start of the year. The money market rate fell during the same period from 3.0 per cent to 1.9 per cent.

At the start of 2012, the credit markup on the three-month money market rate for five-year senior unsecured funding was 1.9 per cent for regional savings banks. At the end of the year, this markup had fallen by 0.7 percentage points to 1.2 per cent. This illustrates the change in mood that took place in the Norwegian capital market in 2012, which was well supported by increasing liquidity and growing optimism in the European financial markets.

Sparebanken Hedmark – Group

The Group prepares its financial statements in accordance with international accounting standards adopted by the EU.

The Group consists of Sparebanken Hedmark and the consolidated wholly owned subsidiaries EiendomsMegler 1 Hedmark Eiendom AS, SpareBank 1 Finans Østlandet AS and Vato AS. The accounting chain Consis AS is also consolidated with an ownership interest of 60 per cent, as well as Consis Credit AS with an ownership interest of 74.5 per cent.

The Bank owns 12 per cent of SpareBank 1 Gruppen AS and Bank 1 Oslo Akershus AS, as well as 8 per cent of SpareBank 1 Boligkreditt AS. The profit/loss attributable to these companies is recognised in the Bank's consolidated financial statements proportionate to the Bank's ownership interest.

ted financial statements proportionate to the Bank's ownership interest.

Results

The Group's profit (last year's figure in brackets) was NOK 403 (409) million. This yielded a return on equity after tax of 7.0 (7.5) per cent.

Specification of the consolidated profit in NOK million:

Parent Bank profit before tax	479
Dividends received from subsidiaries and associates	-101
Profit/loss attributable to:	
SpareBank 1 Gruppen AS	60
Bank 1 Oslo Akershus AS	15
SpareBank 1 Boligkreditt AS	20
Hedmark Eiendom AS	5
SpareBank 1 Finans Østlandet AS	37
Consis AS	2
Other companies	11
Consolidated profit before tax	527
Tax	124
Consolidated profit after tax	403

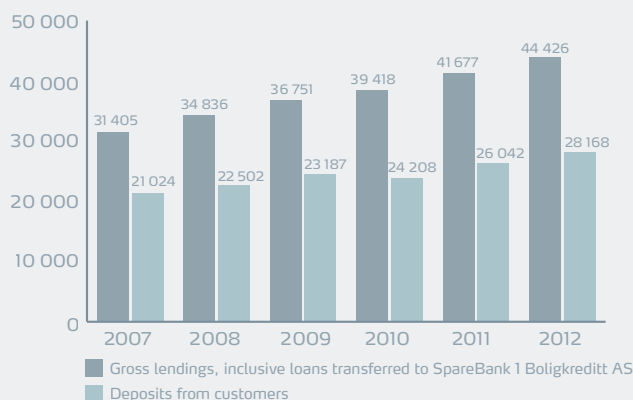
Net interest income was NOK 955 (971) million in 2012. Interest income from mortgages transferred to SpareBank 1 Boligkreditt AS is recognised as commission income in the Bank's accounts. Total net interest income, including commission income from mortgages transferred to the mortgage company, amounted to NOK 1,063 (1,011) million. This corresponds to an increase of 5.1 per cent over the previous year. The Group's lending margin, including loans transferred to SpareBank 1 Boligkreditt AS, was 2.63 per cent in 2012. The deposit margin was minus 0.33 per cent in 2012. The Group's interest margin was 2.30 per cent in 2012.

Net commission and other income increased from NOK 285 million in 2011 to NOK 435 million in 2012. This increase is attributed primarily to income in the subsidiary Consis AS, which was taken over in the second quarter of 2011, as well as increased commission income from SpareBank 1 Boligkreditt AS.

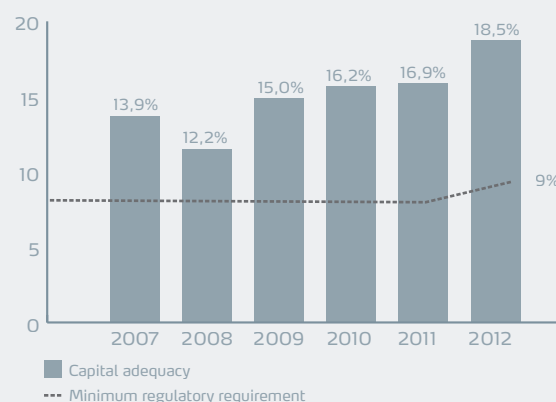
Net profit from other financial assets and liabilities was NOK 43 (148) million in 2012. This decline is attributed primarily to negative changes in the market value of investments and funding.

The Group's total operating costs were NOK 864 (815) million. Of the increase of NOK 49 million, NOK 41 million is attributed to the consolidation of the operating costs of Consis AS in the Group for seven months in 2011.

Gross lending and deposits (Parent bank)



Capital adequacy (Parent bank)



The Group's operating costs accounted for 60.3 (58.0) per cent of the total income in 2012. Excluding the accounting chain Consis AS and the real estate brokerage business, the Group's cost percentage was 55.9 per cent.

Losses remains low and amounted to NOK 42 (50) million, which corresponds to 0.1 (0.1) per cent of gross lending. Problem loans (non-performing and other impaired commitments) as a percentage of gross commitments, including loans transferred to SpareBank 1 Boligkreditt AS, amounted to 1.4 (1.8) per cent at the end of the year.

Balance sheet performance and capital adequacy

The Group's equity was NOK 6.0 (5.5) billion as at 31 December 2012, which is equivalent to 13.7 (12.8) per cent of the balance sheet. The core capital adequacy ratio was 16.9 (15.2) per cent. The increased capital adequacy is attributed to a practically unchanged assessment basis, while pure core capital has increased by NOK 422 million.

Gross lending to customers, including loans transferred to SpareBank 1 Boligkreditt AS, totalled NOK 47.9 (44.6) billion at the end of the year. At the end of the year, home mortgage loans totalling NOK 12.6 (9.9) billion were transferred to SpareBank 1 Boligkreditt AS. This corresponded to 26.0 per cent of total lending and 37.7 per cent of private customer loans, including loans transferred to the mortgage company. Including the transferred loans, the 12-month growth in lending was 7.7 (6.8) per cent. At the end of the year the Bank's customer deposits totalled NOK 28.1 (25.9) billion. Growth in deposits over the past 12 months was 8.6 (7.6) per cent. Deposits as a percentage of gross lending, excluding home mortgage loans, were 79.4 (74.5) per cent.

Debt to credit institutions and debt securities issued amounted to NOK 8.9 (10.6) billion at the end of the year.

Business operations

The head office is located in Hamar, and the Group's operations are in Hedmark, Oppland and Akershus. The Group does not have any operations that pollute the external environment.

Sparebanken Hedmark

– Parent Bank and subsidiaries

With reference to the Norwegian Accounting Act's annual

report content requirements, the Board of Directors confirms that the financial statements have been prepared based on a going-concern assumption.

Profit after tax was NOK 363 (404) million. The Board of Directors proposes to set aside NOK 6 million for donations.

Profit from banking operations (result after losses less financial items) was NOK 423 (372) million after adjustments for non-recurring items. This was an improvement of over 13 per cent compared with the previous year.

Income

Net interest income in 2012 was NOK 834 (871) million. Net income from lending and deposit activities, which include loans transferred to SpareBank 1 Boligkreditt AS, amounted to NOK 942 (911) million. The net interest margin on the balance sheet (excluding currency loans) was 2.42 (2.52) per cent. The interest margin for the retail market was 2.39 (2.42) per cent, while in the corporate market it was 2.53 (2.73) per cent. The parent bank's lending margin was 2.75 (2.10) per cent. The deposit margin was minus 0.33 (0.42) per cent.

Net commission and other income amounted to NOK 287 (196) million. Of this, commission income on loans transferred to SpareBank 1 Boligkreditt AS amounted to NOK 108 (40) million.

Net profit from financial assets and liabilities was NOK 41 (180) million. The reduction was mainly due to changed market values in the Bank's liquidity and bond issue portfolio. The Bank's securities debt and fixed-income investments are assessed at fair value through profit and loss pursuant to IAS 39, and changes in the market value are recognised in profit and loss. The net change in the market value of investments and funding was negative in the amount of NOK 97 million, while it was positive in the amount of NOK 26 million in 2011.

Costs and losses

Total operating costs were NOK 652 (665) million. Compared with last year, costs were 2.0 per cent lower in 2012. The operating costs accounted for 56.1 (53.3) per cent of total income. The Bank's profitability enhancement programme, which was adopted by the Board in June 2011, has proceeded as expected.

The net loss on lending and guarantees was NOK 31 (45) million. NOK 5 million of the losses were within the retail market division, and NOK 26 million were within the corporate market division.

Balance sheet performance and capital adequacy

The pure core capital adequacy ratio at the end of the year was 18.5 (16.9) per cent. The Bank's equity of NOK 5.7 (5.3) billion consists entirely of retained earnings and represents 13.1 (12.3) per cent of the balance sheet.

Total assets increased during the year from NOK 42.8 billion to NOK 43.6 billion. Balance sheet growth was limited due to the fact that loans transferred to SpareBank 1 Boligkreditt AS increased by NOK 2.7 billion in 2012. Gross lending to customers at the end of the year was NOK 31.8 (31.8) billion. Including loans transferred to SpareBank 1 Boligkreditt AS, the lending volume was NOK 44.6 (41.7) billion. Lending growth over the past 12 months, including loans transferred to SpareBank 1 Boligkreditt, was 7.1 (5.7) per cent. In the retail market, growth has been 9.0 (7.7) per cent, including loans transferred to SpareBank 1 Boligkreditt AS. In the corporate market, growth has been 2.8 (1.4) per cent. The risk profile for the Bank's granting of credit did not change in 2012.

Deposits from and liabilities to customers totalled NOK 28.2 (26.0) billion at the end of the year. In the last 12-month period, deposits increased by 8.2 (7.6) per cent, divided between 7.4 (7.0) per cent in the retail market and 9.6 (8.7) per cent in the corporate market. The deposit-to-loan ratio, defined as customer deposits relative to customer lending, excluding loans transferred to mortgage companies, was 89 per cent at the end of 2012.

Rating

On 6 December 2012, Moody's Investor Service confirmed Sparebanken Hedmark's rating (long-term debt and deposit rating) as A1. The Bank's individual rating (standalone financial strength rating) was also confirmed as C-.

Sparebanken Hedmark's individual rating has a stable outlook, while the Bank's long-term senior debt and deposit rating is under review for a downgrade. The review will focus on the expected support available through membership in the SpareBank 1 Alliance.

Subsidiaries

The accounting chain Consis AS posted revenues of NOK 101 (77) million in 2012 and achieved a profit after tax of NOK 5.5 (-12) million.

The real estate brokerage company EiendomsMegler 1 Hedmark Eiendom AS posted revenues of NOK 59 (57) million and achieved a profit after tax of NOK 3.5 (6.1) million.

The finance company SpareBank 1 Finans Østlandet AS posted net interest income of NOK 122 (104) million and achieved a profit after tax of NOK 26.6 (27.2) million. At the end of the year the finance company's gross lending totalled NOK 3.6 (3.0) billion.

Risk management

Risk management at Sparebanken Hedmark shall ensure that the risk exposure is known at all times and within the limits set by the Board of Directors. Risk management shall support the Group's strategic development and achievement of targets, and help ensure financial stability and prudent asset management.

The Board of Directors has adopted the "Risk and Capital Management Policy at Sparebanken Hedmark". This document defines the principal framework for risk management, including the management of the various risks. The Board of Directors adopts the overall risk strategy, the governing documents for the credit area, as well as the Bank's finance strategy for the areas of funding risk and market risk on an annual basis. Risk exposure and development are monitored and reported to the Bank's Board of Directors periodically.

Credit risk

Credit risk is defined as the risk of losses if customers or counterparties are unable or unwilling to meet their financial obligations.



Siri J. Strømmevold
(Born in 1961), Chairman
of the Board, lives in Tynset.

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

Credit risk in the loan portfolio is the Bank's greatest risk. The risk is continuously managed in accordance with the Bank's credit strategy, credit policy, credit authorities, routines for credit granting and various reporting and follow-up requirements. Sparebanken Hedmark uses statistical risk classification models as a basis for dividing the portfolio into different risk groups. For more detailed information, reference is made to the Group's Pillar 3 document, which is available from the Bank's website.

The Bank primarily finances retail market customers and corporate customers in Hedmark. During the last two years, the market area has been expanded through the acquisition and establishment of new bank offices in Gjøvik and Lillehammer in Oppland, as well as Årnes in Akershus. As in previous years, the Bank participates in the financing of major projects in cooperation with other banks – primarily banks in the SpareBank 1 Alliance.

The risk profile in the corporate market portfolio has improved in 2012. Expected losses and risk-adjusted capital have been reduced in relative terms. Defaults have been declining overall, and the losses on loans are low. Lending growth has been low during the period as a result of the redemption of certain large commitments. An active effort has been made to improve the portfolio and reprice the loan portfolio.

Growth in the total loan portfolio, including loans transferred to SpareBank 1 Boligkreditt, has been moderate, and the risk profile has improved throughout the year. The latter is attributed primarily to the change in practice related to the granting of credit as a result of the Financial Supervisory Authority of Norway's guidelines for home mortgage financing, as well as closer monitoring of the portfolio's defaulted commitments. Losses on loans are low. Continued low unemployment and low interest rates, combined with stable or rising housing prices and a continuation of the focus on portfolio improvement, will contribute to a further improvement in the portfolio's risk profile. As long as the collateral value is not reduced as a result of significantly lower housing prices or a significant increase in unemployment, the loss risk in the portfolio is limited.

The Bank's portfolio of interest-bearing securities also entails a credit risk. This is described in greater detail under the market risk section below. In addition, the Bank

has credit risk related to accounts receivable from other credit institutions. The decidedly largest single receivable is a loan to the Bank's subsidiary, SpareBank 1 Finans Østlandet AS. Because of the company's strong growth, the Parent Bank's exposure increased significantly throughout 2012.

The Board of Directors finds that the Bank's credit risk related to lending operations overall has shown a positive development in 2012. The Group's credit risk is considered to be moderate.

Market risk

Market risk is defined as the risk of loss connected to portfolios of financial instruments as a result of unfavourable changes in interest rates and credit spreads, as well as prices for securities and foreign exchange rates

Limits and guidelines for the management of market risk follow from the Group's financial strategy adopted by the Board of Directors. Risk exposure and development is continuously monitored, and reported periodically to the Bank's Board of Directors.

The Group's market risk is primarily related to investments in fixed-income securities in the Parent Bank's liquidity portfolio, and to the issuance of debt securities in the Parent Bank's funding portfolio. This market risk can be separated into interest rate risk and credit risk (spread risk).

Guidelines and limits for investments in fixed-income securities are adapted to the regulatory requirements for funding management. Investment in fixed-income securities has declined from NOK 5.2 billion to NOK 4.9 billion during the year. With regard to risk, the relative percentage of fixed-income securities with the lowest credit risk has increased, as a result of gradual adaptation to anticipated future regulatory requirements under Basel III.

During the year the holdings of debt securities has increased from NOK 7.45 to 7.65 billion. The market value of the debt varies with fluctuations in interest rates, including in particular fluctuations in the indirect or traded credit spreads for the Bank's issues. The credit spreads for the Bank's funding have tightened throughout 2012.

Interest rate risk results from the fact that the Group's

balance sheet items have different remaining interest rate commitment terms. The Bank manages interest rate risk in accordance with adopted risk limits by adapting the interest rate commitment terms for the aforementioned investments and funding. In addition, derivatives are used for interest rate hedging. The Bank's interest rate risk has been moderate in 2012. At the end of the year, an increase in the interest rate level of one percentage point through a parallel shift in the entire yield curve would have reduced the profit by NOK 45.2 million after tax.

Currency risk is managed by means of the adopted exposure limits. The positions have generally been very low in 2012.

The price risk for equity capital instruments is measured in relation to the exposure in units, equity certificates, equity funds and shares, excluding investments in Group companies. In 2012, the Bank has had a marginal increase in its exposure to equity capital instruments due to the positive performance of the equity market.

It is the opinion of the Board of Directors that the Bank's overall market risk is moderate to low at the end of the year.

Funding risk

Funding risk is the risk that the Bank is not able to fulfil its obligations when due, or finance assets, including desired growth, without significant extra costs.

Management of the funding risk is based on the finance strategy. This sets limits for the net funding requirements at different time intervals, requirements for long-term funding, the size of the liquidity reserve and the length of the time period in which the Bank should be independent of new external financing. For more detailed information, reference is made to the Bank's Pillar 3 document, which is available from the Bank's website.

Funding management at Sparebanken Hedmark entails maintenance of a broad deposit base from both retail and corporate customers, as well as other diversified funding of the operations. Deposits from customers represent the Bank's most important source of funding.

Important sources for long-term funding are market funding, loans from other financial institutions, and the transfer of home mortgage loans to SpareBank 1 Boligkreditt AS. Over 60 per cent of the Bank's external

long-term funding requirements (excluding customer deposits) at the end of the year were covered through SpareBank 1 Boligkreditt AS.

At the end of the year, the average term to maturity for the Bank's long-term funding was 4.4 years. The average term to maturity of all borrowing was 3.5 years.

As part of funding management, Sparebanken Hedmark needs to maintain a portfolio of liquid securities. The Bank has chosen to meet this need by investing in national and international bonds. These securities can be used as collateral for short-term and long-term loans from Norges Bank. At the end of 2012, the Bank's overall liquidity reserves were NOK 5.1 billion, including deposits with Norges Bank. In addition, the Bank has an unused funding facility of NOK 1 billion and home mortgage loans ready to be transferred to the mortgage company totalling NOK 2.3 billion. The reserves represent liquidity buffers of varying quality for the fulfilment of strategic and regulatory requirements.

Under ordinary operations with budgeted growth and including unused overdraft facilities and real liquidity reserves, the Bank should be independent of external funding for a minimum of 12 months. At the end of 2012, the Bank had adequate funding and reserves for continued ordinary operations for more than 16 months without any new external funding in this scenario.

In the event of the scenario "Major crisis in the market and in the Bank", the Bank should manage to maintain normal operations for three months in accordance with adopted limits without any new external funding. At the end of 2012 Sparebanken Hedmark could maintain operations for four months without any new capital.

In the opinion of the Board of Directors the Bank's funding risk is low at the end of the year.

Operational risk

Operational risk is the risk of losses due to inadequate or failed internal processes or systems, human error or external events.

Management of operational risk is based on the "Policy for Operational Risk". Risk assessments of the different areas are conducted annually. These provide the foundation



Jan Wibe
(Born in 1942), Member of the Board, lives in Hamar.

Wibe is a BI Norwegian Business School graduate, with post-graduate management education from UCLA, retired, a member of the County Council Board and a member of the Hamar Municipal Board. He has been a member of the Board of Directors since 2004.



Grethe G. Fossum
(Born in 1945), Member of the Board, lives in Grue.

Fossum has a university degree, is a former member of the Norwegian parliament and is currently the Integrated Care Director at Innlandet Hospital, Kongsvinger. She was appointed to the Board of Directors in 2006.

for audit procedures that are followed up through the Bank's tools for monitoring operational risk.

On the basis of the Bank's earnings and financial strength, as well as the organisation's competence and management systems, the Board of Directors finds that the Bank's overall risk exposure is acceptable.

Organisation and personnel

The Sparebanken Hedmark Group had a total of 694 employees at the end of 2012. Of these employees, 128 were employed in the accounting chain Consis AS, in which Sparebanken Hedmark owns 60 per cent of the shares and SpareBank1 SMN Regnskap owns 40 per cent.

At the end of the year the Bank had 484 employees. There was a net reduction of 26 in the number of employees during the year. The average age of Bank employees at the end of 2012 was almost 48 years, while the average length of service was 19 years.

HR strategy

A separate HR strategy for the 2011-2013 period has been adopted. In revising the Bank's overall strategy in 2012, there was a special focus on the need for further skills development – including management development, development of the employees' ability to show initiative, and strengthening internal interaction.

Organisational development

Annual organisational surveys are conducted, and they focus on working environment and managerial matters. Importance is attached to the survey in connection with the assessment, follow-up and development of the organisation's managers, and it is used to evaluate the need for various organisational development measures. The survey is conducted in cooperation with other SpareBank 1 banks, and the Bank thus has a good foundation for external comparison. The results were generally satisfactory in 2012, even if there was some unrest in the organisation as a result of restructuring and workforce reduction which was expressed in the survey.

The Retail Market Division started using a new system (Maze) for systematic advisor evaluation, in which customers' immediate perceptions and assessments form

the basis for evaluation. The system stimulates and supports more customer-oriented and market-oriented work processes, and provides both advisors and managers with ongoing feedback. The system thus establishes a foundation for more precise guidance and facilitation from managers, and more to-the-point and focused activities connected to skills development and training activities for individuals and groups. The same methodology will be introduced to the Corporate Market Division in the first quarter of 2013.

The profitability enhancement programme DRIV has continued throughout all of 2012. Most of the measures are implemented as intended, but some of the measures will have a delayed effect due to the delayed delivery of new technology. A separate department for business process improvement was established in 2012 as part of the DRIV programme. Among other things, this department is responsible for corporate governance and continuous improvement, which are to contribute to more systematic work on process improvement and profitability enhancement, even after the conclusion of the DRIV programme in 2013.

Recruitment

A total of 25 employees were recruited externally, and 21 positions were filled through internal recruitment during the year. Viewed in the context of a decline in the number of full-time equivalents overall, this reflects a managed allocation of resources and competence – in which the need for resources lessens in some parts of the organisation, while there is a need for new competence elsewhere. The Bank seeks to recruit employees with varied professional backgrounds, and employees who are recruited externally generally have a minimum of three years of higher education. Employees are increasingly being recruited at the master's degree level. All new employees at Sparebanken Hedmark receive and complete an individually adapted introduction programme.

The Bank would like to be perceived as an attractive employer for young people as well, – through cooperation with upper secondary schools, participation at education fairs and support for research and education. The Bank also participates actively in a regional trainee programme, Trainee Innlandet, which focuses on young adults with higher education.

Skills development

Sparebanken Hedmark offers various skills development activities, both in its own organisation and in cooperation with the other banks in the SpareBank 1 Alliance.

Measures take place in the form of e-learning, shorter courses and more comprehensive training programmes that qualify for study credits. In the context of the new national authorisation schemes, the Authorisation Scheme for Financial Advisors (AFR) and the Approval Scheme for General Insurance (GKS), the main activities in 2012 have been related to competence updating for the employees who are already authorised.

In 2012, there was a great deal of focus on social media and employees use of social media in connection with the Bank establishing its own Facebook page. This was the topic of the annual "Ethics Week", in which training was offered to increase comprehension and lay the foundation for good handling of social media.

In 2012, the Bank started the process of introducing a new portal for strategic competence management. The portal will be opened up to the entire organisation in the course of 2013, and it will establish a foundation for even more efficient and goal-oriented skills development, resource management and career planning.

Management development

The management development activities have been organised around professional days for managers in 2012 as well. The Bank has also completed an extensive development programme for 15 young management talents. The purpose of the programme has been to identify the management potential of the participants, and to lay the foundation for a broader base for recruitment of future managers, thus facilitating an increase in the percentage of women managers.

