Annual report

2013

Sparebanken HEDMARK

Contents

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We decided to present some of the bank's business customers in this year's annual report. The photos were taken in conjunction with the "Konjunktur-Barometeret 2013".

Fibreboard factory Forestia at Braskereidfoss has successfully turned a crisis into optimism. Fixed overheads were cut by over 20 per cent, and key products Walls4You and Walls2Paint are on target to increase profit. Forestia produces more with fewer personnel after a turnaround that has transformed fear to hope at Braskereidfoss. Bjarne Fluto and Stein Sandermoen are seen here walking through the factory.

Financial statement analysis Group

MAIN FIGURES

	2013		2012	
Result summary (NOK mill and % of average assets)	**Amount**	**%**	**Amount**	**%**
Net interest income	1 008	2,21 %	955	2,21 %
Net commissions and other (non-interest) income	559	1,22 %	435	1,00 %
Net income from financial investments	263	0,58 %	43	0,10 %
Total income	**1 829**	**4,01 %**	**1 433**	**3,31 %**
Total operating costs	**916**	**2,01 %**	**864**	**2,00 %**
Result before losses	**913**	**2,00 %**	**569**	**1,31 %**
Losses on loans and guarantees	72	0,16 %	42	0,10 %
Result before tax	**841**	**1,84 %**	**527**	**1,22 %**
Taxation cost	147	0,32 %	124	0,29 %
Result after tax	694	1,52 %	403	0,93 %
Minority interests	**-10**	**-0,02 %**	**3**	**0,01 %**
Profitability				
Return on equity capital before tax		13,3 %		9,2 %
Return on equity capital after tax		11,0 %		7,0 %
Return on equity capital of total result after tax		11,0 %		9,0 %
Total operating costs in relation to total income		50,1 %		60,3 %
Total operating costs in relation to total income excl. income from financial investments		58,5 %		62,2 %
From the balance sheet				
Gross loans to customers	37 180		35 455	
Gross loans to customers including loans transferred to cover bond companies *	52 361		48 091	
Deposits from customers	30 097		28 137	
Deposits from customers in relation to gross loans to customers (excl. loans transferred to cover bond companies *)		80,9 %		79,4 %
Lending growth during the last 12 months		4,9 %		1,9 %
Lending growth during the last 12 months including loans transferred to cover bond companies *		8,9 %		7,7 %
Deposits growth during the last 12 months		7,0 %		8,6 %
Assets	47 397		44 113	
Losses and commitments in default				
Losses on loans as a percentage of gross loans		0,2 %		0,1 %
Commitments in default as a percentage of total commitments		0,8 %		1,2 %
Commitments in default as a percentage of total commitments incl. loans transferred to cover bond companies *		0,6 %		0,9 %
Other bad and doubtful commitments as a percentage of totalt commitments		0,6 %		0,7 %
Other bad and doubtful commitments as a percentage of totalt commitments incl. loans transferred to cover bond companies *		0,5 %		0,5 %
Net commitment in default and commitments with loss provisions as a percentage of total commitments		1,1 %		1,5 %
Financial strength				
Capital adequacy ratio		16,4 %		16,9 %
Tier 1 ratio		16,2 %		16,9 %
Capital adequacy ratio before transitional arrangements		16,4 %		16,9 %
Net core capital	5 083		4 154	
Equity ratio		14,2 %		13,7 %

FINANCIAL STATEMENT ANALYSIS PARENT BANK

	2013		2012	
Result summary (NOK mill and % of average assets)	Amount	%	Amount	%
Net interest income	830	1,83 %	834	1,94 %
Net commissions and other (non-interest) income	409	0,90 %	287	0,67 %
Net income from financial investments	126	0,28 %	41	0,10 %
Total income	**1 364**	**3,01 %**	**1 162**	**2,71 %**
Total operating costs	**681**	**1,50 %**	**652**	**1,52 %**
Result before losses	**684**	**1,51 %**	**510**	**1,19 %**
Losses on loans and guarantees	61	0,14 %	31	0,07 %
Result before tax	**622**	**1,37 %**	**479**	**1,12 %**
Taxation cost	124	0,27 %	116	0,27 %
Result after tax	**499**	**1,10 %**	**363**	**0,85 %**
Assets	46 669		43 642	
Profitability				
Return on equity capital after tax		8,3 %		6,6 %
Total operating costs in relation to total income		49,9 %		56,1 %
Total operating costs in relation to total income excl. income from financial investments		55,0 %		58,2 %
Losses and commitments in default				
Losses on loans as a percentage of total commitments		0,2 %		0,1 %
Commitment in default as a percentage of total commitments		0,7 %		1,1 %
Commitments in default as a percentage of total commitments incl. loans transferred to cover bond companies *		0,5 %		0,8 %
Other bad debt