Health, safety and the environment

Absence due to illness was 4.6 per cent in 2012, which represents a satisfying decline of 0.8 per cent from 2011. Short-term absence due to illness was just 0.7 per cent. Long-term absence due to illness was primarily related to serious illnesses that cannot be said to be work-related. The Bank is an Inclusive Workplace (IA) and absence due to illness is reported and followed up in accordance with established routines. Overall absence among men was 3.0 per cent, while it was 5.8 per cent among women.

Importance is attached to health-promoting activities in order to improve the work environment and prevent absence due to illness. Substantial resources are employed in the form of grants to company sports clubs, active involvement of the corporate health service, and not least the cooperation with private health companies in providing comprehensive annual medical examinations for all employees.

No injuries have been recorded or reported to the Norwegian Labour Inspection Authority in 2012.

Equal opportunities

Women account for 56 per cent of Bank employees, while the proportion of women in managerial positions is 40 per cent. This is a positive development, since the percentage has been between 36 and 38 per cent in recent years. The CEO's management team consists of two women and seven men. The Board of Directors of the Bank consists of four women and three men, while the Board of Representatives of the Bank consists of 16 women and 24 men.

Sparebanken Hedmark seeks balance in gender distribution for various roles at all levels in the organisation. The Bank promotes equality through its personnel management and development measures anchored in the Bank's main strategy and HR strategy.

The overall percentage of part-time employees is 18 per cent. Among women, the percentage of part-time employees is 28 per cent, while the percentage among men is 5 per cent.

All employees' salaries are determined on the basis of their position, education, experience and personal qualities, and they are subject to individual annual assessments. Analysis conducted in 2012 shows that the average wage for women in relation to men varies between 91 per cent and 104 per cent at various position levels.

Sparebanken Hedmark strives to avoid discrimination in all contexts. The Bank makes special adaptations for employees who because of illness, reduced capacity for work or some other reason require adaptation of their workplace and work tasks. In collaboration with the Norwegian Labour and Welfare Service (NAV), the Bank also welcomes employees who need training and work experience.

Outlook for 2013

In Europe, uncertainty about the development of the euro zone has abated, and growth is expected once again in 2013. The level of activity in Norway is expected to last throughout 2013, with continued economic expansion, low unemployment and a low interest rate level.

Based on the macroeconomic outlook for 2013 and a further stabilisation of capital markets in Europe,


good access to funding and further tightening of the credit spreads is expected throughout the coming year.

Based on the Bank's solid equity and satisfactory funding, the Board of Directors expects a good result for 2013. The Board of Directors will ensure that the Bank's overall risk exposure in 2013 will be acceptable.

Board of Sparebanken Hedmark Hamar, 07. march 2013



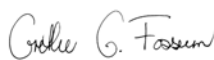
Siri J. Strømmevold
Chairman



Bjørnar Håkensmoen



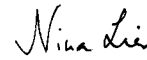
Jan Wibe



Grethe G. Fossum



Aud Christensen



Nina C. Lier



Espen Bjørklund Larsen



Richard Heiberg
Managing Director

ACCOUNTS



Income statement

Parent bank			Notes	Group	
2011	2012	(NOK million)		2012	2011
1 937	1 942	Interest income	20	2 062	2 037
1 066	1 108	Interest expenses	20	1 107	1 066
871	834	Net interest income		955	971
218	295	Commission income	21	294	217
31	29	Commission expenses	21	44	45
9	21	Other operating income	21	185	113
196	287	Net commission and other income		435	285
22	7	Dividends	22	7	22
108	93	Net profit from ownership interests	22,32,41	95	76
50	-59	Net profit from other financial assets and liabilities	22	-59	50
180	41	Net income from financial assets and liabilities		43	148
1 247	1 162	Total net income		1 433	1 404
357	331	Personnel expenses	23,24	457	446
308	321	Other operating expenses	25	407	369
665	652	Total operating expenses before losses on loans and guarantees		864	815
582	510	Profit before losses on loans and guarantees		569	589
45	31	Losses on loans and guarantees	13	42	50
537	479	Profit/loss before tax		527	539
133	116	Tax charge	26	124	130
404	363	Results for the accounting year		403	409
		Majority interests		524	
		Minority interests		3	
404	363	Statement of other comprehensive income		403	409
-113	110	Actuarial gains / losses on pensions		118	-121
32	-31	Tax effect of actuarial gains / losses on pensions		-35	38
-54	21	Change in value of financial assets available for sale		21	-54
		Financial assets available for sale transferred to profit and loss			
-7	-3	on write-down due to permanent impairment of value		-3	-7
		Share of other comprehensive income from associates and joint ventures		7	-52
		Financial assets available for sale transferred to profit and loss			
7	5	on realisation		5	7
-135	102	Total profit and loss items recognised in equity		113	-189
269	465	Total profit / loss for the accounting year		516	220
		Majority share of comprehensive income		513	
		Minority interest of comprehensive income		3	

Balance sheet

Parent bank			Group		
2011	2012	(NOK million)	Notes	2012	2011
ASSETS					
372	236	Cash and deposits with central banks		236	372
3 010	3 496	Loans to and receivables from credit institutions	10	294	364
31 503	31 558	Loans to and receivables from customers	11	35 200	34 451
5 235	5 104	Certificates, bonds and fixed-income funds	30	5 104	5 235
376	513	Financial derivatives	17	513	376
312	341	Shares, units and other equity interests	31	341	312
1 100	1 299	Investments in associates and joint ventures	32	1 558	1 329
342	340	Investments in subsidiaries	32		
	1	Assets held for sale		1	
249	250	Property, plant and equipment	33	272	272
110	126	Goodwill and other intangible assets	34	199	170
69	46	Deferred tax asset	26	43	82
164	332	Other assets	35	352	180
42 842	43 642	Total assets		44 113	43 143
LIABILITIES					
3 010	834	Deposits from and liabilities to credit institutions	10	833	3 008
26 042	28 168	Deposits from and liabilities to customers	36	28 137	25 907
7 598	8 038	Liabilities arising from issuance of securities	37	8 038	7 598
225	193	Financial derivatives	17	193	225
83	114	Current tax liabilities		117	88
612	574	Other debt and liabilities recognised in the balance sheet	38	751	783
37 570	37 921	Total liabilities		38 069	37 609
EQUITY					
5 133	5 569	Primary capital		5 569	5 133
93	83	Endowment fund		83	93
46	69	Fund for unrealised gains		69	46
		Other equity		299	262
		Minority interests		24	
5 272	5 721	Total equity		6 044	5 534
42 842	43 642	Total equity and liabilities		44 113	43 143

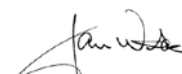
The Board of Directors of Sparebanken Hedmark
Hamar, 7 March 2013



Siri J. Strømmevold
Chairperson



Bjørnar Håkensmoen



Jan Wibe



Grethe G. Fossum



Aud Christensen



Nina C. Lier



Espen Bjørklund Larsen



Richard Heiberg
Chief executive officer

Changes in equity capital

Parent bank	Earned equity			Total equity capital
	Primary capital	Endowment fund	Fund for unrealised gains	
(NOK million)				
Equity at 1 January 2011	4 840	78	100	5 018
Total comprehensive income	404			404
Actuarial gains / losses on pensions	-81			-81
Change in value of financial assets available for sale			-54	-54
Donations distributed from profit 2010	-5			-5
Grants from endowment fund in 2011		-10		-10
Transfer to endowment fund in 2011	-25	25		0
Equity at 31 December 2011	5 133	93	46	5 272
Equity at 1 January 2012	5 133	93	46	5 272
Total comprehensive income	363			363
Actuarial gains / losses on pensions	79			79
Change in value of financial assets available for sale			23	23
Donations distributed from profit 2011	-6			-6
Grants from endowment fund in 2012		-10		-10
Transfer to endowment fund in 2012				0
Equity at 31 December 2012	5 569	83	69	5 721

Group	Earned equity					Total equity capital
	Primary capital	Endowment fund	Fund for unrealised gains	Other equity	Minority interests	
(NOK million)						
Equity at 1 January 2011	4 840	78	100	307		5 325
OB correction: Correction of previous years' errors				4		4
Adjusted equity at 1 January 2011	4 840	78	100	311		5 329
Total comprehensive income	404			5		409
Actuarial gains / losses on pensions	-81			-14		-95
Change in value of financial assets available for sale			-54			-54
Direct recognition in equity in associated companies and joint ventures				-40		-40
Donations distributed from profit 2010	-5					-5
Grants from endowment fund in 2011		-10				-10
Transfer to endowment fund in 2011	-25	25				0
Equity at 31 December 2011	5 133	93	46	262		5 534
Equity at 1 January 2012	5 133	93	46	262		5 534
OB correction: Correction of previous years' errors				-11		-11
Adjusted equity at 1 January 2012	5 133	93	46	251		5 523
Total comprehensive income	363			37	3	403
Actuarial gains / losses on pensions	79			11		90
Change in value of financial assets available for sale			23			23
Change in the group composition					21	21
Donations distributed from profit 2011	-6					-6
Grants from endowment fund in 2012		-10				-10
Transfer to endowment fund in 2012						0
Equity at 31 December 2012	5 569	83	69	299	24	6 044

Cash flow statement

Parent bank		(NOK million)	Group	
2011	2012		2012	2011
13 280	12 800	This year's downpayment on repayment loans etc. to customers	14 129	14 379
		Change in advance rent leasing	16	2
-13 242	-11 569	Newly discounted repayment loans etc. to customers for the year	-13 599	-14 992
87	210	Change in balances of foreign currency lending	210	87
-419	-1 757	Change in balances of credits	-1 757	-418
1 546	1 533	Interest and commission income on lending	1 757	1 746
18	3	Included in previous years' realised losses on lending	6	19
		Net cash flow relating to bankruptcies		
	-1	Net cash flow from assets held for sale	-1	1
1 270	1 219	Cash flow from lending operations (A)	761	824
1 488	2 288	Change in balances of deposits from customers at call	2 291	1 484
337	-164	Change in balances of deposits from customers with agreed maturity dates	-164	338
-613	-783	Interest payments to customers	-778	-614
1 212	1 341	Cash flow from deposit operations (B)	1 348	1 208
-672	187	Net cash flow from securities held short term	187	-672
		Cash flow linked to exchange rate gains / losses on securities held short term	-67	-26
-26	-67			
130	145	Interest received on bonds and certificates	145	130
		Share dividends received from securities held short term		
-568	265	Cash flow from investments in securities (C)	265	-568
-947	-269	Change in receivables from credit institutions with agreed maturity dates	287	-297
103	114	Interest received on deposits in credit institutions	114	107
-844	-155	Cash flow from deposits in credit institutions (D)	401	-190
378	408	Other income	578	483
-712	-795	Operating expenses payable	-1 029	-880
-131	-56	Tax payments	-58	-143
-14	-16	Donations	-16	-14
	-30	Group contributions		
-40	-67	Net cash flow from change in other assets	28	-58
-56	-28	Net cash flow from change in accruals	-158	-258
8	112	Net cash flow from change in other liabilities	130	28
-567	-472	Remaining cash flow from current operations (E)	-525	-842
503	2 198	CASH FLOW FROM OPERATIONS (A+B+C+D+E=F)	2 251	432
-829	-2 160	Change in deposits from credit institutions	-2 163	-877
2 138	1 383	Receipts arising from issuance of securities	1 383	2 138
-1 225	-579	Payments arising from redemption of securities issued	-579	-1 225
-779	-601	Buy-back of own securities	-601	-779
-415	-271	Interest payments on financing	-272	-296
-1 110	-2 228	Cash flow from financing activities (G)	-2 230	-1 039
-43	-55	Investments in fixed assets and intangible assets	-62	-47
1	21	Sales of fixed assets and intangible assets at sales price	21	1
-51	-215	Purchase of long-term securities	-215	-52
-4	9	Sale of long-term securities	9	-4
130	108	Share dividends from securities held long term	75	95
33	-132	Cash flow from investments (H)	-171	-7
-40	16	Liquidity effect of acquisition and sale of subsidiaries(I)	4	
-614	-146	CHANGE IN CASH AND CASH EQUIVALENTS (F+G+H+I)	-146	-614
1 021	407	Cash and cash equivalents at 1 January	407	1 021
407	261	Cash and cash equivalents at 31 December	261	407
		Cash and cash equivalents at 31 December comprise:		
372	236	Cash and deposits with central banks	236	372
35	25	Deposits etc. at call with banks	25	35
407	261	Cash and cash equivalents at 31 December	261	407

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Note 1 - General information

The Sparebanken Hedmark Group consists of the Parent Bank Sparebanken Hedmark and the wholly owned subsidiaries EiendomsMegler 1 Hedmark Eiendom AS, SpareBank 1 Finans Østlandet AS and Vato AS.

The bank has a majority interest in the accounting chain Consis AS (60 per cent ownership interest) and the debt collection company Consis Credit AS (74.5 per cent ownership interest). Both of the companies are consolidated in Sparebanken Hedmark's consolidated financial statements.

The Bank owns 12 per cent of the SpareBank 1 Group AS. The other owners are SpareBank 1 SR-Bank, SpareBank 1 Nord-Norge, SpareBank 1 SMN and Samarbeidende Sparebanker AS, each of which has a 19.5 per cent interest, and the Norwegian Federation of Trade Unions (LO), which has a 10 per cent interest. The management structure of the SpareBank 1 collaboration is governed by an agreement between the owners. The Group's ownership interest in SpareBank 1 Gruppen AS is classified as an investment in a joint venture.

The Bank owns 50 per cent of the shares in Torggata 22 AS. The company is also accounted for as a joint venture. The same applies to SpareBank 1 Utvikling DA, in which the Bank has an 11.3 per cent interest. The other owners in the latter company are member banks in the SpareBank 1 Alliance.

Sparebanken Hedmark has a 12 per cent interest in Bank 1 Oslo Akershus AS, currently a 7.77 per cent interest in SpareBank 1 Boligkreditt AS, 10 per cent interest in SpareBank 1 Kundesenter AS, 8.9 per cent interest in SpareBank 1 Verdipapirservice AS and 8.8 per cent in SpareBank 1 Kreditkort AS. All of the companies have been defined as associated companies in spite of the fact that the ownership interest is less than 20 per cent. This is because the ownership structure and the strategic cooperation between the owning banks of the SpareBank 1 Group give Sparebanken Hedmark a significant influence over these companies.

Sparebanken Hedmark is domiciled in Norway, and its head office is located in Hamar. The bank has a total of 29 offices spread across three counties. Its branch office network is located primarily in Hedmark, but it has two offices in Oppland and one office in Akershus. The head office of all the subsidiaries is located in Hedmark County.

The Group's core operations include deposits, lending, payment transfers, and the sale of other financial products and services, in addition to leasing, real estate brokering and accounting.

The consolidated accounts were given final approval by the Supervisory Board on 4 April 2013. The Supervisory Board is the Bank's highest administrative body.

Changes in the composition of the Group

2012

Sparebanken Hedmark sold 40 per cent of the shares in the accounting chain Consis AS to SpareBank 1 SMN Regnskap AS on 2 January. Consis AS spun off its ownership interest of 74.5 per cent in Consis Credit AS with effect from the same date. The ownership interest was taken over by Sparebanken Hedmark.

The shares in Engerdal Høvleribbygg AS were sold in March, and the company is no longer an associated company in the financial statements for 2012.

SpareBank 1 Kundesenter AS was established in June 2012. Sparebanken Hedmark owns 10 per cent of the company together with the other banks in the SpareBank 1 Alliance. The company is classified as an associated company. The 36 per cent shareholding in Fageråsen Invest AS was sold in September.

In the last quarter, the Bank acquired ownership interests in SpareBank 1 Verdipapirservice AS and SpareBank 1 Kreditkort AS. These companies are classified as associated companies.

2011

The subsidiaries Meglereiendom AS and Sørumsøberg AS, which were wholly owned subsidiaries of Hedmark Eiendom, have been liquidated. On 18 April 2011, Sparebanken Hedmark acquired all the shares in the finance and accounting chain Consis AS. Consis AS consists of 47 financial offices and 115 employees, and it is one of Norway's leading providers and developers of finance and accounting services. The Group's head office is in Hamar, and the chain operates throughout most of Norway.

Note 2 – Accounting principles

Basis for preparation of the consolidated accounts

The company and the consolidated accounts for Sparebanken Hedmark have been prepared in accordance with the International Financial Reporting Standards (IFRS), which the EU has ruled shall be used at 31 December 2012. This also includes interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC). Sparebanken Hedmark started applying IFRS as of 1 January 2007 with retroactive effect. Sparebanken Hedmark has not taken advantage of the opportunity to start applying new standards or changes in standards, which are mandatory from 1 January 2013 or later.

Presentation currency

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

Subsidiaries

Assets in subsidiaries are valued in accordance with the cost method of accounting in the Parent Bank accounts. The investment is valued at the historical cost of the shares unless a write-down of the shares has been necessary. Dividends, group contributions and other distributions are recognised as income in the year that they are adopted by the Supervisory Board.

Consolidation

The consolidated financial statements comprise the Bank and all its subsidiaries. Subsidiaries are defined as all enterprises that the Bank controls, i.e. has 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 date on which the Group assumes control and are no longer consolidated from the date the Bank relinquishes control. Mutual balance sheet items and all significant profit and loss elements are eliminated.

On achieving a controlling influence in an enterprise (business combinations), all identifiable assets and liabilities are shown at fair value in accordance with IFRS 3. Any positive difference between fair value of the payment on acquisition and fair value of identifiable assets and liabilities is recognised as goodwill, whereas any negative difference is recognised as income at the time of acquisition. The accounting of goodwill after the initial recognition is commented on under the section on intangible assets. The Bank has not applied IFRS 3 retrospectively on business combinations that were implemented before 1 January 2006.

All transactions between group companies are eliminated in the consolidated accounts. The minority's share of the Group's profit/loss is presented on a separate line under profit/loss after tax in the income statement. The minority's share of equity is shown as a separate item.

Associated companies

Associated companies are companies in which the Bank has significant influence, but not control. In general, significant influence is when the Bank's ownership is 20 per cent or more. Enterprises are treated as associated companies from the time significant influence is established and until it no longer applies. Associated companies are included in the Group's accounts according to the equity method of accounting. The investment is recognised for the first time on the balance sheet at cost and subsequently adjusted for changes in 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.

Joint ventures

In a joint venture company, the partners involved have joint control over operations based on contractual agreements. The agreements demand unanimity between the partners 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.

Loans to and receivables from customers

After the Bank started applying IFRS as of 1 January 2007, loans have been measured at amortised cost in accordance IAS 39. The assessment of loans in accordance with IAS 39 follows the same principles as found in the lending regulations of 21 December, cf. Directive no. 10/2005 from the Financial Supervisory Authority of Norway.

Fixed-rate loans and loans with interest-rate guarantees are recognised at fair value through profit and loss using the Fair Value Option (FVO) in IAS 39. Gains and losses arising from a change in fair value are recognised as income from other financial investments. Fixed-rate loans and loans with interest-rate guarantees are presented inclusive of accrued interests.

Sparebanken Hedmark has entered into an agreement for the legal sale of loans with high collateral and a mortgage on real estate to SpareBank 1 Boligkreditt AS. In accordance with the management agreement between the Bank and the mortgage company, the Bank is responsible for management of the loans and maintains contact with the customers. The Bank receives compensation in the form of a commission for the obligations associated with management of the loans. There is a remaining involvement associated with the transferred loans due to a limited settlement of losses against the commission. Under the management agreement, the mortgage companies are allowed to resell the loans bought from the Bank, while the Bank's right to manage customers and receive a commission remains attached. In addition, the Bank has an option to buy back loans under certain circumstances. The Bank is considered therefore to have retained real control over the transferred loans. The Bank has thus neither retained nor transferred the majority of the risk and returns associated with the transferred loans. The Bank recognises the amounts related to the remaining involvement as assets and liabilities. The Bank recognises in addition the fair value of the remaining credit risk related to the transferred loans as a liability. This is estimated to be very small. Based on a materiality assessment, the Bank has not recognised any amount for the remaining involvement in the transferred loans. Reference is made to the description in Note 14.

Assessment of loan impairment

On each balance sheet date, for loans assessed at amortised cost, the Bank assesses whether there is objective proof of reduction in value of a financial asset or group of financial assets. Impairment of a financial asset or group of financial assets is only deemed to have occurred if, and only if, there is objective proof of an impairment that may result in a reduction in future cash flows to service the loan. The impairment must be a result of one or more events that 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 measure the impact of the loss event(s) in a reliable manner. Objective proof of reduction in value of a financial asset or group of financial assets includes observed data that is known to the Group relating to the following loss events:

- significant financial difficulties experienced by the issuer or borrower
- default of contract, such as failure to pay instalments and interest
- the Group granting the borrower special terms and conditions for financial or legal reasons relating to the borrower's situation
- it becoming probable that the borrower will enter debt settlement proceedings or other financial reorganisation
- the disappearance of active markets for the financial assets because of financial difficulties, or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with an individual financial asset in the group including:
- adverse changes in the payment status of the borrowers in the group, or
- national or local economic conditions that correlate with defaults on the assets in the group

The Bank first considers whether there is individual objective evidence of impairment of financial assets that are significant individually. For financial assets that are not individually significant, the objective evidence of impairment is considered individually or collectively. If the Bank decides that there is no objective evidence of impairment of an individually assessed financial asset, significant or otherwise, the asset is included in a group of financial assets with the same credit risk characteristics. The group of assets is then tested for any impairment loss. Assets that are assessed individually as regards loss of value, for which a loss of value is identified or is still identified, are not included in a total assessment of loss of value.

If there is objective evidence that impairment has occurred, the amount of the loss is calculated as the difference between the asset's book (carrying) value and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The book value of the asset shall be reduced through the use of an allowance account, and the loss shall be recognised in the income statement.

Future cash flows from a group of financial assets that have been tested for impairment on a portfolio basis are estimated on the basis of the contractual cash flows for the group and historical losses on assets with a similar credit risk. Historical losses are adjusted for existing observable data in order to take into account the effects of existing circumstances that were not present at the time of the historical losses.

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 summaries 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. Commitments in default can be written down for expected losses if the customer's financial situation makes future losses likely. Loans and commitments that are not in default, but where the customer's financial situation makes it likely that the Bank will incur losses, are classified as doubtful.

Realised losses

When it is highly probable that losses will be final, they are classified as realised losses. Realised losses that are covered by earlier specific loss provisions are recorded against the provisions. Realised losses without cover by way of loss provisions, and overfunding or underfunding in relation to previous loss provisions, are recognised in the income statement.

Assets held for sale

In connection with legal recovery of claims under non-performing loans and guarantees, the Bank in some cases repossesses assets that have been pledged as security for the commitments. Repossessed assets that are expected to be realised are classified as fixed assets held for sale. In accordance with IFRS 5, these assets are assessed at the time of repossession at fair value less selling expenses. The difference between this value and the value of the loan commitment is adjusted through the income statement. Repossessed assets that cannot be expected to be sold are capitalised as fixed assets on the Bank's balance sheet.

Leasing

Financial leases are classified as loans on the balance sheet and recognised in accordance with the amortised cost principle. All fixed income during the ordinary leasing period is included in the calculation of the agreement's effective rate of interest. The Group has no "sell and lease back" contracts covering property, plant and equipment.

Goodwill and other intangible assets

Goodwill is defined as the difference between the purchase price and the value of the acquired business included on the balance sheet, after the acquisition cost has been allotted to identifiable tangible and intangible assets, liabilities and contingent liabilities. Goodwill is not amortised, but is subject to an annual impairment test with a view to ascertaining any impairment, in accordance with IAS 36. When assessing impairment, the assessment is carried out at the lowest level where it is possible to identify cash flows. Any write-down of goodwill cannot be reversed.

Negative goodwill is recognised as income immediately. Negative goodwill relating to investments in associated companies and joint ventures is recognised as income immediately according to the equity method of accounting. Other immaterial assets are depreciated on a straight-line basis over their estimated useful life.

Property, plant and equipment

Fixed assets comprise buildings, plots of land and operating equipment. Buildings and operating equipment are recorded at historical cost less depreciation and write-downs. Plots of land are recorded at historical cost price less write-downs. The historical cost includes all direct costs related to getting the asset to function as intended. Non-current assets, less any residual value, are depreciated on a straight-line basis over their estimated useful life.

When determining a depreciation schedule, the separate assets are split up into components with different useful lives to the extent that this is regarded as necessary, taking into account the estimated residual value. Property, plant and equipment that individually are regarded as insignificant, such as PCs and other office equipment, are not assessed individually for residual value, useful life or impairment, but are assessed in groups. Useful life of various classes of property, plant and equipment:

Buildings, furniture and fittings: 10 – 100 years
Operating equipment: 3 – 25 years

Property, plant and equipment that are depreciated are subject to an impairment test in accordance with IAS 36 whenever circumstances so indicate.

Plots of land, buildings and sections of buildings owned by the Group for the purpose of earning rental income and/or capital gains are classified as investment properties. In buildings where the Group uses parts of the building for its own operations, that part that is leased

to others is treated as an investment property if that part is sectionable. The Group has chosen to recognise investment properties in accordance with the cost method of accounting. The fair value of investment properties is established through an appraisal, or valuation by a government-authorised estate agent.

Pensions

The Sparebanken Hedmark Group has established various pension schemes for its employees. These pension schemes satisfy the mandatory occupational pension requirements.

Defined benefit scheme

In a defined benefit pension scheme, the employer undertakes to provide a future pension of a given size. The basis for calculating the pension expenses is a linear distribution of pension entitlements measured against the estimated accumulated commitments at the time of retirement. Expenses are calculated on the basis of pension entitlements earned during the year, with a deduction for the return on funds assigned to pensions. Pension commitments are valued at the present value of the estimated future pension benefits regarded as accrued for accounting purposes on the balance sheet date. Actuarial and economic assumptions, such as life expectancy, wage inflation and withdrawal tendency, are used for calculation of the pension commitments. The corporate bond interest rate on the balance sheet date, possibly adjusted for the maturity of the liability, is used as the discount rate.

From 2005 certain actuarial gains and losses may be entered directly against equity in accordance with IAS 19. The Group has chosen to implement this principle since its transition to IFRS. Actuarial gains and losses are presented under other comprehensive income for the period when they arise.

Changes in the pension schemes are recognised in the income statement at the time of the change. The pension expenses are based on assumptions made at the beginning of the period and classified as personnel expenses in the financial statements. Provisions are made for National Insurance contributions on pension expenses and pension liabilities.

The pension scheme is administered by a separate pension fund and gives entitlement to future pension benefits from the age of 62. The Group's defined benefit pension scheme guarantees most of the members a pension of approximately 70 per cent of their final salary for retirement at age 67, up to a maximum of 12G. The defined benefit scheme is closed to new members.

Defined contribution scheme

A defined contribution pension scheme entails that the Group does not guarantee a future pension of a given size, the Group pays instead an annual contribution to the employees' collective pension savings plan. The future pension will depend on the size of the contribution and the annual return on the pension savings. The Group does not have any further obligation related to work performed after the annual contribution has been paid. There are no provisions for accrued pension liabilities in such schemes. Defined contribution pension schemes are recognised directly as an expense.

The Group has offered a defined contribution pension scheme to its employees since 1 July 2008.

Early retirement pension scheme

The banking and financial services industry has entered into an early retirement pension scheme (AFP) contract. This scheme covers early retirement from the age of 62 to 67. The Bank is responsible for 100 per cent of the pension that is paid from the age of 62 to 64 and 60 per cent of the pension that is paid from the age of 65 to 67. Admission of new retirees ceased with effect from 1 January 2011.

The Act on state subsidies to employees who take out an early retirement pension in the private sector (Early Retirement Subsidy Act) entered into force on 19 February 2010. Employees who take out early retirement from an implementation date in 2011 or later, will receive benefits in accordance with the new scheme. The new early retirement (AFP) scheme is a lifelong addition to the National Insurance benefits and can be taken out from age 62. Employees earn an annual entitlement to early retirement at the rate of 0.314 per cent of their pensionable income up to 7.1 G until age 62. Accrual in the new scheme is calculated based on the employee's lifelong income, so that all earlier working years are included in the accrual basis.

The new early retirement (AFP) scheme is regarded as a defined benefit multi-company scheme for accounting purposes. This means that each individual company shall account for its proportional share of the scheme's pension obligations, plan assets and pension expenses. If there are no estimates of the individual components of the scheme and no consistent and reliable basis for allocation, the new early retirement (AFP) scheme will be accounted for as a defined contribution scheme. At the current point in time no such basis exists, and the new early retirement (AFP) scheme will therefore be accounted for as a defined contribution scheme. Accounting for the new early retirement (AFP) scheme as a defined benefit scheme will not take place until reliable measurement and allocation can be made. The new scheme will be financed by the state covering one-third of the pension expenses and employers covering two-thirds of the pension expenses. The employers' premium is determined as a percentage of salary payments between 1G and 7.1G.

Funding

Bond loans and certificate-based loans, in addition to fixed-rate deposits and term deposits, are valued at fair value through profit and loss using the Fair Value Option (FVO) in IAS 39. Changes in fair value after the opening balance are recognised as revenues from other financial investments. Other liabilities are shown in the accounts at their borrowing cost, which is the fair value of the amount received after deduction of transaction costs. Loans are subsequently assessed at amortised cost. Any difference between the borrowing cost and settlement amount upon maturity is subject to accrual accounting over the life of the loan, by applying the loan's effective rate of interest. Fair value of the aforementioned financial instruments is presented inclusive of the accrued interest (dirty price).

Certificates, bonds and fixed-income funds

All certificates, bonds and fixed-income funds are designated at fair value through profit and loss in compliance with IAS 39. The instruments are assessed at fair value, see note 4. Changes in market value after the opening balance and realised gains and losses are included under "Net profit from other financial assets and liabilities" in the income statement. The fixed-income papers are presented inclusive of accrued interest (dirty price).

Shares, units and other equity interests

Shares, units and other equity interests are classified in compliance with IAS 39 as either financial assets held for trading or financial assets available for sale.

Equity instruments classified as held for trading are assessed at fair value on the basis of the listed price in an active market. Change in value from the opening balance, realised gains or losses and dividends from these instruments are included under "Net profit from other financial assets and liabilities" in the income statement.

Equity interests classified as available for sale are assessed at fair value on the basis of listed prices or using different valuation methods. Unrealised gains and losses on equity interests available for sale are included in other comprehensive income in compliance with IAS 1. Realised gains and losses, dividends and write-downs are included under "Net profit from other assets and liabilities" in the income statement.

Derivatives

Derivatives comprise forward exchange contracts, swaps and options plus combinations of these. In addition, a guarantee liability in respect of Eksportfinans is defined as a financial derivative. All these instruments are traded outside the stock exchanges and are so-called "over-the counter" (OTC) derivatives. This means that the contracts are tailored to the underlying object, volume, price and maturity.

Financial derivatives are classified at fair value through profit and loss in compliance with IAS 39. Gains and losses arising from changes in the derivative's fair value are included under "Income from other financial assets and liabilities" in the income statement. Unrealised gains are presented on the balance sheet as an asset, and unrealised losses are presented as a liability. The book values include the associated accrued interest (dirty price).

Interest income and interest expenses

Interest income and interest expenses related to assets and liabilities are recognised continuously in the income statement in accordance with the effective interest rate method. The effective interest rate is the interest rate that results in the present value of the expected cash flow over the expected life of a financial asset or liability being equal to the carrying value of the respective financial asset or liability. When calculating an effective interest rate, the cash flow effect inherent in the agreement is estimated, without taking into account future credit losses. The calculations take therefore into account fees, transaction costs, premiums and discounts. Interest income and interest expenses linked to interest-bearing instruments that are assessed at fair value are included in the presented market value (dirty price).

Commission income and commission expenses

Commission income and commission expenses are generally accrued according to the delivery/receipt of a service. Fees related to interest-bearing instruments are not recognised as commissions, but are included in the calculation of the effective interest rate and recognised accordingly in profit and loss. Advisory fees are accrued in accordance with the consultancy agreement, typically at the time the service is provided. Fees and charges related to the sale or brokerage of financial instruments, property or other investment objects that do not generate balance sheet items in the Bank's or the Group's accounts are recognised when the transaction is completed.

Transactions and monetary items in foreign currency

Transactions in foreign currencies are converted into Norwegian kroner at the time of the transaction. Gains and losses related to completed transactions or to the conversion of monetary items in foreign currencies on the balance sheet date are recognised in profit and loss.

Taxes

Taxes consist of taxes payable and deferred taxes. Taxes payable are the estimated taxes on the year's taxable profit. Deferred taxes are accounted for by means of the liability method in accordance with IAS 12. Deferred tax assets or liabilities are calculated based on all the temporary differences, which are the differences between the book value of assets and liabilities for accounting purposes and the book value for taxation purposes. Deferred tax assets are calculated with respect to accumulated tax losses carried forward at the balance sheet date. Deferred tax assets are included only to the extent that future taxable profits make it possible to exploit the related tax benefit.

Segment reporting

Sparebanken Hedmark aims to be a full-service provider of 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 that provide different financial services. Different kinds of operations are therefore conducted within the Group. The Group's segment reporting is primarily divided into the following areas: retail banking, corporate banking, financing, real estate brokerage, accounting, debt collection and other operations. Sparebanken Hedmark has applied IFRS 8 Operating Segments in its segment reporting since 1 January 2009.

Events occurring after the balance sheet date

The financial statements are deemed to be approved for publication once the Board of Directors has approved the financial statements. The Supervisory Board and regulatory authorities may refuse to approve the published financial statements subsequent to this, but they cannot change them. Events occurring up to the time when the annual accounts are approved for publication involving issues that were already known on the balance sheet date will form part of the information basis for determining accounting estimates and will thus be fully reflected in the financial statements. Events that were not known on the balance sheet date will be reported if they are significant.

The financial statements have been prepared on the assumption that the Group will continue as a going concern. This assumption was valid in the Board of Directors' opinion at the time the financial statements were approved for publication.

Standards that have been issued, but have not come into effect

Standard/ interpretation	Subject (main changes)	Approved by the EU	EU's effective date (IASBs effective date)
Amendments of IFRS 7	Change in the disclosure requirements with regard to the disclosure of an enterprise's netting rights for financial instruments for which a netting agreement has been entered into. This amendment entails a somewhat expanded duty of disclosure, but the scope is considered insignificant.	Yes	01.01.2013
New IFRS 9	Replaces the classification and measurement rules in IAS 39 Financial Instruments – Recognition and Measurement for financial assets and liabilities. In accordance with IFRS 9, financial assets that include ordinary loan terms are to be recognised at amortised cost, unless it has been decided to recognise them at fair value, while other financial assets are to be recognised at fair value. The classification and measurement rules for financial liabilities are identical with those that we currently have in IAS 39, with the exception of the designation of liabilities at fair value with value changes through profit or loss (fair value option). For these kinds of instruments, any changes in fair value as a result of changes in the entity's own credit risk are recorded against comprehensive income (OCI), but all other changes will be recorded in the profit on ordinary activities. IFRS 9 also contains the derecognition provisions from IFRS 39. It is assumed that the amendment will entail consequences for the Bank's accounts, but considering the fact that there are many circumstances related to the standard that have not been clarified, it is too early to quantify the consequences.	No, deferred	(01.01.2015)
IFRS 10	Replaces the provisions in the current IAS 27 and SIC 12. The effect of the amendment is considered to be insignificant.	Yes	01.01.2014
IFRS 11	Replaces the provisions in the current IAS 31 and SIC 13. The effect of the amendment is considered to be insignificant.	Yes	01.01.2014
IFRS 12	Specifies the minimum requirements for information on the entities that the entity with a duty to keep accounting records is involved in, regardless of whether they are consolidated or not. The effect of the amendment is considered to be insignificant.	Yes	01.01.2014
IFRS 13	Combines the regulation of fair value measurement and information on fair value in a single standard. This standard regulates the measurement of fair value, but it does not specify when fair value is to be applied. The effect of the amendment is considered to be insignificant.	Yes	01.07.2013
EAmendments of IFRS 11, 12 and 13	The amendments provide clarification and guidance to the entities with a duty to keep accounting records for the transition to the new standards.	Expected	(01.01.2013)
Amendments of IAS 1	The amendments concern Other Comprehensive Income. In the presentation of other comprehensive income, a distinction shall be made between items that will subsequently reverse through profit and loss, and those that will not reverse. The effect of the amendment is considered to be insignificant.	Yes	01.07.2012
Amendments of IAS 1	Clarification of requirements for comparative figures and information.	Expected Q3 2012	(01.01.2013)
Amendments IAS 12	The change means that deferred tax assets should be specified determined based on the expectation that the asset will be recovered through sale (not used). The effect of the amendment is considered to be insignificant.	Yes	01.01.2013
Amendments of IAS 19	The amendment concerns elimination of the corridor approach for the recognition of expenses for actuarial gains and losses. In addition, it requires a new breakdown of the pension expenses into operations, finance and other comprehensive income. The discount rate shall be used for calculation of the return on the pension assets. The Bank and its subsidiaries have chosen to recognise the actuarial gains and losses directly in other comprehensive income since the introduction of IFRS, and therefore they have not used the corridor approach. The effect of this amendment will therefore not affect the equity of the Bank or its subsidiaries. The effect of the fact that the return on the pension assets shall equal the discount rate will entail a lower return and thus higher pension expenses. The effect of this amendment in isolation corresponds to NOK 5 million in increased pension expenses for a 1% reduction in the return, given the current level of pension assets.	Yes	01.01.2013
Amendments of IAS 27	The provisions concerning the preparation and presentation of the consolidated accounts will be replaced by IFRS 10. The provisions in the standard concerning the preparation and presentation of the parent company accounts remain unchanged.	Yes	01.01.2014
Amendments of IAS 28	EAmended in accordance with the new IFRS 10, 11 and 12. The revised standard regulates the application of the equity method of accounting for associated companies and joint ventures.	Yes	01.01.2014
Amendments of IAS 32	Clarification of the interpretation of the provision concerning the right to net financial instruments on the balance sheet.	Yes	01.01.2014
Amendments of IAS 32	Points out that the tax effect of a distribution to the equity owners should be recognised in accordance with IAS 12 Income Taxes. Amendment has no effect on the consolidated accounts.	Expected Q1 2013	(01.01.2013)
EAmendments of IAS 34	Clarifies interim reporting of segment information for total assets to emphasise consistency with the requirements in IFRS 8 Operating Segments. Amendment has no effect on the consolidated accounts.	Expected Q1 2013	(01.01.2013)

Note 3 – Financial risk management

Overall responsibility and supervision

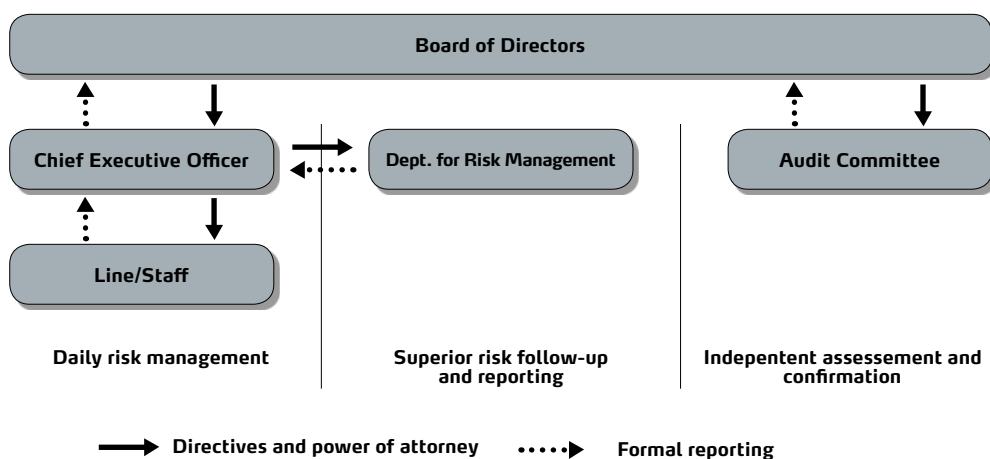
Sparebanken Hedmark's risk management shall support the Bank's strategic development and the attainment of its goals. Risk management shall also ensure financial stability and satisfactory asset management. This is to be achieved by:

- A strong corporate culture characterised by high awareness of risk management
- A good understanding of which risks drive earnings
- Striving towards an optimal application of capital within the adopted business strategy
- Avoiding unexpected negative events that can seriously harm the Group's financial status

In order to ensure an effective and appropriate process for risk and capital management, the framework is based on the following elements, which reflect the way in which Sparebanken Hedmark is managed by its Board of Directors and the Bank's senior management:

- Strategic targets
- Organisation and corporate culture
- Risk identification
- Risk analysis
- Stress tests
- Risk strategies
- Capital management (including returns and capital adequacy)
- Reporting
- Follow-up
- Contingency plans
- Compliance

Management and supervision comprise all the processes and control measures that have been introduced and implemented by the Bank's management to ensure efficient operations and the implementation of the Group's strategies. The Group attaches importance to having a supervisory and management structure that promotes targeted and independent management and control:



The Board's audit committee prepares matters concerning the economy, finance and risk management for consideration by the Board. The audit committee does not have the authority to make decisions.

Sparebanken Hedmark shall have a moderate to low risk profile. The risk profile shall ensure the Group has access to long-term funding at attractive prices. The size of and composition of the Group's risk-adjusted capital shall reflect this ambition.

The Board of Directors is responsible for making sure that Sparebanken Hedmark has an appropriate level of subordinated capital in relation to the desired risk profile and regulatory requirements stipulated by the authorities. The Board of Directors stipulates the overall objectives, including the overall limits, authorisations 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 monitoring of the risk exposure. The business areas and branches are responsible for the day-to-day risk management within their own areas of responsibility and must ensure that risk management and risk exposure are within the limits and authorisations provided by the Board of Directors or CEO.

The Credit Management Department is responsible for ensuring that the decision-making process and the basis on which decisions are made in relation to applications for credit are in accordance with the Bank's governing documents and routines. The department shall prepare proposals for revised targets and management principles within the area.

The Risk Management Department is independent and reports directly to the CEO. The department is responsible for the development of effective risk management systems, including the Bank's risk models. The department is also responsible for the overall risk monitoring and for periodic risk reporting to the Board of Directors.

The Internal Audit 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 improvement recommendations are considered on an on-going basis.

Sparebanken Hedmark's risk is quantified by calculating expected losses and risk-adjusted capital. Sparebanken Hedmark uses the SpareBank 1 Alliance's models for the calculation of credit risk. The models use statistical calculations and are based on the fact that the risk-adjusted capital shall cover 99.9 per cent of possible, unexpected losses. The calculation of risk-adjusted capital for other types of risk are largely based on qualitative methods. A more detailed description of financial risk management relating to credit risk, liquidity risk and market risk is provided below.

Credit risk

Sparebanken Hedmark's biggest financial risk exposure is credit risk in its lending portfolio. Credit risk is the risk of loss relating to customers or other counterparties not being able or willing to meet their obligations to the Sparebanken Hedmark. Each year, the Board of Directors reviews the Bank's governing documents and credit regulations. The governing documents define the Bank's credit policy and overall targets for exposure relating to portfolios, sectors and individual customers. Together they provide the basis for determining the desired risk profile. Through the Bank's credit regulations, authority to grant credit is delegated to the CEO within certain limits. The CEO may delegate this authority to other employees. The delegated authorisations are related to the size and risk of individual commitments.

Sparebanken Hedmark uses statistical models in its calculation of risk and categorisation of the credit portfolio. The Bank makes every effort to price credit risk correctly and has established price matrices based on the risk classification system.

The Bank's portfolio of interest-bearing securities also entails credit risk for the Bank. Each year, the Board of Directors examines the Bank's financial strategy and sets limits for the maximum exposure to interest-bearing securities.

For further information see notes 7 – 14.

Market risk

Market risk is the risk of loss due to changes in interest rates, the price of share / securities and foreign exchange rates. Market risk arises primarily in connection with the Bank's investments in securities and as a result of funding activities, and in connection trading in currencies and interest rate instruments. Market risk is managed through limits agreed by the Board of Directors. These limits are set 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 yield curve risk. Sparebanken Hedmark manages interest rate risk towards the desired level by means of interest rate commitments for investments and funding loans and through the use of interest rate derivatives.

For equity price risk maximum limits have been established for exposure to the stock market, while, for currency risk, limits have been established for the maximum aggregate exposure and exposure for each individual currency.

For further information, see notes 15 and 16.

Liquidity risk

Liquidity risk is the risk that Sparebanken Hedmark is unable to refinance its debt or fund an increase in assets without incurring significant additional expense. The financing strategy approved by the Board of Directors each year provides the basis for managing liquidity risk. The strategy establishes a framework for liquidity risk by defining limits for net liquidity requirements in various time intervals, requirements for long-term financing. In addition, the strategy sets limits on the size of the liquidity reserve and stipulates how long the Bank must be able to maintain its operations without new market funding. The size of the liquidity reserve is set to cover 12 months of ordinary banking activities at any given time without requiring additional external funding. In a stress scenario, which is defined as a "major crisis in the market and in our own bank", the Bank will also be in a position to maintain its ordinary activities for a minimum period of three months.

The liquidity reserve is composed of cash, liquid bonds, unused committed drawing facilities, mortgage loans prepared for sale to SpareBank 1 Boligkreditt as well as publicly listed securities. The reserve totalled NOK 8,5 billion as at 31 December 2012. The bank has spread its funding across a number of national and international markets. At year-end, the average maturity of the financing was 3,5 years. A separate contingency plan has been established for liquidity.

The finance department is responsible for managing liquidity, while the risk management department monitors and reports on the utilisation of limits in accordance with the liquidity strategy.

For further information, see notes 18 and 19.

Other

More detailed market information (Basel II – Pillar III) is available in a separate document on the Bank's website.

Note 4 Critical estimates and assessments regarding the use of accounting principles

MANAGEMENT'S ASSESSEMENT IN CONNECTION WITH THE CHOICE OF ACCOUNTING PRINCIPLES

Sparebanken Hedmark made a number of choices regarding principles when it switched to IFRS on 1 January 2007. These choices primarily concern the following main areas in the accounts:

Financial assets and liabilities

Derivatives and financial assets and liabilities classified as held for trading (HFT) are recognised and assessed at fair value through profit and loss in accordance with IAS 39. Financial instruments classified as HFT only cover a part of the equity portfolio as at 31 December 2011. The following financial assets and liabilities are also voluntarily earmarked at fair value through profit and loss pursuant to the Fair Value Option (FVO) provisions in IAS 39, section 9: Bonds, certificates and fixed-income funds in the Bank's portfolio, fixed-rate loans and loans with interest-rate guarantees to customers, bond and certificate funding, market-linked certificates of deposit, fixed-rate deposits for customers and term deposits. FVO is applied with a view to achieving the most consistent possible assessment of assets and obligations that are assessed together. Moreover, assessment at fair value reduces the accounting disparity that would otherwise have arisen if assets and liabilities were recognised on a basis other than as derivatives. Equity instruments not classified as held for trading (HFT) are earmarked as available for sale (AFS). Changes in the fair value of assets classified as AFS are recognised directly in equity. In the event of a prolonged, major decrease in fair value of an AFS asset, the cumulative loss recognised directly in equity is removed and recognised in profit and loss. What is to be interpreted as a significant or long-term impairment in value is a question of judgement. In deciding this question, Sparebanken Hedmark follows the IFRIC guidelines, recommendations from the auditing profession and professional standards. This assessment is made at the instrument level and has been operationalised to apply to an impairment in value that values the asset to less than 80 per cent of the cost price on the date of the balance sheet or if a market price lower than the cost price lasts for more than twelve months. Further reductions in value on previously written-down AFS assets are subsequently recognised continuously in profit and loss each time the accounts are published.

Fair value is presented consistently as a dirty price, i.e. including any accrued interest.

Pensions

In connection with the transition to IFRS, Sparebanken Hedmark decided to recognise actuarial differences that had not previously been recognised in the income statement under other comprehensive income. The transition from using the corridor approach to recognise actuarial differences under other comprehensive income was done in order to ensure that the annual accounts each year correctly reflect Sparebanken Hedmark's pension liabilities, given the parameters chosen for the calculation of pension liabilities. With effect from the 2007 financial year, actuarial gains and losses are recognised directly under other comprehensive income in the Parent Bank and the Group.

Fixed assets

Fixed assets are valued at historical cost and depreciated over their expected useful life. On transition to IFRS, we undertook an assessment of the depreciation period for each individual building owned by the Bank. This process revealed that depreciation according to NGAAP formerly used by the Bank was higher than depreciation under IFRS. The difference in depreciation was reversed on transition to IFRS on 1 January 2007. No write-up or assessment at fair value was made in connection with the transition to IFRS on 1 January 2007. The property portfolio has been reviewed to ascertain the need for any write-downs.

CRITICAL ESTIMATES

Losses on loans

The Bank examines both its retail market portfolio and its corporate portfolio in order to identify credit risk and the need for provisions for losses. Large and particularly 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 forwarding for collection and an assessment of the basis for individual write-down for losses.

Loans transferred to SpareBank 1 Boligkreditt AS are deducted from the balance sheet. The risk of loss on transferred loans is included in the annual commission for processing transferred loans.

Individual write-down for losses on individual commitments is done when objective events entail a loss for the Bank. Individual write-down is calculated as the difference between the commitment's book value and the present value of discounted cash flows based on the effective interest rate at the time of initial write-down. This means that the commitment is placed in the highest risk class. The same method is used regardless of whether the loan is recognised at amortised cost or fair value (fixed-rate loans). Estimating impairment can be complicated as the prediction of future events always involves uncertainty. Importance is attached to concrete information in value assessment as the basis for realisation of collateral assets pledged as security. Cash flow is updated periodically, at least once a year.

Group write-down comprises the Bank's assessment of the basis for impairment in groups of loans with practically identical risk characteristics. This also includes loans assessed for individual write-down, but where there is no objective proof of impairment. Accordingly, all loans are assessed with the exception of those that have been subject to individual write-down. The model for the calculation of group write-down is based on the Bank's risk classification system.

Financial assets and liabilities assessed at fair value

For financial instruments traded on a regulated market, fair value on the balance sheet date is used. Fair value of financial instruments that are not traded in an active market is based on estimated value from Reuters pricing service, prices indicated by brokerage firms or other external sources and accepted theoretical computation techniques based on observable interest rates and prices on the balance sheet date. The Bank assesses and chooses methods and assumptions that best reflect the information available and the market conditions on the balance sheet date. Below is a more detailed presentation of the valuation methods used for the various financial instruments that are assessed at fair value.

Shares, units and other equity interests

Shares and equity certificates are valued at the closing bid price on the balance sheet date. For unlisted companies, value is assessed using the following valuation hierarchy:

- 1) recent trading price
- 2) externally known value assessment
- 3) value assessment received from the company
- 4) own value assessment
- 5) cost price.

Bonds, certificates and fixed-income funds (loans)

For bonds and certificates that are regularly valued by Reuters pricing service, the Bank uses their indicated bid price on the balance sheet date. Other interest-bearing securities are valued against the yield curve (ask), adjusted for indicative trading spreads from recognised firms of brokers. Fixed-income funds are valued at the spot exchange rate indicated by the fund manager.

Debt securities issued

Issued certificates and bonds are valued against the yield curve (bid), adjusted for indicated trading spread from DnB NOR Markets for Sparebanken Hedmark's issued debt securities.

Derivatives

The Bank does not have any financial derivatives traded in a regulated market. For non-standardised derivatives contracts (OTC), a theoretical price is estimated, based on a market-related approach, taking into account the agreed cash flows and observable market information on the balance sheet date.

Other financial assets and liabilities assessed at fair value (fixed-rate deposits, term deposits, fixed-rate loans and loans with interest-rate guarantee)

Fair value is assessed as the value of the agreed cash flows discounted by the market interest rate adjusted for a discretionary trading spread on the balance sheet date.

Intangible assets

Intangible assets are subject to an impairment test that is mainly based on the discounting of expected future cash flows. There will always be considerable uncertainty related to estimated cash flows, and, in some cases, there will also be uncertainty with regard to the methods for allocating cash flows to various assets.

Pensions

Net pension liabilities and the pension expenses for the year are based on a number of estimates, which include the return on pension fund assets, the future interest rate and inflation levels, future wage development, turnover of staff and development of the National Insurance basic amount (G). The general development in the number of persons receiving disability benefits and life expectancy are also of great importance.

Any changes in estimates as a result of changes in these parameters will be recognised on an on-going basis under other comprehensive income in the Bank and its subsidiaries. A one percentage point decrease in interest rates would mean that the Bank's gross pension liability would increase by roughly 15 per cent over an average period of 20 years, all other parameters remaining unchanged.

Goodwill

The Group tests goodwill for impairment each year or if there are indications that its value has become impaired. The recoverable amount from the cash-generating units is determined by calculating the discounted present value of future cash flows. The cash flows are based on historical earnings and forecasts of future conditions, which require assessments and estimations to be made of uncertain amounts. The result of the impairment tests depends on estimates of the required rates of return. The required rates of return are estimated on the basis of information available on the balance sheet date.

Note 5 - Segment information

This segment information is linked to the way the Group is run and followed up internally in the entity through reporting on performance and capital, authorisations and routines. Reporting on segments is divided into following areas:

- Retail banking, corporate banking, property, financing, accounting, debt collection and other activities.
- Property brokerage, leasing, financing, accounting and debt collection are organised as independent companies.
- The result of the elimination of companies appears with other activities in a separate column.

2012	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Eiendoms- Megler 1 Hedmark Eiendom	Consis	Consis Credit	Other	Total
Income statement								
Net interest income	401	271	123		-2		162	955
-of which internal items		-4	-104	4	-2		106	
Net commission and other income	217	54	-16	59	101	5	15	435
-of which internal items			-1				1	
Net return on financial investments							43	43
Operating expenses*	246	92	59	54	97	3	313	864
Profit before losses by segment:	372	233	48	5	2	2	-93	569
Losses on loans and guarantees	5	26	11					42
Profit / loss per segment	367	207	37	5	2	2	-93	527
Balance sheet								
Gross lending to customers	18 500	12 763	3 690				502	35 455
-of which internal items					31		-31	
Individual loan write-downs	-42	-91	-12				-1	-146
Collective loan write-downs	-24	-74	-11					-109
Other assets	127	52	12	29	94	4	8 595	8 913
Total assets per segment	18 561	12 650	3 679	29	94	4	9 096	44 113
Deposits from and liabilities to customers	17 929	9 875					333	28 137
-of which internal items		10		-10	-16		16	
Other liabilities and equity	632	2 775	3 679	29	94	4	8 763	15 976
Total equity and liabilities per segment	18 561	12 650	3 679	29	94	4	9 096	44 113
2011	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Eiendoms- Megler 1 Hedmark Eiendom	Consis		Other	Total
Income statement								
Net interest income	429	312	104	1	-4		129	971
-of which internal items		82	-82	4	-4			
Net commission and other income	141	48	-15	57	48		6	285
-of which internal items		2	-1	-1				
Net return on financial investments							148	148
Operating expenses*	236	85	47	50	56		341	815
Profit before losses by segment:	334	275	42	8	-12		-58	589
Losses on loans and guarantees	5	40	5					50
Profit / loss per segment	329	235	37	8	-12		-58	539
Balance sheet								
Gross lending to customers	18 538	12 407	2 999				842	34 786
-of which internal items					34		-34	
Individual loan write-downs	-51	-160	-12					-223
Collective loan write-downs	-31	-71	-10					-112
Other assets	126		111	32	79		8 344	8 692
Total assets per segment	18 582	12 176	3 088	32	79		9 186	43 143
Deposits from and liabilities to customers	16 659	9 007					241	25 907
-of which internal items		28		-28	-4		4	
Other liabilities and equity	1 923	3 169	3 088	32	79		8 945	17 236
Total equity and liabilities per segment	18 582	12 176	3 088	32	79		9 186	43 143

*) Operating expenses in Retail and Corporate consist of directly attributable payroll and administration costs.

Note 6 - Capital adequacy and capital management

Parent Bank			Group	
31.12.11	31.12.12		31.12.12	31.12.11
5 133	5 569	Primary capital	5 569	5 133
93	83	Endowment fund	83	93
46	69	Revaluation fund / equalisation reserve	69	46
		Other equity	299	262
		Minority interests	24	
5 272	5 721	Total equity carried	6 044	5 534
		Tier 1 capital		
-106		Unrealised value change due to reduced / increased value of liabilities		-106
-179	-171	Deferred tax, goodwill and other intangible assets	-242	-253
-46	-69	Net unrealised gains on shares available for sale	-69	-46
-173	-167	Deduction for expected losses on IRB, net of write-downs	-167	-173
-913	-1 129	Deduction for subordinated capital in other financial institutions	-487	-370
		Capital adequacy reserve	-925	-854
3 855	4 185	Total tier 1 capital	4 154	3 732
		Supplementary capital		
21	31	45 per cent of unrealised gain on shares classified as available for sale	31	21
-21	-31	Deduction for subordinated capital in other financial institutions	-31	-21
0	0	Total supplementary capital	0	0
3 855	4 185	Net subordinated capital	4 154	3 732
4 701	5 775	Involvement with specialized enterprises	5 775	4 701
5 235	5 063	Other corporate exposures	5 063	5 235
318	363	SME exposure	363	318
2 370	2 456	Retail mortgage exposure	2 456	2 370
452	479	Other retail exposure	479	452
	2 604	Equity investments	2 436	
13 076	16 739	Risk-weighted assets credit risk IRB	16 571	13 076
5 297	4 797	Exposures calculated using the standardised approach	6 927	6 895
3 290		Transitional arrangements		3 140
2 063	2 286	Operational risk	2 491	2 410
-934	-1 160	Deductions	-1 467	-1 029
22 793	22 662	Risk-weighted assets	24 522	24 492
		Capital adequacy ratio		
16,9 %	18,5 %	Capital adequacy ratio	16,9 %	15,2 %
16,9 %	18,5 %	Tier 1 ratio	16,9 %	15,2 %
19,8 %	18,5 %	Capital adequacy ratio before transitional arrangements	16,9 %	17,5 %

Capital management

Sparebanken Hedmark's capital management shall ensure:

- effective funding and use of capital funds in relation to the Group's strategic goals and approved business strategy
- competitive returns
- satisfactory capital adequacy in relation to the Bank's chosen risk profile
- competitive terms and good long-term access to funding in capital markets
- exploitation of the growth opportunities in the Group's defined market area
- that no individual negative events can seriously harm the Group's financial status

On the basis of the strategic goals, a capital plan is drawn up each year for the following three years to ensure long-term and targeted capital management. The capital plan shall take into account projections of the Group's financial development over the next three years. These projections are based on the expected developments in the period, as well as a situation with a serious economic downturn over a minimum of three years.

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

Sparebanken Hedmark has a strategic goal of minimum regulatory capital adequacy of 14 per cent for the parent bank and the group. Core Capital adequacy ratio should be at least 13 per cent and entirely consist of retained earnings.

There is more detailed information concerning Sparebanken Hedmark's management of capital and risk in the document "Basel II – Pilar III" on the Bank's website.

Note 7 - Credit risk exposure for each internal risk rating

Sparebanken Hedmark uses its own classification system that it uses to monitor credit risk in the portfolio. Categorisation into risk classes is based on each individual commitment's probability of default: In addition to default probability, the Bank uses estimated value of collateral (collateral classes) in its classification of customers. Customers are categorised into different risk groups on the basis of default probability and collateral class.

	Average unsecured exposure (%)	Total commitment	Average unsecured exposure (%)	Total commitment
Parent bank	2012	2012	2011	2011
Lowest risk	3,12	16 178	3,37	15 809
Low risk	6,76	5 258	6,99	5 448
Medium risk	12,32	9 757	11,48	9 094
High risk	16,28	2 473	18,10	1 966
Highest risk	25,12	1 884	21,87	2 287
Defaulted and written down	19,87	540	31,60	718
Total	8,44	36 090	8,60	35 322

Group	Average unsecured exposure (%)	Total commitment	Average unsecured exposure (%)	Total commitment
	2012	2012	2011	2011
Lowest risk	3,10	16 178	3,37	15 799
Low risk	10,40	7 145	9,29	7 197
Medium risk	12,70	11 270	11,51	10 191
High risk	17,60	2 751	18,54	2 132
Highest risk	25,10	1 884	21,87	2 287
Defaulted and written down	19,90	540	31,60	718
Total	9,40	39 768	9,12	38 324

Average unsecured exposure is calculated on the basis of average security coverage in each collateral class. Sparebanken Hedmark's policy is that a conservative evaluation of collateral security shall be used as a main principle. The Bank has an unsecured credit card portfolio, which is included in this table.

Note 8 - Maximum credit risk exposure, not taking into account assets pledged as security

The table below shows maximum exposure to credit risk.
Exposure is shown gross before any assets pledged as security or permitted off-sets.

Parent bank			Group	
2011	2012		2012	2011
		ASSETS		
266	236	Cash and deposits with central banks	236	266
3 010	3 496	Loans to and receivables from credit institutions	294	364
31 816	31 790	Gross loans to and receivables from customers	35 455	34 786
-211	-134	- Individual write-downs	-146	-223
-102	-98	- Write-downs to cover groups of loans	-109	-112
31 503	31 558	Net loans to and receivables from customers	35 200	34 451
5 235	5 104	Certificates, bonds and fixed-income funds	5 104	5 235
376	513	Financial derivatives	513	376
40 390	40 907	Credit risk exposure, balance sheet	41 347	40 692
		Liabilities		
684	766	Contingent liabilities (guarantees provided)	651	569
3 650	3 810	Unutilised credit lines	3 649	2 936
714	915	Loans approved not disbursed	928	714
9	8	Other	8	9
5 057	5 499	Total financial guarantees	5 236	4 228
45 447	46 406	Total credit risk exposure	46 583	44 920

Credit risk exposure on financial assets distributed by geographic area

Parent bank			Group	
2011	2012		2012	2011
		Banking activities		
31 315	31 108	Hedmark	29 146	28 984
	1 884	Oppland	1 884	
	2 265	Akershus	2 265	
8 585	5 480	Rest of Norway	7 619	10 391
150	181	Abroad	181	150
-313	-232	Provisions for losses, undistributed	-255	-335
99	95	Accrued interest, undistributed	118	119
39 836	40 781	Total banking activities	40 958	39 309
		Financial market activities		
4 756	4 968	Norway	4 968	4 756
817	616	Europe	616	817
38	41	USA	41	38
5 611	5 625	Total financial market activities	5 625	5 611
45 447	46 406	Total distributed by geographic area	46 583	44 920

Note 9 - Credit quality per class of financial assets

Neither defaulted nor written down								Total
Parent bank							Defaulted or individually written down	
2012	Notes	Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Loans to and receivables from credit institutions	10	3 496						3 496
Gross loans to and receivables from customers measured to amortised cost								
Retail market	11	9 987	2 722	3 240	452	507	229	17 137
Corporate market	11	2 976	2 202	4 737	1 621	1 093	266	12 895
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value through profit and loss on initial recognition								
Retail market	11	938	264	233	17	23	2	1 477
Corporate market	11	112	51	90	16	7	5	281
Total gross lending		17 509	5 239	8 300	2 106	1 630	502	35 286
Financial investments								
Certificates, bonds and fixed-income funds	30	3 618	832	573	78	3		5 104
Total financial investments		3 618	832	573	78	3		5 104
Total lending-related assets		21 127	6 071	8 873	2 184	1 633	502	40 390

Neither defaulted nor written down								Total
Group							Defaulted or individually written down	
2012	Notes	Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Loans to and receivables from credit institutions	10	294						294
Gross loans to and receivables from customers measured to amortised cost								
Retail market	11	9 987	3 375	4 269	457	507	245	18 840
Corporate market	11	2 974	3 436	5 210	1 818	1 093	326	14 857
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value through profit and loss on initial recognition								
Retail market	11	938	264	233	17	23	2	1 477
Corporate market	11	112	51	90	16	7	5	281
Total gross lending		14 305	7 126	9 802	2 308	1 630	578	35 749
Financial investments								
Certificates, bonds and fixed-income funds	30	3 618	832	573	78	3		5 104
Total financial investments		3 618	832	573	78	3		5 104
Total lending-related assets		17 923	7 958	10 375	2 386	1 633	578	40 853

Neither defaulted nor written down**Parent bank**

							Defaulted or individu- ally written down	
2011	Notes	Lowest risk	Low risk	Medium risk	High risk	Highest risk		Total
Loans to and receivables from credit institutions	10	3 010						3 010
Gross loans to and receivables from customers measured to amortisert cost								
Retail market	11	10 177	3 154	3 602	424	523	248	18 129
Corporate market	11	3 135	1 611	4 615	1 320	1 433	411	12 524
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value through profit and loss								
Retail market	11	587	147	150	11	10	2	907
Corporate market	11	83	44	83	9	29	7	256
Total gross lending		20 426	4 557	6 333	1 578	1 258	674	34 826
Financial investments								
Certificates, bonds and fixed-income funds	30	2 928	1 421	834	49	3		5 235
Total financial investments		2 928	1 421	834	49	3		5 235
Total lending-related assets		23 354	5 978	7 167	1 627	1 261	674	40 061

Neither defaulted nor written down**Group**

							Defaulted or individu- ally written down	
2011	Notes	Lowest risk	Low risk	Medium risk	High risk	Highest risk		Total
Loans to and receivables from credit institutions	10	364						364
Gross loans to and receivables from customers measured to amortisert cost								
Retail market	11	10 177	3 766	4 410	428	523	248	19 553
Corporate market	11	3 135	2 748	4 862	1 482	1 433	411	14 070
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value through profit and loss on initial recognition								
Retail market	11	587	147	150	11	10	2	907
Corporate market	11	83	44	83	9	29	7	256
Total gross lending		14 346	6 705	9 506	1 930	1 995	668	35 150
Financial investments								
Certificates, bonds and fixed-income funds	30	2 928	1 421	834	49	3		5 235
Total financial investments		2 928	1 421	834	49	3		5 235
Total lending-related assets		20 665	7 727	8 265	1 793	1 261	674	40 385

The classification of financial investments into various risk groups has been based on ratings from Standard & Poor's, Moody's, Fitch or a recognized Norwegian brokerage, according to the conversion table below. A small number of issues have not been officially rated by the agencies. In 2012, these issues amounted to NOK 964 million and consisted exclusively of certificates and bonds issued by Norwegian municipalities and county administrations. Issuance is discretionary allocated to the lowest risk category.

Credit quality	Rating (using Standard & Poor's system)			
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 10 - Credit institutions – claims and liabilities

Parent bank			Group	
2011	2012	Loans to and receivables from credit institutions	2012	2011
35	25	Loans and receivables at call	25	35
2 975	3 471	Loans and receivables with agreed maturities or notice	269	329
3 010	3 496	Total	294	364
		Loans and receivables specified by major currencies		
2 954	3 429	NOK	227	307
8	7	EUR	7	8
6	6	CHF	6	6
34	43	JPY	43	34
9	11	Other	11	9
3 010	3 496	Total	294	364

2011	2012	Liabilities to credit institutions	2012	2011
45	7	Loans and deposits at call	6	9
2 948	826	Loans and deposits with agreed maturities or notice	826	2 982
17	1	Accrued interest	1	17
3 010	834	Total	833	3 008
		Liabilities specified by major currencies		
1 704	720	NOK	719	1 702
1 284	111	EUR	111	1 284
5	2	Other	2	5
17	1	Accrued interest	1	17
3 010	834	Total	833	3 008
2,7 %	2,9 %	Average interest rate	2,9 %	2,7 %

Deposits with and loans from / to credit institutions tend to have floating interest rates.

Receivables from and liabilities to credit institutions are classified as loans and receivables pursuant to IAS 39 and are stated at amortised cost.

Average interest rate is calculated on the actual interest expense during the year as a percentage of the average outstanding debt to credit institutions.

Note 11 - Loans to and receivables from customers

Parent bank			Group	
2011	2012		2012	2011
		Loans by type of receivable		
		Financial leasing	1 682	1 283
3 813	5 360	Overdraft facilities and operating credits	5 360	3 813
724	900	Building loans	900	724
27 181	25 434	Repayment loans	27 395	28 847
99	95	Accrued interest	118	119
31 816	31 790	Gross loans to and receivables from customers	35 455	34 786
313	232	Write-downs	255	335
31 503	31 558	Loans to and receivables from customers	35 200	34 451
		Loans by type of market		
19 490	19 065	Private customers	20 773	20 932
12 325	12 722	Corporate	14 569	13 762
1	2	Public sector	113	91
31 816	31 790	Gross loans to and receivables from customers	35 455	34 786
313	232	Write-downs	255	335
31 503	31 558	Loans to and receivables from customers	35 200	34 451
		of which subordinated loan capital		
		Subordinated capital in credit institutions		
		Other subordinated capital		
0	0	Subordinated loan capital recorded as lending	0	0
		Of repayment loans, loans stated at fair value through profit and loss (FVO):		
1 202	1 809	- Fixed-rate loans to customers, book value	1 809	1 202
1 155	1 753	- Fixed-rate loans to customers, face value	1 753	1 155
7	4	- Loans with interest-rate guarantees, book value	4	7
7	3	- Loans with interest-rate guarantees, face value	3	7

Parent bank			Group	
2011	2012		2012	2011
15 809	16 178	Lowest risk	16 178	19 653
5 448	5 258	Low risk	7 152	6 618
9 094	9 757	Medium risk	11 262	7 959
1 966	2 473	High risk	2 752	1 964
2 287	1 884	Highest risk	1 884	1 412
718	540	Defaults	540	718
35 322	36 090	Total commitments by risk group	39 768	38 324

Commitment means the customer's total commitment including guarantee ceilings and unused credit facilities.

In addition are loans approved not disbursed to a value to NOK 226 million in the Retail Division and worth NOK 690 million in the Corporate Division on 31 December 2012. These have not been paid and are therefore not included in total commitments.

Parent bank			Group	
2011	2012	Gross loans by risk group	2012	2011
17 391	14 013	Lowest risk	14 013	17 349
4 556	5 239	Low risk	7 126	6 305
6 347	8 300	Medium risk	9 799	7 444
1 584	2 106	High risk	2 385	1 750
1 262	1 630	Highest risk	1 630	1 262
676	502	Defaults	502	676
31 816	31 790	Gross loans by risk group	35 455	34 786

Parent bank			Group	
2011	2012	Individual write-downs by risk group	2012	2011
211	134	Defaults (own definition)	146	223

In the Bank's internal risk classification system, all commitments with individual write-downs are classified as defaults, regardless of external definitions of defaults (see note 2). They are not distributed into the various risk groups like the other commitments. Distribution by risk group is based on the Bank's estimation of the default probability for all customers in the loans portfolio based on objective historical data. Default probability is then used with collateral values to classify customers into the different risk categories. Customers are rescored monthly in the Bank's portfolio system.

Parent bank			Group	
2011	2012	Expected annual average net loss by risk group	2012	2011
2	1	Lowest risk	1	2
2	2	Low risk	2	7
16	19	Medium risk	20	16
12	13	High risk	20	14
55	51	Highest risk	51	55
22	19	Defaults	19	23
109	105	Total expected annual average net loss by risk group	113	117

Expected annual average net loss is the amount that the parent bank expects statistically to lose on the loans portfolio over a 12 month period. It is calculated using historical data. During boom conditions, the actual annual loss is lower than average expected loss. Similarly, in periods of recession, actual losses may be higher.

Parent bank			Group	
2011	2012	Total commitments by sector and industry	2012	2011
20 989	20 870	Private customers	22 586	22 431
1	140	Public sector	252	93
3 328	3 414	Primary industries	3 589	3 495
440	319	Paper and pulp industries	336	459
528	571	Other industry	708	638
1 110	1 202	Building and construction	1 574	1 421
111	170	Power and water supply	244	181
1 129	1 063	Wholesale and retail trade	1 335	1 384
215	186	Hotel and restaurants	191	220
5 197	6 060	Real estate	6 096	5 228
1 932	1 807	Commercial services	2 145	2 157
255	271	Transport and communications	695	530
86	17	Other	17	86
35 322	36 090	Total commitments by sector and industry	39 768	38 324

Parent bank			Group	
2011	2012	Gross loans by sector and industry	2012	2011
19 490	19 065	Private customers	20 773	20 932
1	2	Public sector	113	91
2 960	3 044	Primary industries	3 218	3 123
386	267	Paper and pulp industries	284	404
371	437	Other industry	573	479
756	787	Building and construction	1 158	1 060
89	148	Power and water supply	222	157
799	736	Wholesale and retail trade	1 008	1 050
198	181	Hotel and restaurants	186	203
4 846	5 454	Real estate	5 490	4 877
1 729	1 453	Commercial services	1 791	1 950
189	201	Transport and communications	624	458
3	16	Other	16	3
31 816	31 790	Total gross loans by sector and industry	35 455	34 786

Parent bank			Group	
2011	2012	Individual write-downs by sector and industry	2012	2011
52	46	Private customers	52	57
5	4	Primary industries	7	8
11	1	Paper and pulp industries	1	11
5	4	Other industry	4	5
27	10	Building and construction	10	28
1		Power and water supply		1
14	18	Wholesale and retail trade	19	14
12	10	Hotel and restaurants	10	12
54	26	Real estate	26	54
28	15	Commercial services	16	28
2	1	Transport and communications	1	5
211	134	Total individual write-downs by sector and industry	146	223

Parent bank			Group	
2011	2012	Expected annual average net loss by sector and industry	2012	2011
45	34	Private customers	38	45
8	5	Primary industries	5	8
6	3	Paper and pulp industries	3	5
		Other industry		
13	8	Building and construction	9	13
1	3	Power and water supply	3	1
7	4	Wholesale and retail trade	5	7
1	1	Hotel and restaurants	1	1
13	16	Real estate	16	13
12	18	Commercial services	19	12
3	13	Transport and communications	14	3
109	105	Total expected annual average net loss by sector and industry	113	108

Parent bank			Group	
2011	2012	Gross loans by geographic area	2012	2011
24 569	23 725	Hedmark County	25 259	25 731
	1 618	Oppland County	1 618	
	1 945	Akershus County	1 945	
7 035	4 270	Rest of Norway	6 401	8 822
113	136	Abroad	136	113
99	95	Accrued interest, undistributed	95	119
31 816	31 790	Total gross loans by geographic area	35 455	34 786

Parent bank			Group	
2011	2012	Loans to employees	2012	2011
558	599	Loans to employees	720	661
221	244	Of which loans in SpareBank 1 Boligkreditt AS	289	249

Repayment loans are granted to employees with up to 30 years repayment period and monthly instalments. The rate of interest for repayment loans and Flexiloans for employees is 75 per cent of the lowest ordinary interest rate for private market loans and Flexiloans. Per 31.12.12 the total loan amount on these terms is limited to NOK 2.5 million per individual employee.

Loans to and receivables from customers linked financial leasing agreements (Group only)	2012	2011
Gross receivables linked to financial leasing agreements		
- Up to 1 year	231	171
- 1 to 5 years	1 222	1 008
- More than 5 years	229	202
Total gross receivables	1 682	1 381
Not accrued income linked to financial leasing agreements	4	2
Net investments linked to financial leasing agreements	1 677	1 379
Net investments in financial leasing agreements can be analysed thus:		
- Up to 1 year	231	171
- 1 to 5 years	1 217	1 006
- More than 5 years	229	202
Total net receivables	1 677	1 378

Note 12 - Distribution by age of defaulted loans not written down

The table shows amounts due on loans and overdraft facilities / deposits that are not caused by delays in payment transmission, by number of days after due date.

Parent bank 2012	Up to 30 days	31 – 60 days	61 – 90 days	More than 91 days	Total
Loans to and receivables from customers					
- Retail market	5	5	1	13	24
- Corporate market	9	2	0	8	19
Total	14	7	1	21	43

Group 2012	Up to 30 days	31 – 60 days	61 – 90 days	More than 91 days	Total
Loans to and receivables from customers					
- Retail market	6	6	1	14	27
- Corporate market	12	4	1	12	29
Total	18	10	2	26	56

Parent bank 2011	Up to 30 days	31 – 60 days	61 – 90 days	More than 91 days	Total
Loans to and receivables from customers					
- Retail market	4	2	1	16	23
- Corporate market	2	7	3	6	18
Total	6	9	4	22	41

Group 2011	Up to 30 days	31 – 60 days	61 – 90 days	More than 91 days	Total
Loans to and receivables from customers					
- Retail market	7	3	1	18	29
- Corporate market	11	10	4	8	33
Total	18	13	5	26	62

Note 13 - Losses on loans and guarantees

Parent bank						Group					
2011			2012			2012			2011		
RM	CM	Total	RM	CM	Total	RM	CM	Total	RM	CM	Total
10	-14	-4	-5	-65	-70	-8	-62	-70	13	-20	-7
-4	11	7	-8	3	-5	-10	7	-3	-1	10	9
3	45	48	8	82	90	14	87	101	13	45	58
13	19	32	13	6	19	14	6	20	13	19	32
-18	-20	-38	-2	-1	-3	-5	-1	-6	-20	-22	-42
5	40	45	6	25	31	5	37	42	19	31	50
Total losses on loans and guarantees											

Parent bank						Group					
2011			2012			2012			2011		
RM	CM	Total	RM	CM	Total	RM	CM	Total	RM	CM	Total
41	180	221	50	166	216	55	173	228	43	193	236
3	45	48	8	82	90	13	87	100	5	53	58
5	18	22	14	35	49	16	40	56	6	22	27
9	16	25	1	36	37	1	36	37	9	17	26
8	32	40	13	11	24	17	24	41	14	37	51
50	166	216	42	96	138	44	106	150	55	173	228
Individual write-downs to cover losses on loans and guarantees at 1 January											
Realised losses in the period on loans and guarantees previously written down individually											
Reversal of write-downs in previous years											
Increase in write-downs on commitments previously written down individually											
Write-downs on commitments not previously written down individually											
Individual write-downs to cover losses on loans and guarantees at 31 December *)											

*) Guarantee provisions are included under "Other liabilities" in the balance sheet and at 31 December amounted to NOK 4 million. The corresponding figures in 2011 are NOK 5 million.

Parent bank						Group					
2011			2012			2012			2011		
RM	CM	Total	RM	CM	Total	RM	CM	Total	RM	CM	Total
35	60	95	31	71	102	37	75	112	38	64	102
-4	11	7	-7	3	-4	-10	7	-3	-1	11	10
31	71	102	24	74	98	27	82	109	37	75	112
Collective write-downs to cover losses on loans and guarantees at 1 January											
Collective write-downs to cover losses on loans and guarantees in the period											
Collective write-downs to cover losses on loans and guarantees at 31 December											

Parent bank			Group		
2011	2012	Losses by sector and industry	2012	2011	
6	14	Private customers	15	9	
		Public sector			
4		Primary industries		3	
3	-2	Paper and pulp industries	-2	3	
-1	-1	Other industry	-1	-3	
1	1	Building and construction	9	1	
		Power and water supply			
8	9	Wholesale and retail trade	9	11	
-1		Hotel and restaurants		-1	
7	20	Real estate	20	7	
10	-5	Commercial services	-4	10	
	-1	Transport and communications	-2	1	
		Other			
8	-4	Collective write-downs	-2	9	
45	31	Losses on loans to customers	42	50	

Parent bank						Group				
2008	2009	2010	2011	2012	Defaulted (more than 90 days) and doubtful commitments	2012	2011	2010	2009	2008
243	453	344	368	382	Defaulted commitments	459	424	390	518	286
179	234	434	418	270	Other doubtful commitments	270	420	441	247	202
422	687	778	786	652	Total defaulted and doubtful commitments	729	844	831	765	488
121	194	221	216	138	Individual write-downs	150	228	236	226	148
301	493	557	570	514	Net defaulted and doubtful commitments	579	616	595	539	340
27	35	41	43	29	Interest income from written-down loans charged to income	29	43	41	36	27

Commitment means the customer's total commitment including guarantee ceilings and unused credit facilities.

Sparebanken Hedmark has credit card portfolio on its own balance sheet, and the figures therefore include the defaults and doubtful commitments for these credit cards.

Note 14 - Classification of financial assets

Transfer of loans to SpareBank 1 Boligkreditt AS

SpareBank 1 Boligkreditt AS is owned by savings banks that are members of the SpareBank 1 Alliance and shares offices with SpareBank 1 Næringskreditt AS in Stavanger. Sparebanken Hedmark has an ownership interest of 7.77 per cent as at 31 December 2012 (7.96 per cent as at 31 December 2011). The purpose of the mortgage company is to ensure the banks in the Alliance of stable and long-term financing of home mortgage loans at competitive prices. Bonds issued by SpareBank 1 Boligkreditt AS have a rating of Aaa and AAA from Moody's and Fitch, respectively. Sparebank 1 Boligkreditt AS also issues bonds that are not covered bonds with a lower rating. SpareBank 1 Boligkreditt acquires loans with a mortgage on residential property and issues covered bonds under the regulations for such bonds, which were established in 2007. As part of the Alliance, Sparebanken Hedmark can offer to sell loans to the mortgage company, and loans have been sold to the company as part of the Bank's funding strategy. Loans sold to SpareBank 1 Boligkreditt AS are secured by a mortgage on residential property within 75 per cent of the appraised value. The transferred loans are owned legally by SpareBank 1 Boligkreditt AS, and Sparebanken Hedmark has, beyond the right to manage the loans and receive a commission, as well as to take over loans that have been written down partially or in full, no right to use the loans. At the end of December 2012, the book value of transferred loans was NOK 12.6 billion (2011: NOK 9.8 billion). Sparebanken Hedmark is responsible for management of the loans sold, and the Bank receives a commission based on the return from the loans the Bank has transferred and the mortgage company's costs.

Together with the other owners of SpareBank 1 Boligkreditt AS, Sparebanken Hedmark has entered into agreements to establish a funding facility for SpareBank 1 Boligkreditt AS. This means that the banks have undertaken to buy covered bonds in the event that SpareBank 1 Boligkreditt AS cannot refinance its activities in the market. The purchases are limited to the combined value of the company's liabilities that will mature within the next twelve months at any given time. Prior purchases under this agreement are deducted from the future purchase obligations. Each owner is in principle liable for their share of the need, alternatively double the primary liability in accordance with the same agreement. The bonds can be deposited with Norges Bank and entail thus no significant increase in risk for the Bank. SpareBank 1 Boligkreditt AS maintains liquidity for liabilities that will mature within the next twelve months in accordance with its internal policy. This is deducted from the assessment of the Bank's liability. It is therefore only when SpareBank 1 Boligkreditt AS no longer has liquidity to cover the liabilities that will mature within the next twelve months that the Bank will report any commitment here with regard to capital adequacy or major commitments.

A margin deficit for the loans sold to SpareBank 1 Boligkreditt AS may arise if the funding costs of SpareBank 1 Boligkreditt AS rise faster than the increase in the lending rate. If the interest margin for Sparebanken Hedmark's customers at the portfolio level falls below a certain level (margin floor), the Bank must pay the difference between the portfolio's actual interest margin and the margin floor, limited to a maximum of 0.10 per cent.

Sparebanken Hedmark has also entered into a shareholders' agreement with the shareholders in SpareBank 1 Boligkreditt AS. This means, for example, that the Bank should contribute to the core capital adequacy ratio of SpareBank 1 Boligkreditt AS being at least 9.0 per cent, and possibly inject core capital if it falls to a lower level and the total risk-weighted assets are not otherwise reduced. SpareBank 1 Boligkreditt AS has internal guidelines stipulating a minimum core capital adequacy ratio of 10.0 per cent. Based on a specific assessment, the Bank has decided not to retain capital for this liability, since the risk that the Bank will be forced to contribute is considered very small. Reference is made in this connection to the fact that there are also a number of alternative actions that may be relevant if such a situation should arise.

The loans that have been transferred to SpareBank 1 Boligkreditt AS have very high collateral and the probability of a loss is very low. Sparebanken Hedmark has a remaining involvement in the form of a possible settlement against the commission. If a credit loss or margin deficit arises in the accounts for one or more of the loans transferred, SpareBank 1 Boligkreditt AS can reduce the commission the Bank receives by the loss. The reduction in the Bank's commission is limited to the total commission for a calendar year, and if SpareBank 1 Boligkreditt AS's loss is subsequently covered, then the commission must be repaid to the Bank. The maximum amount by which the Bank can have its recognised commission for the calendar year reduced is limited to NOK 108 million as at 31 December 2012 and NOK 40 million as at 31 December 2011. The fair value of the liability has been assessed and deemed to be insignificant. The liability has therefore not affected the balance sheet or results during the period.

The compensation received for loans transferred from Sparebanken Hedmark to SpareBank 1 Boligkreditt AS corresponds to the book value of the transferred loans and is assessed to be almost equivalent to the loans' fair value as at 31 December 2012 and as at 31 December 2011.

Note 15 - Market risk related to interest rate risk

Interest risk arises because the individual assets and liabilities have different remaining fixed rate terms.

The Board has agreed limits for the total interest rate risk, both with regard to basis risk and yield curve risk. The Bank steers interest rate risk towards the desired level on investments and funding loans by means of interest rate commitment and through the use of interest rate derivatives such as FRAs and interest rate swaps.

Basis risk is the change in the value of the Group's assets and liabilities that arises when there is a parallel shift in the entire yield curve. This risk is shown in the table below by calculating the interest rate risk as the effect on the financial instruments' fair value of a change in interest rate change assuming a parallel shift in the entire yield curve of one percentage point. Administrative interest rate risk has not been taken into account, i.e. the effect of the fact that in practice there will be a lapse between a change in interest rate in the market and the Bank having adjusted the terms and conditions for deposits and loans at floating rates of interest.

The Group's interest rate risk is related primarily to shifts in the yield curve for Norwegian kroner (NOK).

All figures are identical for the parent bank and the Group.

Basis risk	Interest rate risk, 1 per cent change	
	2012	2011
Bonds and certificates	-27	-34
Fixed-rate loans	-39	-23
Fixed-rate deposits	1	3
Certificate-based loans	1	1
Bond loans	107	126
Other fixed-rate funding	1	3
Derivatives	-77	-101
Total interest rate risk, effect on profit after tax	-33	-26

Negative figures indicates that the Bank incurs a loss on an increase in interest rates.

Although the calculations above show that the Bank will incur a loss from an increase in interest rates, the way in which the increase in interest rates happens is not insignificant. The table below shows yield curve risk, i.e. the risk of the yield 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 periods

Yield curve risk	Interest rate risk, 1 per cent change	
	2012	2011
0-1 month	0	0
1-3 months	2	6
3-6 months	1	0
6-12 months	0	3
1-3 years	-10	-23
3-5 years	-11	-5
5-10 years	-16	-6
Total interest rate risk, effect on profit after tax	-33	-26

Note 16 - Market risk related to currency exposure

Currency risk is the risk of the Group incurring a loss as a result of changes in the currency exchange rates that disfavour the Bank's positions. Currency risk arises when the Group has differences in assets and liabilities in an individual currency.

Foreign exchange trading shall always comply with adopted guidelines, limits and authorisations. The Group's limits define quantitative goals for maximum currency exposure, measured in NOK. The Group has set limits for the net exposure in each individual currency and limits for aggregate net currency exposure and total absolute sum of net positions per currency:

- Net positions in any single currency must not exceed NOK 100 million.
- Aggregate net exposure in foreign currency must not exceed NOK 100 million.
- The absolute total of each net position in any single currency must not exceed NOK 200 million.

Currency risk is quantified and monitored at all times. The Group's currency risk throughout the year and at year-end is limited. At 31 December, the net positions in the most important currencies, based on fair value of the underlying assets, was as follows:

All figures are identical for the parent bank and the Group.

Net Currency exposure NOK	2012	2011
GBP	6	0
USD	2	2
DKK	2	0
JPY	2	0
PLN	-2	-1
SEK	2	1
EUR	1	1
CHF	1	0
Other	1	1
Total	16	5
Effect on after-tax profit/loss and equity of a 3 % change in Fx-rates.	0	0
Effect on after-tax profit/loss and equity of a 10 % change in Fx-rates.	1	0

Note 17 - Financial derivatives

All figures are identical for the parent bank and the Group.

Assessment at fair value through profit and loss	2012		
	Contract sum	Fair value	
Currency instruments		Assets	Liabilities
Currency forward contracts	856	20	19
Currency swaps	974	19	2
Total currency instruments	1 830	38	21
Interest rate instruments			
Interest rate swaps (including currency swaps)	9 847	451	172
Forward Rate Agreements (FRA)	430	13	
Total interest rate instruments	10 277	464	172
Other derivatives			
Guarantee liability in respect of Eksportfinans ASA	57	11	
Total currency and interest rate instruments			
Total currency instruments	1 830	38	21
Total interest rate instruments	10 277	464	172
Total other derivatives	57	11	0
Total	12 164	513	193

Assessment at fair value through profit and loss**2011**

	Contract sum	Fair value	
		Assets	Liabilities
Currency instruments			
Currency forward contracts	1 839	41	26
Currency swaps	1 985	4	19
Total currency instruments	3 824	46	45
Interest rate instruments			
Interest rate swaps (including currency swaps)	10 606	317	177
Forward Rate Agreements (FRA)	430	12	
Total interest rate instruments	11 036	330	177
Other derivatives			
Guarantee liability in respect of Eksportfinans ASA	57		4
Total currency and interest rate instruments			
Total currency instruments	3 824	46	45
Total interest rate instruments	11 036	330	177
Total other derivatives	57	0	4
Total	14 917	376	225

Note 18 - Liquidity risk

Parent bank

2012	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Cash flows related to liabilities						
Liabilities to credit institutions		-214	-10	-116	-650	-990
Deposits from and liabilities to customers	-27 548		-620			-28 168
Liabilities arising from issuance of securities		-721	-1 106	-5 393	-1 350	-8 570
Derivatives related to liabilities		23	65	155	19	262
Current tax liabilities			-114			-114
Other liabilities		-154	-150	-21	-249	-574
Total cash flows related to liabilities	-27 548	-1 066	-1 935	-5 375	-2 230	-38 154

Group

2012	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Cash flows related to liabilities						
Liabilities to credit institutions		-214	-10	-116	-650	-990
Deposits from and liabilities to customers	-27 517		-620			-28 137
Liabilities arising from issuance of securities		-721	-1 106	-5 393	-1 350	-8 570
Derivatives related to liabilities		23	65	155	19	262
Current tax liabilities			-117			-117
Other liabilities		-194	-276	-21	-260	-751
Total cash flows related to liabilities	-27 517	-1 106	-2 064	-5 375	-2 241	-38 303

Parent bank

2011	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Cash flows related to liabilities						
Liabilities to credit institutions		-1 060	-1 184	-200	-795	-3 240
Deposits from and liabilities to customers	-25 244		-798			-26 042
Liabilities arising from issuance of securities		-650	-518	-5 750	-1 594	-8 512
Derivatives related to liabilities		4	21	66	10	101
Current tax liabilities			-83			-83
Other liabilities			-194	-23	-395	-612
Total cash flows related to liabilities	-25 244	-1 707	-2 756	-5 907	-2 774	-38 387

Group

2011	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Cash flows related to liabilities						
Liabilities to credit institutions		-1 058	-1 184	-200	-795	-3 238
Deposits from and liabilities to customers	-25 109		-798			-25 907
Liabilities arising from issuance of securities		-650	-518	-5 750	-1 594	-8 512
Derivatives related to liabilities		4	21	66	10	101
Current tax liabilities			-88			-88
Other liabilities			-342	-23	-418	-783
Total cash flows related to liabilities	-25 109	-1 705	-2 909	-5 907	-2 797	-38 426

Note 19 - Maturity analysis of assets and liabilities

Parent bank

2012	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	236					236
Loans to and receivables from credit institutions	25	3 244	93	134		3 496
Gross loans to and receivables from customers	8 754	327	1 067	4 694	16 948	31 790
- Individual write-downs	-62	-7	-3	-19	-43	-134
- Write-downs of groups of loans				-98		-98
Net loans to and receivables from customers	8 692	320	1 064	4 577	16 905	31 558
Certificates, bonds and fixed-income funds		1 075	341	3 027	662	5 104
Financial derivatives		78	13	247	176	513
Shares, units and other equity interests					341	341
Investments in associates and joint ventures					1 299	1 299
Investments in subsidiaries					340	340
Assets held for sale			1			1
Property, plant and equipment				53	197	250
Goodwill and other intangible assets				1	125	126
Deferred tax asset			5	41		46
Other assets		6	242	56	28	332
Total assets	8 953	4 722	1 759	8 135	20 073	43 642
Liabilities						
Deposits from and liabilities to credit institutions	8	211			615	834
Deposits from and liabilities to customers	28 168					28 168
Liabilities arising from issuance of securities		671	5 076	908	1 383	8 038
Financial derivatives		23	11	39	120	193
Current tax liabilities			114			114
Other debt and liabilities recognised in the balance sheet		154	150	21	249	574
Total liabilities	28 176	1 059	5 351	968	2 367	37 921

Group

2012	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	236					236
Loans to and receivables from credit institutions	25	42	93	134	0	294
Gross loans to and receivables from customers	8 764	472	1 312	6 939	17 968	35 455
- Individual write-downs	-62	-7	-15	-19	-43	-146
- Write-downs of groups of loans				-109		-109
Net loans to and receivables from customers	8 702	465	1 297	6 811	17 925	35 200
Certificates, bonds and fixed-income funds		1 075	341	3 027	662	5 104
Financial derivatives		78	13	247	176	513
Shares, units and other equity interests					341	341
Investments in associates and joint ventures					1 558	1 558
Investments in subsidiaries						0
Assets held for sale			1			1
Property, plant and equipment				67	205	272
Goodwill and other intangible assets				1	198	199
Deferred tax asset			2	41		43
Other assets		26	242	56	28	352
Total assets	8 963	1 685	1 989	10 383	21 093	44 113
Liabilities						
Deposits from and liabilities to credit institutions	7	211			615	833
Deposits from and liabilities to customers	28 137					28 137
Liabilities arising from issuance of securities		671	908	5 076	1 383	8 038
Financial derivatives		23	11	39	120	193
Current tax liabilities			117			117
Other debt and liabilities recognised in the balance sheet		194	276	21	260	751
Total liabilities	28 144	1 100	1 312	5 135	2 378	38 069

Parent bank

2011	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	372					372
Loans to and receivables from credit institutions	35	2 975				3 010
Gross loans to and receivables from customers	5 791	195	240	2 023	23 567	31 816
- Individual write-downs	-119	-4	-22	-16	-50	-211
- Write-downs of groups of loans				-102		-102
Net loans to and receivables from customers	5 672	191	218	1 905	23 517	31 503
Certificates, bonds and fixed-income funds		1537	388	2 375	935	5 235
Financial derivatives		30	31	212	103	376
Shares, units and other equity interests	56				256	312
Investments in associates and joint ventures					1 100	1 100
Investments in subsidiaries					342	342
Assets held for sale						0
Property, plant and equipment				49	200	249
Goodwill and other intangible assets				2	108	110
Deferred tax asset			7	62		69
Other assets			151		13	164
Total assets	6 135	4 733	795	4 605	26 574	42 842
Liabilities						
Deposits from and liabilities to credit institutions	10	1 017	1 918	65		3 010
Deposits from and liabilities to customers	26 042					26 042
Liabilities arising from issuance of securities		590	306	5 216	1 485	7 598
Financial derivatives		30	54	32	108	225
Current tax liabilities			83			83
Other debt and liabilities recognised in the balance sheet			194	23	395	612
Total liabilities	26 053	1 637	2 556	5 337	1 989	37 570

Group

2011	At call	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	372					372
Loans to and receivables from credit institutions	35	329				364
Gross loans to and receivables from customers	5 791	200	431	3 915	24 449	34 786
- Individual write-downs	-119	-4	-34	-16	-50	-223
- Write-downs of groups of loans				-112		-112
Net loans to and receivables from customers	5 672	196	397	3 787	24 399	34 451
Certificates, bonds and fixed-income funds		1 537	388	2 375	935	5 235
Financial derivatives		30	31	212	103	376
Shares, units and other equity interests	56				256	312
Investments in associates and joint ventures					1 329	1 329
Investments in subsidiaries						0
Assets held for sale						0
Property, plant and equipment				64	208	272
Goodwill and other intangible assets				2	168	170
Deferred tax asset			7	75		82
Other assets			265		13	278
Total assets	6 135	2 092	1 088	6 515	27 411	43 241
Liabilities						
Deposits from and liabilities to credit institutions	10	1 015	1 918	65		3 008
Deposits from and liabilities to customers	25 907					25 907
Liabilities arising from issuance of securities		590	306	5 216	1 485	7 598
Financial derivatives		30	54	32	108	225
Current tax liabilities			88			88
Other debt and liabilities recognised in the balance sheet			342	23	418	783
Total liabilities	25 917	1 635	2 709	5 337	2 012	37 609

Note 20 - Net interest income

Parent bank			Group	
2011	2012	Interest income	2012	2011
179	159	Interest on loans to and receivables from credit institutions	55	98
1 584	1 607	Interest on loans to and receivables from customers	1 832	1 765
131	146	Interest on certificates, bonds and other interest-bearing securities	146	131
43	29	Interest income from written-down loans charged to income	29	43
		Other interest income and similar income		
1 937	1 942	Total interest income	2 062	2 037
Interest expenses				
160	72	Interest on debt to credit institutions	71	160
674	785	Interest on deposits from and liabilities to customers	781	669
232	250	Interest on securities issued	250	232
		Fees to the Banks' Guarantee Fund		
	1	Other interest expenses and similar expenses	5	5
1 066	1 108	Total interest expenses	1 107	1 066
871	834	Total net interest income	955	971

Note 21 - Net commission income and other operating income

Parent bank			Group	
2011	2012		2012	2011
		Commission income		
11	13	Guarantee commissions	13	10
6	6	Securities trading	6	6
101	100	Payment transmission	100	101
49	57	Insurance services	57	49
40	108	Commission from loans transferred to SpareBank 1 Boligkreditt AS	108	40
11	11	Other commission income	11	11
218	295	Total commission income	294	217
		Commission expenses		
23	21	Payment transmission	21	23
8	8	Other commission expenses	24	22
31	29	Total commission expenses	44	45
		Other operating income		
4	4	Operating income from real estate	4	4
		Real estate brokerage	59	57
		Income from accounting	101	48
	1	Rental income	1	
1	11	Gains on fixed assets	11	1
4	5	Other operating income	9	3
9	21	Total other operating income	185	113
196	287	Total net commission income and other operating income	435	285

Note 22 - Net income from financial assets and liabilities

Parent bank			Group	
2011	2012		2012	2011
		Change in value of interest rate instruments		
-1	69	Bonds and certificates at fair value through profit and loss	69	-1
-34	-223	Securities at fair value through profit and loss	-223	-34
11	7	Fixed-rate loans at fair value through profit and loss	7	11
-1	-1	Fixed-rate deposits at fair value through profit and loss	-1	-1
		Change in value of derivatives		
-26	-16	Net change in value of derivatives related to bonds (assets)	-16	-26
85	73	Net change in value of derivatives related to funding loans	73	85
-2	16	Guarantee liability – Eksportfinans	16	-2
2	2	Net change in value of other derivatives	2	2
		Income from equity instruments at fair value		
	0	Net income from equity instruments held for trading	0	
-1	2	Change in value of equity instruments held for trading	2	-1
34	-70	Total net income from financial assets and liabilities at fair value	-70	34
22	7	Net income from equity instruments available for sale	7	22
-7	-5	Gains / losses on realisation of equity instruments available for sale	-5	-7
7	3	Write-down of and reversal of previous write-down of equity instruments available for sale	3	7
22	5	Total net income from equity instruments available for sale	5	22
108	93	Income from ownership interests	95	76
16	13	Net income from currency trading	13	16
180	41	Total net income from financial assets and liabilities	43	148

Note 23 - Payroll expenses and payments to senior employees and elected officers

Parent bank			Group	
2011	2012		2012	2011
265	242	Payroll	346	335
34	37	Employer's National Insurance contributions	50	44
42	36	Pension costs (note 24)	38	48
16	16	Social security expenses	23	19
357	331	Total personnel expenses	457	446
516	497	Average no. of employees	700	708
479	462	No. of fulltime equivalents at 31 December	659	661
510	484	No. of employees at 31 December	698	701

Payments to Group management 2012 (NOK thousands)

Title/name	Salaries and other short-term benefits	Other remuneration	Accrued pension entitlements in the last 12 months	Board fees in subsidiaries etc.	Loans	Guarantees
Chief Executive Officer Richard Heiberg	2 616	128	1 191		200	
Director, Corporate Market Nils Arne Nordheim	1 993	24	185	90	699	
Director, Retail Market Kari E. Gislebakk	1 265	19	289	80	2 002	
Director of Finance Tore Anstein Dobloug	1 174	19	231			
HR Director Eldar Kjendlie	1 140	22	143	50	992	
Director, Operations and IT Dag-Arne Hoberg	1 157	22	312	45	2 006	
Director, Risk Management Vidar Nordheim	1 095	22	159		1 769	
Bank Manager Tor Morten Nygård	980	22	246		3 531	
Head of Information Siv Stenseth	854	17	250		1 744	
Managing Director, EiendomsMegler 1 Hedmark Eiendom AS Magnus Aasen	876	28	95		672	
Managing Director, SpareBank 1 Finans Østlandet AS Hans Olav Wedvik	1 162	24	218		13 465	
Managing Director, Consis AS Ove Jahnsen	1 025	5	45			
Managing Director, Consis Credit AS Geir Schølberg	328		34	20		

2011 (NOK thousands)

Title/name	Salaries and other short-term benefits	Other remuneration	Accrued pension entitlements in the last 12 months	Board fees in subsidiaries etc.	Loans	Guarantees
Chief Executive Officer Richard Heiberg	2 413	120	428		1 500	
Director, Corporate Market Nils Arne Nordheim	1 834	18	183	90	733	
Director, Retail Market Kari E. Gislebakk	1 270	17	285	75	2 149	
Director of Finance Tore Anstein Dobloug	1 191	16	228			
HR Director Eldar Kjendlie	1 162	18	141	50	1 197	
Director, Operations and IT Dag-Arne Hoberg	1 193	18	308		1 577	
Director, Risk Management Vidar Nordheim	919	19	183		1 720	
Bank Manager Tor Morten Nygård	975	18	243		2 666	
Head of Information Siv Stenseth	838	19	247		1 679	
Managing Director, Hedmark Eiendom AS Nils Børresen	1 217	21	199			
Managing Director, SpareBank 1 Finans Østlandet AS Hans Olav Wedvik	1 093	21	215		12 032	
Managing Director, Consis AS Ove Jahnsen *	251	1	12			
Managing Director, Consis AS Geir Schølberg **	709	8	36	8		

* From 10.10.2011

** To 09.10.2011

Of the total lending to Group management, NOK 6 million was transferred to SpareBank 1 Boligkreditt AS in 2012 (NOK 6 million in 2011).

**Remuneration to the Board and the Control Committee
2012 (NOK thousands)**

Title/name	Fees	Other remuneration	Loans	Guarantees
Board:				
Chairman Siri J. Strømmevold	226		2 304	
Vice Chairman Bjørnar Håkensmoen	133			
Board member Aud Christensen Aud Christensen	118			
Board member Aud Christensen Nina Cecilie Lier	172		8	
Board member Aud Christensen Jan Wibe	129		1	
Board member Aud Christensen Grethe G. Fossum	118			
Board member Espen B. Larsen (employee, incl. in salary)	129		4 447	
Deputy Sverre Bjørnstad	14			
Deputy Morten Herud	7			
Deputy Ola Reidar Gulli (employee, incl. in salary)	78		582	
Kontrollkomite:				
Chairman Vidar Brobakken	94			
Vice Chairman Mikael Løken	54			
Gro Svarstad	69			
Jan Erik Myrvold	58		9	
Valborg Berthelsen	68		7	
Deputy Marit Johnsrud				
Deputy Anne Grete Melbye				
Deputy Gry Torgals			1 275	
Deputy Bodil Helene Andersen			718	
Deputy Gunn S. Hvamstad			1 105	

2011 (NOK thousands)

Title / name	Fees	Other remuneration	Loans	Guarantees
Board:				
Chairman Gunnar Martinsen	219		27	
Vice Chairman Trond Hagerud	161		110	
Board member Siri J. Strømmevold	129		2 610	
Board member Nina Cecilie Lier	154			
Board member Jan Wibe	120		2 079	
Board member Grethe G. Fossum	120			
Board member Espen B. Larsen (employee, incl. in salary)	121		3 870	
Deputy Aud Christensen	93			
Deputy Jarle Dalløkken	7			
Deputy Ola Reidar Gulli (employee, incl. in salary)	70		673	
Control Committee:				
Chairman Pål Johnsrud	120			
Vice Chairman Anders Brinck	65			
Gro Svarstad	66			
Jan Erik Myrvold	66		2	
Valborg Berthelsen	65			
Deputy Mikael Løken				
Deputy Morten Kongsrud			3 080	
Deputy Kirsten Walmann			320	
Deputy Bodil Helene Andersen			724	
Deputy Gunn S. Hvamstad			956	

Of the total lending to the Board and the Control Committee, NOK 4 was transferred to SpareBank 1 Boligkreditt AS in 2012 (NOK 4 million in 2011)

Remuneration to the Board of Representatives (NOK thousands)	2012	2011
Chairman Jonny Holen (2012)	2	22
Other members	2-46	2-38

All of the above remuneration to senior executives and elected offices, with the exception of loans and guarantees, is subject to employer's National Insurance contributions.

Remuneration scheme pursuant to "Regulations relating to remuneration schemes in financial institutions, securities firms and management companies"

Senior executives, etc. who fall within the regulations' definition receive remuneration in the form of fixed salary and are members of the bank's ordinary pension schemes. There are no established systems with variable salary components for senior executives, nor have any special administrative schemes been established for this group. Salaries are assessed through annual processes at the end of each year and changes normally come into effect on 1 January of the following year. Assessments are based on the bank's remuneration policy and described processes.

Note 24 - Pensions

Defined benefit scheme

The pension scheme is administered by a separate pension fund and gives entitlement to future pension benefits from the age of 67. The scheme also covers a disability pension subject to specific rules. The Group's defined benefit pension scheme guarantees most of the members a pension of approximately 70 per cent of their final salary, up to a maximum of 12G. The defined benefit scheme is closed to new members.

Defined contribution scheme

Defined contribution pension schemes entail that the Group does not guarantee a future pension of a given size, and that the Group pays instead an annual contribution to the employees' collective pension savings plan. The future pension will depend on the size of the contribution and the annual return on the pension savings. The Group does not have any further obligation related to work performed after the annual contribution has been paid. There are no provisions for accrued pension liabilities in such schemes. Defined contribution pension schemes are recognised directly as an expense. The Group has offered a defined contribution pension scheme to its employees since 1 July 2008.

Early retirement pension scheme

The banking and financial services industry has entered into an early retirement pension (AFP) scheme contract. This scheme covers early retirement from the age of 62 to 67. The Bank is responsible for 100 per cent of the pension that is paid from the age of 62 to 64 and 60 per cent of the pension that is paid from the age of 65 to 67. Admission of new pensioners ceased with effect from 1 January 2011.

New early retirement pension scheme

The Act on state subsidies to employees who take out an early retirement pension in the private sector (Early Retirement Subsidy Act) entered into force on 19 February 2010. Employees who take out early retirement from an implementation date in 2011 or later, will receive benefits in accordance with the new scheme. The new early retirement pension (AFP) scheme is a lifelong addition to National Insurance benefits and can be taken out from age 62. The employers' premium is determined as a percentage of salary payments between 1G and 7.1G. In accordance with the recommendations of the Norwegian Accounting Standards Board, no provisions have been set aside for the Group's real early retirement pension (AFP) scheme liabilities. This is because the Joint Office for LO/NHO Schemes has still not made the necessary calculations.

In addition, the Group has pension liabilities in relation to early retirement pensioners and employees with a salary over 12G.

For further details of the Group's pension schemes, see Note 2 Accounting principles and Note 23 Personnel expenses.

Defined-contribution pension from 1 July 2008

Salary between 7 and 12 times the National Insurance basic amount (G)	5%
Salary between 6 og 12 G	8%

Salary includes regular supplements, but does not include overtime, taxable benefits in kind and other remuneration of expenses.

The discontinued pension scheme includes	Parent bank	Group
Employees	366	405
Pensioners	226	227

The calculation of costs and liabilities for the closed pension scheme is based on the following assumptions:

Assumptions 31 December	01.01.13	01.01.12	01.01.11	01.01.10
Discount rate	3,90 %	2,60 %	4,00 %	4,40 %
Expected return on assets*	3,90 %	4,20 %	4,30 %	4,80 %
Expected future wage development	3,50 %	3,50 %	4,00 %	4,50 %
Expected adjustment of the basic amount (G)	3,25 %	3,25 %	3,75 %	4,25 %
Expected pension adjustment	3,25 %	3,25 %	3,75 %	4,25 %
Employers' National Insurance contribution	14,10 %	14,10 %	14,10 %	14,10 %
Expected voluntary retirement	2,00 %	2,00 %	2,00 %	2,00 %
Expected contractual early retirement from 62 years	0,00 %	0,00 %	0,00 %	25,00 %
Disability table applied	IR02	IR02	IR02	IR02
Mortality table applied	Updated K2005	K2005	K2005	K2005

* Expected return is calculated based on the average actual return for the last six years. As of 2013, the return on the funds is equal to the discount rate for calculation of the cost and liability.

Sparebanken Hedmark decided to implement the covered bond rate as the discount rate when use of this rate was permitted in December 2012. The Norwegian Accounting Standards Board reassessed the corporate bond market as a result of input from the market actors with regard to the growth of the covered bond market. These actors had found that the covered bond market was deep enough and the pricing was reliable. Accordingly, the Norwegian Accounting Standards Board cannot deny the use of covered bonds for calculation of the discount rate. For Sparebanken Hedmark, the change from use of the government bond interest rate to the covered bond interest rate for the liability as at 31 December 2012 accounted for approximately NOK 200 million.

Pension cost

Secured scheme

Parent bank		Group	
2011	2012	2012	2011
24	25	30	28
27	20	21	28
-21	-21	-22	-22
	1	1	
		-6	
4	4	4	4
34	29	28	39

Actual return on pension assets:

4,6 %	3,8%	3,8%	4,6 %
-------	------	------	-------

Unsecured pension scheme

Parent bank		Group	
2011	2012	2012	2011
1			1
2	1	1	2
3	3	6	4
2	3	3	2
8	7	10	9

Total secured and unsecured schemes

Parent bank		Group	
2011	2012	2012	2011
25	25	30	29
29	21	22	30
-21	-21	-22	-22
	1	1	
3	3	6	4
2	3	3	2
		-6	
4	4	4	4
42	36	38	48

Pension liability

Secured scheme

Parent bank			Group	
2011	2012		2012	2011
681	795	Gross liabilities at 1 January	833	712
24	26	Pension accruals for the year	30	28
27	20	Interest on pension liability	21	28
-16	-17	Benefits paid	-17	-16
79	-119	Actuarial differences included in equity	-136	81
795	705	Gross liability at 31 December	731	833
472	490	Pension assets at 1 January	507	486
33	47	Paid into the scheme	51	36
21	21	Administrative cost	21	22
	-1	Expected return on pension assets	-1	
-16	-17	Benefits paid	-17	-16
-20	-16	Actuarial gains and losses included in equity	-21	-21
490	524	Pension assets at 31 December	541	507
30	43	Employers' National Insurance contribution liability at 1 January	45	32
-5	-7	Employers' National Insurance contribution on pension premium paid in	-6	-5
14	-14	Employers' National Insurance contribution on actuarial differences	-14	14
4	4	Employers' National Insurance contribution on the pension cost for the year	5	4
43	26	Employers' National Insurance contribution liability at 31 December	29	45
239	348	Net pension liability secured scheme at 1 January	371	258
348	207	Net pension liability secured scheme at 31 December	220	371

Premium transfers are estimated to NOK 36 million for the parent bank and NOK 40 million for the group.

Unsecured pension scheme

Parent bank			Group	
2011	2012		2012	2011
50	42	Gross liabilities at 1 January	42	50
1		Pension accruals for the year		1
2	1	Interest on pension liability	1	2
-11	-13	Benefits paid	-13	-12
	6	Changes to pension plan		
	6	Actuarial differences included in equity	6	
42	36	Gross liability at 31 December	36	41
7	6	Employers' National Insurance contribution liability at 1 January	6	7
-2	-2	Employers' National Insurance contribution on paid benefits	-2	-2
	1	Employers' National Insurance contribution on actuarial differences	1	
		Employers' National Insurance contribution on effect of new AFP scheme		
1	0	Employers' National Insurance contribution on the pension cost for the year		1
6	5	Employers' National Insurance contribution liability at 31 December	5	6
57	48	Net pension liability unsecured scheme at 1 January	48	57
47	41	Net pension liability unsecured scheme at 31 December	41	47

Total secured and unsecured schemes

Parent bank			Group	
2011	2012	Summary of pension liability	2012	2011
296	395	Net pension liability at 1 January	418	315
395	249	Net pension liability at 31 December	261	418

Actuarial gains and loss (changes in estimates)

Parent bank			Group	
2011	2012	Summary of the liability	2012	2011
-113	110	Actuarial gains and losses and pre-tax losses in equity capital for the period	118	-121
187	77	Cumulative actuarial gains and losses and pre-tax losses in equity capital	82	200

Parent bank	2012	2011	2010	2009	2008
Present value of pension liability	773	885	767	765	875
Fair value of pension assets	524	490	472	429	425
Deficit / surplus	249	395	296	293	446
Experience adjustments to pension liabilities	-129	90	-7	-57	100
Experience adjustments to pension assets	-18	-23	5	-5	-19

Group	2012	2011	2010	2009	2008
Present value of pension liability	801	925	791	787	899
Fair value of pension assets	541	507	482	438	428
Deficit / surplus	261	418	309	349	470
Experience adjustments to pension liabilities	-148	93	-9	-65	100
Experience adjustments to pension assets	-24	-24	2	-5	-18

Composition of the Group's pension assets	2012	2011
Fixed income funds	34,60 %	33,40 %
Shares	0,60 %	0,60 %
Short-term bonds	16,20 %	12,70 %
Certificates	24,70 %	22,90 %
Money market	23,80 %	30,40 %
Other	0,10 %	

Note 25 - Other operating expenses

Parent bank			Group	
2011	2012		2012	2011
44	38	External services	41	47
49	39	External data processing	40	50
34	40	Marketing	64	50
25	25	Postage, courier, telephone, computer lines	29	29
45	68	IT equipment, software	72	47
26	29	Depreciation (notes 33 and 34)	36	32
9	9	Rent *	26	18
19	18	Operating expenses property	18	19
16	20	Wealth tax **	20	16
40	35	Other operating expenses	62	61
308	321	Total other operating expenses	407	369
		Auditor's fee (NOK thousands)		
668	816	Statutory audit	1 813	1 116
		Other attestation services	91	485
47	100	Other services	392	156
714	916	Total, including VAT	2 295	1 757

* Specification of rent for 2012 (NOK thousands):

Parent bank		Group	
Rent of premises	6	Rent of premises	12
Machine hire	0	Machine hire	8
Rent of parking spaces	0	Rent of parking spaces	0
Electricity and fuel – rented premises	1	Electricity and fuel – rented premises	1
Other operating expenses – rented premises	2	Other operating expenses – rented premises	4
Repairs and maintenance	0	Repairs and maintenance	0
Total rent	9	Total rent	26

Note 26 - Taxes

Parent bank			Group	
2011	2012		2012	2011
537	479	Profit before taxes	527	539
-107	-100	+/- permanent differences *	-74	-124
-18	-82	+/- changes in temporary differences	-153	15
-113	110	+/- tax effect recorded directly against equity	116	-115
299	407	Tax base / taxable income for the year	416	316
83	114	Of which is tax payable 28%	117	88
18	23	Change in deferred tax	39	10
2	1	Excess/insufficient tax allocation in previous years	1	2
-2		Excess/insufficient deferred tax allocation in previous years		-2
32	-22	- of which change not recorded in income statement	-33	31
133	116	Total tax charge	124	130
Explanation of why the tax charge for the year is not 28 % of the year's profit before tax				
2011	2012		2012	2011
150	134	28% tax on profit before tax	148	151
-17	-27	28% of permanent differences*	-21	-21
2	1	Excess/insufficient tax allocation in previous years	1	2
-2		Excess/insufficient deferred tax allocation in previous years	-4	-2
133	109	Estimated tax charge	124	130
25 %	23 %	Effective tax rate (%)	23 %	24 %
Deferred tax assets				
2011	2012		2012	2011
-110	-70	Deferred tax assets that reverse in more than 12 months	-96	-129
-7	-5	Deferred tax assets that reverse within 12 months	-5	-7
-117	-75	Total deferred tax assets	-101	-136
48	29	Deferred tax that reverse in more than 12 months	55	54
		Deferred tax that reverse within 12 months	3	
48	29	Total deferred tax	59	54
-69	-46	Net deferred tax/deferred tax asset	-43	-82
Specification of temporary differences				
2011	2012		2012	2011
5	12	Gains and loss account	12	3
-395	-249	Pension liabilities	-261	-405
9	15	Operating equipment	119	59
136	59	Other temporary differences	21	85
		Carry forward tax loss	-44	-33
-245	-163	Total temporary differences	-152	-292
28 %	28 %	Tax rate applied	28 %	28 %

1) Includes tax-exempted dividends, non-tax-deductible expenses, net tax-exempt gains on realisation of shares in the European Economic Area (EEA), and tax allowances for profit attributable to associated companies (the percentage of the profit is extracted as it has already been taxed in the individual company). Pursuant to IFRS, wealth tax is classified as a levy and not as a tax charge. For 2012, the wealth tax is calculated to be NOK 20 mill (2011 NOK 16 mill) and is classified as other operating expenses.

Note 27 - Classification of financial instruments

Parent bank

Financial investments at fair value through profit and loss

	Held for trading	To be recognised at fair value	Financial investments held to maturity	Financial instruments assessed at amortised cost	Total
2012					
Assets					
Cash and deposits with central banks				236	236
Loans to and receivables from credit institutions				3 496	3 496
Gross loans to and receivables from customers		1 812		29 978	31 790
- Individual write-downs				-134	-134
- Write-downs of groups of loans				-98	-98
Net loans to and receivables from customers	0	1 812	0	29 746	31 558
Certificates, bonds and fixed-income funds		5 053		51	5 104
Financial derivatives	513				513
Shares, units and other equity interests			341		341
Total assets	513	6 865	341	33 528	41 248
Liabilities					
Deposits from and liabilities to credit institutions				834	834
Deposits from and liabilities to customers		635		27 533	28 168
Liabilities arising from issuance of securities		8 038			8 038
Financial derivatives	193				193
Total liabilities	193	8 673	0	28 367	37 232

Group

Financial investments at fair value through profit and loss

	Held for trading	To be recognised at fair value	Financial investments held to maturity	Financial instruments assessed at amortised cost	Total
2012					
Assets					
Cash and deposits with central banks				236	236
Loans to and receivables from credit institutions				294	294
Gross loans to and receivables from customers		1 812		33 643	35 455
- Individual write-downs				-146	-146
- Write-downs of groups of loans				-109	-109
Net loans to and receivables from customers	0	1 812	0	33 388	35 200
Certificates, bonds and fixed-income funds		5 053		51	5 104
Financial derivatives	513				513
Shares, units and other equity interests			341		341
Total assets	513	6 865	341	33 968	41 688
Liabilities					
Deposits from and liabilities to credit institutions				833	833
Deposits from and liabilities to customers		635		27 502	28 137
Liabilities arising from issuance of securities		8 038			8 038
Financial derivatives	193				193
Total liabilities	193	8 673	0	28 335	37 200

Parent bank**Financial investments at fair value through profit and loss**

	Held for trading	To be recognised at fair value	Financial investments held to maturity	Financial instrument assessed at amortised cost	Total
2011					
Assets					
Cash and deposits with central banks				372	372
Loans to and receivables from credit institutions				3 010	3 010
Gross loans to and receivables from customers		1 209		30 607	31 816
- Individual write-downs				-211	-211
- Write-downs of groups of loans				-102	-102
Net loans to and receivables from customers	0	1 209	0	30 294	31 503
Certificates, bonds and fixed-income funds		5 235			5 235
Financial derivatives	376				376
Shares, units and other equity interests	4		308		312
Total assets	379	6 444	308	33 676	40 807
Liabilities					
Deposits from and liabilities to credit institutions				3 010	3 010
Deposits from and liabilities to customers		798		25 244	26 042
Liabilities arising from issuance of securities		7 598			7 598
Financial derivatives	225				225
Total liabilities	225	8 396	0	28 254	36 875

Group**Financial investments at fair value through profit and loss**

	Held for trading	To be recognised at fair value	Financial investments held to maturity	Financial instruments assessed at amortised cost	Total
2011					
Assets					
Cash and deposits with central banks				372	372
Loans to and receivables from credit institutions				364	364
Gross loans to and receivables from customers		1 209		33 577	34 786
- Individual write-downs				-223	-223
- Write-downs of groups of loans				-112	-112
Net loans to and receivables from customers	0	1 209	0	33 242	34 451
Certificates, bonds and fixed-income funds		5 235			5 235
Financial derivatives	376				376
Shares, units and other equity interests	4		308		312
Total assets	379	6 444	308	33 978	41 109
Liabilities					
Deposits from and liabilities to credit institutions				3 008	3 008
Deposits from and liabilities to customers		798		25 109	25 907
Liabilities arising from issuance of securities		7 598			7 598
Financial derivatives	225				225
Total liabilities	225	8 396	0	28 117	36 738

Note 28 - Information about fair value

Parent bank	Book value 2012	Fair value 2012	Book value 2011	Fair value 2011
ASSETS				
Loans to and receivables from credit institutions	3 496	3 496	3 010	3 010
<i>Net loans to and receivables from customers</i>				
RM	18 996	18 996	19 407	19 407
CM	12 562	12 562	12 096	12 096
Securities	5 445	5 445	5 546	5 546
Derivatives	513	513	376	376
Total financial assets	41 012	41 012	40 435	40 435
LIABILITIES				
Liabilities to credit institutions	834	834	3 010	3 010
Deposits from and liabilities to customers	28 168	28 168	26 042	26 042
Liabilities arising from issuance of securities	8 038	8 038	7 598	7 598
Derivatives	193	193	225	225
Total financial liabilities	37 232	37 232	36 875	36 875
Group	Book value 2012	Fair value 2012	Book value 2011	Fair value 2011
ASSETS				
Loans to and receivables from credit institutions	294	294	364	364
<i>Net loans to and receivables from customers</i>				
RM	20 694	20 694	20 840	20 840
CM	14 506	14 506	13 611	13 611
Securities	5 445	5 445	5 546	5 546
Derivatives	513	513	376	376
Total financial assets	41 452	41 452	40 737	40 737
LIABILITIES				
Liabilities to credit institutions	833	833	3 008	3 008
Deposits from and liabilities to customers	28 137	28 137	25 907	25 907
Liabilities arising from issuance of securities	8 038	8 038	7 598	7 598
Derivatives	193	193	225	225
Total financial liabilities	37 200	37 200	36 738	36 738

General

Financial instruments assessed at fair value

Financial instruments – with the exception of loans to and deposits from customers with floating rates of interest, and debts to credit institutions – are assessed at fair value. For a more detailed description, see notes 2 and 4.

Financial instruments assessed at amortised cost

Financial instruments that are not assessed at fair value are recognised at amortised cost. See note 2 for a more detailed description. Amortised cost entails assessing balance sheet items after originally agreed cash flows and, as applicable, adjusted for write-downs.

Assessment at fair value will always be subject to uncertainty.

Assessment at fair value of items recognised at amortised cost

In connection with assessment at fair value of items recognised at amortised cost, we divide items into the following categories: loans to and receivables from credit institutions, loans to retail and corporate customers, deposits from and liabilities to customers, and liabilities to credit institutions.

Differing pricing methods are used for loans to customers and loans to credit institutions. Below is a summary of the various pricing models for the different categories:

- Loans to and receivables from credit institutions are priced using NIBOR.
- Loans to retail market customers are priced using floating and fixed customer interest rates.
- Loans to corporate market customers are priced using floating and fixed customer interest rates, and a number of loans are priced using NIBOR.

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

It is the Bank's view that loans in the retail and corporate market with floating interest rates always have a fair market price. The justification for this is that floating interest is subject to continuous assessment and adjustment to the interest rates in the capital market and changes in the competition situation.

Liabilities to credit institution and deposits from customers

For deposits to customers and liabilities to credit institutions, fair value is estimated to be equal to book value, since they generally have floating rates of interest.

In the light of these assessments, there is no difference between book value and real value in the table above.

Note 29 Determination of fair value of financial instruments

The table below shows the financial instruments at fair value by the measurement method. The different levels are defined as follows:

- Level 1: Quoted prices for similar asset or liability on an active market
- Level 2: Valuation based on other observable factors either direct (price) or indirect (deduced from prices) than the quoted price (used on level 1) for the asset or liability
- Level 3: Valuation based on factors not based on observable market data (non-observable inputs)

All figures are identical for the parent bank and the Group.

2012				
Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
- Derivatives		502	11	513
- Bonds and certificates		5 104		5 104
- Equity instruments				0
- Fixed-rate loans		1 758		1 758
- Loans with interest-rate guarantees			4	4
Financial assets available for sale				
- Equity instruments	78	12	251	341
Total assets	78	7 376	265	7 720
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit and loss				
- Derivatives		193		193
- Securities issued		8 038		8 038
- Fixed-rate deposits		429		429
- Term deposits			206	206
Total liabilities	0	8 660	206	8 866

2011

Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
- Derivatives		376		376
- Bonds, certificates and fixed-income funds		5 235		5 235
- Equity instruments	4			4
- Fixed-rate loans		1 202		1 202
- Loans with interest-rate guarantees			7	7
Financial assets available for sale				
- Equity instruments	72	11	225	308
Total assets	76	6 823	233	7 132
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit and loss				
- Derivatives		221	4	225
- Securities issued		7 598		7 598
- Fixed-rate deposits		437		437
- Term deposits			361	361
Total liabilities	0	8 256	365	8 621

Fair value of financial instruments traded on active markets is based on the market value on the balance sheet day. A market is considered active if the market prices are easily and regularly available from a stock exchange, dealer, broker, industrial group, pricing service or regulatory authority and these prices represent actual and regularly occurring arm's-length market transactions. The market price used for financial assets is the current purchase price; for financial liabilities the current selling price is used. Instruments included in level 1 include only equity instruments listed on Oslo Børs or the New York Stock Exchange, classified as held for trading or available for sale.

Fair value value of financial instruments that are not traded in an active market (such as individual OTC derivatives) is determined using valuation methods. These valuation methods make maximum use of observable data where available and try to avoid using the Group's own estimates. If all the significant data required to determine the fair value of an instrument is observable data, the instrument is included in level 2.

If one or more important inputs required to determine the fair value of an instrument are is observable market data, the instrument is included in level 3.

Valuation methods used to determine the value of financial instruments include:

- Fair value of interest rate swaps is calculated as the present value of the estimated future cash flow based on observable yield curves.
- Fair value forward contracts in a 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.
- Fair value of bonds and certificates (assets and liabilities) is calculated 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 a reputable brokerage firms or Reuters pricing service.
- Fair value of fixed-rate deposits and loans is calculated as the present value of the estimated future cash flow based on an observable swap yield curve, plus an implicit mark-upcalculated as the difference between the reference rate and the interest rate indicated by the Bank's price list on balance sheet day.
- Other methods, such as multiplier models, have been used to determine the fair value of the remaining financial instruments.

The table below presents the changes in value of the instruments classified in level 3:

	Loans with interest-rate guarantees	Equity instruments	Derivatives	Market- linked certificates of deposit (BMA)	Total
2012					
Opening balance	7	225	-4	-361	-132
Investments in the period		6		361	367
Sales / redemption in the period	-4		-1	-205	-210
Gains / losses recognised through profit and loss			16		16
Gains / losses recognised directly against comprehensive income		20			20
Closing balance	4	251	11	-206	59
Gains / losses for the period included in the profit for assets owned on the balance sheet day			16		16

	Loans with interest-rate guarantees	Equity instruments	Derivatives	Market- linked certificates of deposit (BMA)	Total
2011					
Opening balance	12	246	-12	-224	22
Investments in the period		5	10	224	239
Sales / redemption in the period	-5	-2		-361	-368
Gains / losses recognised through profit and loss			-2		-2
Gains / losses recognised directly against comprehensive income		-24			-24
Closing balance	7	225	-4	-361	-133
Gains / losses for the period included in the profit for assets owned on the balance sheet day			-2		-2

Gains and losses on instruments classified in level 3 recognised in profit and loss are included in their entirety under Net profit from other financial assets and liabilities in the income statement.

Note 30 - Certificates, bonds and fixed-income funds

All figures are identical for the parent bank and the Group.

Certificates, bonds and fixed-income funds by sector of issuers		2012	2011
Government			
	nominal value	150	150
	fair value	157	155
Other public sector issuers			
	nominal value	1 253	945
	fair value	1 271	951
Financial institutions			
	nominal value	2 793	3 090
	fair value	2 889	3 151
Non-financial institutions			
	nominal value	791	990
	fair value	786	977
Total fixed-income papers, nominal value		4 987	5 175
Total fixed-income papers at fair value		5 104	5 235

Fair value is presented including accrued interest (dirty price). Accrued interest amounts to NOK 43 million in 2012, NOK 52 million in 2011. See note 9 for a more detailed specification of risk linked to fixed-income funds.

Note 31 - Shares, units and other equity interests

Shares, units and other equity interests are classified as either financial assets held for trading (HFT) or financial assets available for sale (AFS).

All figures are identical for the parent bank and the Group.

	2012	2011
At fair value through profit and loss		4
- Listed		4
Available for sale	341	308
- Listed	78	72
- Unlisted	262	236
Total shares and units	341	312
Total listed companies	78	76
Total unlisted companies	262	236

Listed companies	Classification	Percentage ownership (%)	No. of shares	Cost of acquisition (NOK thousands)	Market value/book value (NOK thousands)
Visa Inc.	AFS	0,0 %	13 710	5 891	11 387
Total listed shares				5 891	11 387
SpareBank 1 Ringerike Hadeland	AFS	0,3 %	41 388	5 126	4 609
Totens Sparebank	AFS	23,5 %	1 440 530	94 782	62 375
Total listed equity certificates				99 908	66 984
Total listed shares and equity certificates				105 799	78 371
Unlisted companies					
Argo ProAktiv	AFS		100 000	10 000	11 890
Eiendomskreditt AS	AFS	1,2 %	32 510	3 446	3 414
Eksportfinans ASA	AFS	1,3 %	3 499	52 127	54 934
Komm-In AS	AFS	23,7 %	5 000 000	5 000	5 000
Nets Holding AS	AFS	1,4 %	2 591 201	112 312	138 459
Nordito Property AS	AFS	3,1 %	313 715	10 666	9 095
Norgesinvestor IV AS	AFS	1,7 %	79 000	7 900	8 635
Norgesinvestor Opportunities AS	AFS	6,4 %	80 000	8 000	7 712
Norgesinvestor Pro AS	AFS	10,9 %	150 000	15 000	16 641
Other	AFS			11 923	6 662
Total unlisted shares and units				236 374	262 442
Total shares, units and equity certificates				342 173	340 813

Note 32 - Investments in subsidiaries, associates and joint ventures

Company	Date of acquisition	Registered officer	Stake
Investments in subsidiaries			
Shares owned by the parent bank			
EiendomsMegler 1 Hedmark Eiendom AS	1988	Hamar, Norge	100,00 %
SpareBank 1 Finans Østlandet AS	1995	Hamar, Norge	100,00 %
Consis AS	2011	Hamar, Norge	60,00 %
Consis Credit AS	2012	Hamar, Norge	74,52 %
Vato AS	1981	Hamar, Norge	100,00 %
Investments in associated companies			
Bank 1 Oslo Akershus AS	2010	Oslo, Norge	12,00 %
SpareBank 1 Boligkreditt AS	2007	Stavanger, Norge	7,77 %
SpareBank 1 Kundesenter AS	2012	Stavanger, Norge	10,00 %
SpareBank 1 Kredittkort AS	2012	Trondheim, Norge	8,78 %
SpareBank 1 Verdipapirservice AS	2012	Oslo, Norge	8,90 %
Investments in joint ventures			
Torggt 22 AS	2001	Hamar, Norge	50,00 %
SpareBank 1 Gruppen AS	2006	Oslo, Norge	12,00 %
SpareBank 1 Utvikling DA	2006	Oslo, Norge	11,30 %

Shares in subsidiaries parent bank

Investments are recognised at cost in the parent bank. The figures are fully consolidated in the consolidated financial statements.

	The company's share capital	No. of shares	Assets	Liabilities	Total income	Total expenses	The company's annual profit/loss	Book value 2012
2012								
SpareBank 1 Finans Østlandet AS	285,0	285 000	3 679	3 362	107	59	27	285
Total investments in credit institutions			3 679	3 362	107	59	27	285
EiendomsMegler 1 Hedmark Eiendom AS	0,5	500	29	19	59	54	3	8
Consis AS	12,5	750 000	94	60	99	97	5	37
Consis Credit AS	1,3	100 600	4	2	5	3	1	1
Vato AS	0,6	352	12	0	2	1	1	9
Total investments in other subsidiaries			139	81	165	155	10	55
Total investments in Group companies parent bank			3 818	3 443	272	214	37	340

	The company's share capital	No. of shares	Assets	Liabilities	Total income	Total expenses	The company's annual profit/loss	Book value 2011
2011								
SpareBank 1 Finans Østlandet AS	285,0	285 000	3 086	2 772	89	47	27	285
Total investments in credit institutions			3 086	2 772	89	47	27	285
EiendomsMegler 1 Hedmark Eiendom AS	0,5	500	29	18	58	50	6	8
Consis AS	12,5	1 250 000	79	71	44	55	-9	40
Vato AS	0,6	352	12	0	2	2	0	9
Total investments in other subsidiaries			120	89	104	107	-3	57
Total investments in Group companies parent bank			3 206	2 861	193	154	24	342

Investments in associates and joint ventures

Investments in associates and joint ventures are recognised at cost in the parent bank. Consolidated figures are presented according to the equity method of accounting

Parent bank			Group	
2011	2012		2012	2011
1 009	1 100	Book value at 1 January	1 329	1 272
91	199	Acquisitions / disposals	199	91
		Write-downs		
		Changes in equity	2	-48
		Share of the profit	95	76
		Dividend paid	-68	-62
1 100	1 299	Book value at 31 December	1 558	1 329

Income from investments in subsidiaries, associates and joint ventures

Parent bank			Group	
2011	2012		2012	2011
53	52	Dividend SpareBank 1 Gruppen AS		
		Share of the profit SpareBank 1 Gruppen AS	60	59
		Share of the profit Bank 1 Oslo Akershus AS	15	9
		Share of the profit SpareBank 1 Boligkreditt AS	20	7
4	8	Dividend Bank 1 Oslo Akershus AS		
5	7	Dividend SpareBank 1 Boligkreditt AS		
3	6	Group contribution / dividend EM 1 Hedmark Eiendom AS		
43	27	Group contribution / dividend SB 1 Finans Østlandet AS		
	-8	Gains / loss on realisation of ownership investments		
		Share of the profit from others	1	1
108	93	Total income	95	76

The Group's stake in associates and joint ventures

2012	Ownership	No. of shares	Assets	Liabilities	Total Income	Total Expenses	Company's annual profit/loss	Book value 2012
Bank 1 Oslo Akershus AS	12,00 %	427 344	3 504	3 292	118	79	15	212
SpareBank 1 Boligkreditt AS	7,77 %	3 910 886	15	14	29	2	20	605
SpareBank 1 Kundesenter AS	10,00 %	966						0
SpareBank 1 Kredittkort AS	8,78 %	88						0
SpareBank 1 Verdipapirservice AS	8,90 %	5 874						3
Torggt 22 AS	50,00 %	8 000	20	8	2	1	0	12
SpareBank 1 Gruppen AS	12,00 %	234 768	5 604	4 961	1 397	1 301	60	713
SpareBank 1 Utvikling DA	11,30 %		59	47	75	75	0	13
			9 202	8 322	1 621	1 458	95	1 558

2011	Ownership	No. of shares	Assets	Liabilities	Total Income	Total Expenses	Company's annual profit/loss	Book value 2011
Bank 1 Oslo Akershus AS	12,00 %	409 667	3 383	3 193	95	75	9	190
SpareBank 1 Boligkreditt AS	7,96 %	3 000 822	12	11	12	2	7	457
Fageråsen Invest AS	36,00 %	360	31	28	1	1	0	0
Engerdal Høvleribygge AS	20,00 %	400						0
Torggt 22 AS	50,00 %	8 000	20	9	2	1	0	12
SpareBank 1 Gruppen AS	12,00 %	224 448	5 039	4 452	1 077	1 030	59	657
SpareBank 1 Utvikling DA	11,30 %		62	50	65	65	0	13
			8 547	7 742	1 251	1 175	76	1 329

Note 33 - Property, plant and equipment

Parent bank				Group		
Buildings, land and other property	Fixtures, fittings and vehicles	Total		Buildings, land and other property	Fixtures, fittings and vehicles	Total
348	213	561	Acquisition cost at 1 January 2011*)	414	261	675
1	13	14	Acquisitions	1	23	24
	15	15	Disposals	3	34	37
349	211	560	Acquisition cost at 31 December 2011	412	250	662
			Accumulated depreciation and write-downs at 1 January 2011*)			
140	164	304		195	182	377
9	13	22	Current year's depreciation	9	18	27
			Current year's write-downs			
	15	15	Current year's disposal		15	15
			Accumulated depreciation and write-downs at 31 December 2011			
149	162	311		204	186	390
200	49	249	Book value at 31 December 2011	208	64	272
349	211	560	Acquisition cost at 1 January 2012	412	250	662
13	19	32	Acquisitions	14	24	38
17	7	24	Disposals	17	7	24
345	224	569	Acquisition cost at 31 December 2012	409	267	676
			Accumulated depreciation and write-downs at 1 January 2012			
149	162	311		204	186	390
9	13	22	Current year's depreciation	9	20	29
			Current year's write-downs			
10	4	14	Current year's disposal	10	4	14
148	171	319	Accumulated depreciation and write-downs at 31 December 2012	203	201	404
197	53	250	Book value at 31 December 2012	206	66	272
			0 Buildings available for sale			0

*) Opening balances as at 1 January 2011 for the Group have been adjusted by the values from the acquired subsidiary Consis AS

Collateral security

The Bank has not mortgaged or accepted any other limitations on its right to dispose of the fixed assets.

Acquisition cost of depreciated assets

The acquisition cost of fully depreciated assets still in use in the Bank in 2012 was NOK 179 million.

The corresponding figures for 2011 are NOK 168 million.

Gross value of fixed assets temporarily not in operation

The Group did not have any fixed assets temporarily not in operation at 31 December 2012.

Investment properties (NOK thousands)

Parent bank					Group					
Value 01.01.12	Acqu./ depr./	Value 31.12.12	Rent	Rented on 31.12.12		Value 01.01.12	Acqu./ depr./	Value 31.12.12	Rent	Rented on 31.12.12
7 479	-335	7 144	356	100%	Brugata 7 - Brumunddal	7 812	-335	7 477	193	66 %
7 479	-335	7 144	356	Total		7 812	-335	7 477	193	
8 000					Fair value	8 000				

Parent bank					Group					
Value	Acqu./	Value		Rented on		Value	Acqu./	Value		Rented on
01.01.11	depr./	31.12.11	Rent	31.12.11		01.01.11	depr./	31.12.11	Rent	31.12.11
7 812	-333	7 479	364	100 %	Brugata 7 - Brumunddal	7 812	-333	7 479	150	66 %
7 812	-333	7 479	364	Total		7 812	-333	7 479	150	
8 000					Fair value	8 000				

Note 34 - Goodwill and other intangible assets

Parent bank			Group	
2011	2012		2012	2011
		Goodwill		
22	22	Acquisition cost at 1 January	82	25
		Acquisitions / disposals	14	57
22	22	Acquisition cost at 31 December	96	82
		Accumulated write-downs at 1 January		
		Current year's write-downs		
		Accumulated write-downs at 31 December		
22	22	Goodwill incorporated in the balance sheet at 31 December	96	82

Parent Bank

The carrying value of goodwill in the parent bank originates from the acquisition of Bank 1 Oslo Akershus AS's Hamar office in 2006. Upon the acquisition of the portfolio from Bank 1 Oslo Akershus AS in 2006, the names of all the customers who were transferred to Sparebanken Hedmark were labelled so that they could be identified at a later point in time. The remaining customers in the portfolio are therefore regarded as the smallest identifiable group of assets for a cash-generating unit. When testing the value of this portfolio for impairment, an estimate is made in principle of the net cash flow based on earnings in the portfolio from loans and deposits, as well as expenses and income related to mutual fund and insurance products. In addition, an estimate is made of expected losses in the portfolio. The cash flow is calculated over 20 years, and it is discounted using a risk free interest rate with the addition of a premium that reflects the risk associated with similar businesses. The calculations show that the present value of the discounted future cash flows related to the portfolio acquired from Bank1 Oslo Akershus AS exceeds the carrying value of goodwill.

Group

In addition to goodwill related to the acquisition of Bank 1 Oslo Akershus AS, the Group's goodwill consists of a smaller amount of goodwill related to EiendomsMegler 1 Hedmark Eiendom AS, as well as a larger amount of goodwill related to the subsidiary Consis AS. Both of these items arose in connection with prior acquisitions in the companies. There is also goodwill in the Group accounts related to the Bank's acquisition of Consis AS in April 2011. The Group's increase in goodwill of NOK 13 million in 2012 arose in connection with the acquisition of Skjæveland Regnskap AS (NOK 11 million) and the real estate brokerage business in Årnes (NOK 2.5 million).

The following assumptions were made for calculation of the utility value of Consis AS in 2012.

- Contribution margin varies from 4 to 15 per cent with 15 per cent growth in the terminal value.
- Growth rate has been set at 5 per cent up until 2017 with three per cent growth in the terminal value.
- Discount rate has been set at 10 per cent.

The value of goodwill in subsidiaries, associated companies and joint ventures has been tested for impairment as of 31 December 2012. Due to the companies' equity and expected future earnings, there is no reason to recognise any impairment.

Parent bank			Group	
2011	2012		2012	2011
		Other intangible assets		
78	107	Acquisition cost at 1 January	107	78
29	23	Acquisitions	26	29
		Disposals		
107	130	Acquisition cost at 31 December	133	107
15	19	Accumulated depreciation at 1 January	20	16
		Disposals accumulated depreciation		
4	7	Current year's depreciation	7	4
19	26	Accumulated depreciation at 31 December	27	20
88	104	Other intangible assets at 31 December	106	87

Other intangible assets consist primarily of NOK 55 million related to the acquisition of the customer portfolio of Bank 1 Oslo Akershus AS's Hamar office in 2006, NOK 25 million related to the acquisition of the customer portfolio from Sparebank1 Ringerike Hadeland in October 2011, as well as NOK 23 million related to the acquisition of the customer portfolio from Bank1 Oslo Akershus AS in Årnes in October 2012. The portfolios will be amortised over 20 years and 14 years, respectively.

Parent bank			Group	
2011	2012		2012	2011
110	126	Total intangible assets at 31 December	202	170

See note 4 for a description of the valuation models used for goodwill and intangible assets.

Note 35 - Other assets

Parent bank			Group	
2011	2012		2012	2011
13	28	Capital payments into pension fund	28	13
82	161	Accrued income, not yet received	161	84
22	32	Prepaid costs, not yet incurred	32	22
47	111	Other assets	131	61
164	332	Other assets	352	180

Note 36 - Deposits from and liabilities to customers

Parent bank			Group	
2011	2012	Deposits from and liabilities to customers	2012	2011
25 243	27 532	Deposits from and liabilities to customers at call	27 506	25 112
784	620	Deposits from and liabilities to customers with agreed maturity dates	620	784
14	16	Accrued interest	11	11
26 042	28 168	Total deposits from and liabilities to customers	28 137	25 907
		Of total deposits, deposits stated at fair value through profit and loss (FVO):		
437	429	Fixed-rate deposits, book value	429	437
429	418	Fixed-rate deposits, nominal value	418	429
361	206	Term deposits, book value	206	361
354	200	Term deposits, nominal value	200	354
2011	2012	Deposits by sector and industry	2012	2011
16 969	18 134	Private customers	18 134	16 969
2 514	2 843	Public sector	2 843	2 514
748	796	Primary industries	796	748
131	119	Paper and pulp industries	119	131
362	405	Other industry	405	362
454	598	Building and construction	598	454
252	116	Power and water supply	116	252
700	720	Wholesale and retail trade	720	700
97	89	Hotel and restaurants	89	97
1 324	1 536	Real estate	1 536	1 324
2 273	2 604	Commercial services	2 573	2 138
211	203	Transport and communications	203	211
5	6	Other operations	6	5
26 042	28 168	Total deposits by sector and industry	28 137	25 907
2011	2012	Deposits by geographic area	2012	2011
22 518	24 259	Hedmark County	24 233	22 386
428	515	Oppland County	515	428
880	861	Akershus County	861	880
1 906	2 180	Rest of Norway	2 180	3 214
296	336	Abroad	336	296
14	16	Accrued interest, undistributed	11	11
26 042	28 168	Total deposits by geographic area	28 137	25 907

Note 37 - Liabilities arising from issuance of securities

Parent bank and Group	2012	2011
Certificate-based debt		
- nominal value	300	300
- fair value	307	306
Bond debt		
- nominal value	7 346	7 148
- fair value	7 731	7 292
Total liabilities arising from issuance of securities, nominal value	7 646	7 448
Total liabilities arising from issuance of securities, fair value	8 038	7 598
Average interest rate on certificate-based debt	3,3 %	3,1 %
Average interest rate on bond debt	3,3 %	3,3 %

Liabilities from issuance of securities by maturity date	2012	2011
2012		873
2013	1 546	1 350
2014	1 250	1 250
2015	1 205	1 130
2016	1 345	1 345
2017	1 000	600
2018	1 030	630
2020	270	270
Total liabilities from issuance of securities, nominal value	7 646	7 448

Parent bank and Group					
Changes in liabilities from issuance of securities	31.12.2012	Issued	Due / redeemed	Other changes	31.12.2011
Certificate-based debt, nominal value	300	300	-300		300
Bond debt, nominal value	7 346	1 075	-1 000	123	7 148
Accrued interest	183			3	180
Adjustments	209			239	-30
Total debt raised through issuance of securities, fair value	8 038	1 375	-1 300	365	7 598

Changes in liabilities from issuance of securities	31.12.2011	Issued	Due / redeemed	Other changes	31.12.2010
Certificate-based debt, nominal value	300	300	-900		900
Bond debt, nominal value	7 148	1 850	-1 136	30	6 404
Accrued interest	180			3	177
Adjustments	-30			21	-51
Total debt raised through issuance of securities, fair value	7 598	2 150	-2 036	54	7 430

Securities issued are presented net own holdings. Fair value includes accrued interest (dirty price). All debts from issuance of securities are raised in Norwegian kroner (NOK).

The contraction of trading spreads in 2012 has in isolation increased the fair value of the Bank's debt securities by an estimated NOK 88 million. The estimate corresponds to the calculated difference between the market value of the debt securities based on the spread curve on the date of the balance sheet and the estimated market value of the same holdings based on the spread curve at the end of 2011, possibly with initial recognition of debt that was issued in 2012. All other factors remain the same.

In comparison, the increased trading spreads in 2011 resulted in a reduction of the fair value of the debt securities by an estimated NOK 90 million from the start to the end of the year.

As at 31 December 2012 an accumulated unrealised loss, including hedging derivatives, of NOK 41 million was recognised relating to the assessment of the Bank's debt securities at fair value.

Note 38 - Other debt and liabilities

Parent bank		Other debt and liabilities recognised in the balance sheet	Group	
2011	2012		2012	2011
395	249	Pension liabilities (note 24)	261	418
5	4	Guarantee provisions	4	5
12	9	Banker's drafts	9	12
34	42	Accounts payable	48	43
166	270	Other	430	305
612	574	Total other debt and liabilities recognised in the balance sheet	751	783
Guarantee commitments etc. (amounts guaranteed)				
327	343	Payment guarantees	343	327
196	259	Contract guarantees	259	196
		Loan guarantees		
5	5	Guarantees for taxes	5	5
156	159	Other guarantees	44	41
684	766	Total guarantees	651	569
Other liabilities - not on the balance sheet				
3 650	3 810	Unutilised credit lines	3 662	2 936
714	915	Loans approved (not discounted)	915	714
9	8	Other liabilities	8	9
4 373	4 733	Total other liabilities	4 585	3 659
5 669	6 073	Total liabilities	5 987	5 011

Buildings	Securities	Total	Assets pledged as security	Buildings	Securities	Total
	2 607	2 607	Assets pledged as security in 2012*		2 607	2 607
			Related liabilities 2012			
	2 620	2 620	Assets pledged as security in 2011*		2 620	2 620
	1 000	1 000	Related liabilities 2011		1 000	1 000

* Bonds in escrow as collateral for loan access from Norges Bank.

SpareBank 1 Boligkreditt AS

Together with the other shareholders of SpareBank 1 Boligkreditt AS, Sparebanken Hedmark agreed in 2010 to provide a liquidity facility to SpareBank 1 Boligkreditt AS. This involves the banks committing themselves to buying residential mortgage bonds with a maximum total value corresponding to SpareBank 1 Boligkreditt's debt maturing over the next twelve months. The agreement means that each shareholder has principal responsibility for his share of the requirement, and secondary responsibility for double the value of his principal responsibility. The bonds can be deposited with Norges Bank, which means that they do not significantly increase the Bank's risk exposure.

Ongoing lawsuits

The Group is involved in some legal disputes whose financial implications are deemed not to have significant impact on its financial position. The Group has made provisions for losses in the cases in which there is a probability that it will suffer losses as a consequence of the lawsuits.

Note 39 - Acquisition of businesses / business combinations

ACQUISITION OF BANK 1 OSLO AKERHUS AS'S OFFICE IN ÅRNES

The Sparebanken Hedmark Group acquired Bank 1 Oslo Akershus AS's bank and real estate brokerage business in Årnes on 1 October 2012. The acquisition included the lease for the office, six employees and the entire customer portfolio for loans, deposits, insurance, pensions and real estate brokerage.

In connection with the acquisition, the Sparebanken Hedmark Group has paid the following consideration at fair value:

Acquisition analysis

Consideration that covers the fair value of net lending/deposits as at 1 October	445
Consideration to cover any excess value	25

The book value of identifiable assets and liabilities as a result of the acquisition

Net loans to customers	496
Net deposits from customers	-51
Total identifiable net assets	445
Excess value related to the acquisition of customer relationships, banking	21
Excess value related to the acquisition of customer relationships, insurance	2
Excess value related to the acquisition of brokerage business	2
Total excess value after acquisition	25
Goodwill	0

The excess value is classified as an intangible asset with a limited life. Based on the estimated average duration of a customer relationship, the excess value upon acquisition will be depreciated on a straight-line basis over 14 years.

Costs related to the acquisition are recognised in the Bank's income statement for 2012.

Comparative figures have not been prepared for 2011 in the Bank's financial statements, since no separate accounts have been prepared for the unit that was acquired. The scope of the acquired operations is such that the lack of comparative figures will not affect the understanding of the bank's financial position for 2012.

Note 40 - Material transactions with related parties

Transactions between related parties in this context, related parties are associated companies, joint ventures and subsidiaries. The Bank's business with employees and Board members is shown in notes 11 and 23.

Subsidiaries

	Loans	Bonds and subordinated loans	Deposits	Interest income	Interest expenses	Commission income	Other operating income	Operating expenses	Guarantees
2012									
SpareBank 1 Finans Østlandet AS	3 202		1	104		1	1		115
EiendomsMegler 1 Hedmark Eiendom AS			6		4				
Other subsidiaries	31		20	2					2
Total subsidiaries	3 233	0	27	106	4	1	1	0	117

	Loans	Bonds and subordinated loans	Deposits	Interest income	Interest expenses	Commission income	Other operating income	Operating expenses	Guarantees
2011									
SpareBank 1 Finans Østlandet AS	2 649		4	82			1		115
EiendomsMegler 1 Hedmark Eiendom AS			15		4				
Other subsidiaries	34		9	5				1	1
Total subsidiaries	2 683	0	28	87	4	0	1	1	116

Associated companies and joint ventures

	Loans	Bonds and subordinated loans	Deposits	Interest income	Interest expenses	Commission income	Other operating income	Operating expenses	Guarantees
2012									
Bank 1 Oslo Akershus AS									
SpareBank 1 Boligkreditt AS		468		17		108			
SpareBank 1 Gruppen AS	227			4		57			
Other associated companies and joint ventures			1					71	
Total associated companies and joint ventures	227	468	1	21	0	165	0	71	0

	Loans	Bonds and subordinated loans	Deposits	Interest income	Interest expenses	Commission income	Other operating income	Operating expenses	Guarantees
2011									
Bank 1 Oslo Akershus AS									
SpareBank 1 Boligkreditt AS		667		15		40			
SpareBank 1 Gruppen AS						51			
Other associated companies and joint ventures	76			3				56	
Total associated companies and joint ventures	76	667	0	18	0	91	0	56	0

All loans to related parties are recognised in the parent bank.

Note 41 - Dividends and gross Group contributions from subsidiaries

Dividends/Group contributions	2012	2011
<i>Dividends received from:</i>		
EiendomsMegler 1 Hedmark Eiendom AS	6	
SpareBank 1 Finans Østlandet AS	27	
Vato AS	1	
<i>Group contributions received from:</i>		
EiendomsMegler 1 Hedmark Eiendom AS		3
SpareBank 1 Finans Østlandet AS		43
Vato AS		
Total dividends / Group contributions	34	46

Note 42 - Events after the balance sheet date

In the first half of 2013 Sparebanken Hedmark will increase its ownership interest in Bank 1 Oslo Akershus AS from 12 to 40.5 per cent. The Bank will acquire a significant share of SpareBank 1 SR-Bank's, SpareBank 1 SMN's and SpareBank 1 Nord-Norge's ownership interests and thus become the largest owner in Bank 1 Oslo Akershus AS with 40.5 per cent of the shares.

The Norwegian Confederation of Trade Unions (LO) and affiliated trade unions will own 29.9 per cent of the shares after a private offering, the SamSpar banks will own 15.2 per cent, SpareBank 1 SR-Bank will own 4.8 per cent, SpareBank 1 SMN will own 4.8 per cent and SpareBank 1 Nord-Norge will own 4.8 per cent. The acquisition of shares requires approval by the Financial Supervisory Authority of Norway.

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 2012 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, 7. March 2013**



Siri J. Strømmevold
Chairman



Bjørnar Håkensmoen



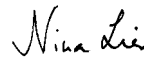
Aud Christensen



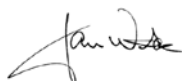
Grethe G. Fossum



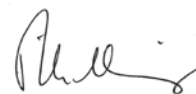
Espen Bjørklund Larsen



Nina C. Lier



Jan Wibe



Richard Heiberg
Chief Executive Officer

REPORT FOR 2012
TO THE
SUPERVISORY BOARD OF SPAREBANKEN HEDMARK

In accordance with the Act on financing activity and financial institutions, the Savings Banks Act and its own instructions and working plan, the Control Committee has overseen the bank's activities in 2012.

Minutes of board meetings and the associated documentation have been reviewed on an ongoing basis, together with the administration's appropriation records and authority rules.

In its activities, the Committee has placed emphasis on assessment of the larger commitments and collateral held in relation to the current legislation. The Committee has constantly overseen overdraft and arrears lists of the bank's customers and for the bank's employees, employees of subsidiaries and elected officers. The Committee has received a report of the bank's internal audit of selected areas of the bank's activities in accordance with the fixed working instructions and schedule for control activities. The internal auditor has frequently attended the Committee's meetings and answered the Committee's questions. As in previous years, special emphasis has been placed on risk management and operational audits, as well as compliance with legislation and regulations.

The bank's senior employees have met in committee and briefed on major administration issues. The bank's head of risk management has presented items of significance, as well as exposed and large individual commitments.

The Committee has focused particularly on doubtful commitments and commitments with a high credit risk.

The Committee has focused on the bank's funding management and finance strategy.

A joint meeting has been held with the bank's main board for the exchange of information and briefing on matters significant for the bank's operations and position.

In reviewing the proposed annual accounts for the parent bank, with the report of the board and auditor's report, as well as the corresponding documents for the bank's subsidiaries, particularly SpareBank 1 Finans Østlandet AS, the Committee has particularly reviewed the annual accounts in the light of the rules for recording losses and write-downs for losses. No circumstances of significance for the bank's financial strength and operations have been revealed that require reporting to the bank's Supervisory Board or the Financial Supervisory Authority of Norway.

In the opinion of the Committee, the accounts have been presented in accordance with the current rules and regulations and can be recommended to the Supervisory Board for approval as the bank's accounts for 2012.

Hamar, 7 March 2013

The Control Committee of Sparebanken Hedmark



To the Annual Shareholders' Meeting / "Representantskapet" of Sparebanken Hedmark

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Sparebanken Hedmark, which comprise the balance sheet as at 31 December 2012, income statement, statement of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as The Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of Sparebanken Hedmark as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers AS, Postboks 1100, NO-2305 Hamar

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



Independent auditor's report - 2012 - Sparebanken Hedmark, page 2

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Hamar, 7 March 2013
PricewaterhouseCoopers AS

Ola Tronsrud
State Authorised Public Accountant (Norway)

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

Subsidiaries

SpareBank1 Finans Østlandet AS

Demand for the products offered by SpareBank 1 Finans Østlandet AS was better in 2012 than in previous years. The company reported a profit of NOK 37.3 million before tax, which is on par with 2011. New sales totalled NOK 2,096 million, an increase of NOK 316 million.

Higher funding costs and loss provisions related to individual major commitments had a negative impact on the profit. Nevertheless, 2012 was a good year for the company in market terms.

SpareBank1 Finans Østlandet continued its growth in accordance with the adopted plans. Net lending increased by 19 per cent and totalled NOK 3,628 million. The company's credit losses have been satisfactorily low in recent years. We experienced an increase in 2012 related to a major commitment in the corporate market. In 2012 the credit losses represented 0.32 per cent of the average net lending volume. The Board of Directors is satisfied with the efforts to manage and limit losses.

The company has ambitions for further growth and expects to see positive effects from its presence in Eastern Norway. In recent years the business has developed into a major player in our focus areas in Eastern Norway. The company currently has 41 employees, including temporary workers.

We are experiencing an increased level of activity in both the retail and corporate markets. We see, however, that some enterprises in the transport and building and construction sectors have not completely recovered from the financial crisis and will thus not tolerate declining activity or revenue very well.

About SpareBank 1 Finans Østlandet AS

SpareBank1 Finans Østlandet is a wholly-owned subsidiary of Sparebanken Hedmark and is headquartered in Hamar. The company also has offices in Akershus and Oppland and is a major player in leasing and secured financing in Central Norway. Our activities around the Oslo Fjord are increasing, partly as a result of our association with the SpareBank 1 Alliance. For more information, see www.sb1fo.no.

EiendomsMegler 1 Hedmark Eiendom AS

EiendomsMegler 1 Hedmark Eiendom AS changed its name from Hedmark Eiendom AS on 1 October, and it became a member of the EiendomsMegler 1 Alliance at the same time. The sales volume was stable in 2012.

The company has grown by one additional office in Årnes, Akershus, which was acquired from EiendomsMegler 1 Oslo Akershus.

The sales volume has been stable in spite of the fact that the second-hand residential property market volume fell 11 per cent compared with 2011. The company sold close to 1,300 properties in 2012, an increase from approximately 1,240 properties in 2011.

There has been a weak increase in all segments with the exception of holiday homes. The sales volume accounted for just over one-third of all the freely sold properties in Hedmark County. The sales value was just over NOK 2.2 billion.

In 2012, EiendomsMegler 1 employed an average of 37 full-time equivalents. The profit after tax was just under NOK 3.5 million.

About EiendomsMegler 1 Hedmark Eiendom AS

EiendomsMegler 1 Hedmark Eiendom AS is a wholly owned subsidiary of Sparebanken Hedmark and the largest real estate agent in the county. The company has offices in the largest towns in Hedmark: Hamar, Kongsvinger, Elverum, Trysil and Brumunddal, as well as Årnes in Akershus.

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www.em1.no/hedmark

2012 – A turning point for Consis AS

After several years with weak results, 2012 became a turning point for the company. An extensive effort was made throughout 2012 to establish common operations with a common corporate culture. The effort to develop the company further, with regard to the organisation, routines and processes, will continue in 2013.

Seven mergers were completed in 2012. Consis AS emerged as a legal entity at the end of the year. Consis decided to establish a presence in the growth region of Rogaland in 2012 through acquisitions. This will be reinforced further in 2013 through a new acquisition in the same region.

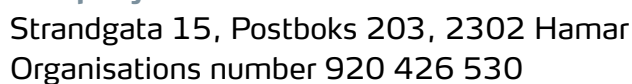
Operating revenue was NOK 101 million in 2012, which is an increase of 21 per cent over 2011. Profit after tax totalled NOK 5.5 million. The equity ratio at the end of the year was 36.1 per cent. At the end of the year, the company had 128 employees.

About Consis AS

Consis AS offers accounting, payroll and advisory services. The company is also the franchisor of 16 accounting agencies. The chain is one of the largest in the trade in Norway. At the end of the year, Consis AS had offices at thirteen geographic locations in Eastern Norway, Sør-Trøndelag and Rogaland. The head office is located in the Municipality of Hamar. The company is owned by Sparebanken Hedmark (60 per cent) and SpareBank 1 SMN Regnskap AS (40 per cent). Consis AS serves small and medium-sized enterprises in the fields of manufacturing, retail trade and agriculture in Norway.

Visste
du at?

Stange er en av få kommuner i Norge
som har fostret to statsministre.
Otto Albert Blehr var regjeringssjef
i de to periodene
1902 til 1903 og 1921 til 1923.
Odvar Nordli var statsminister fra
1976 til 1981.



Corporate Management 2012

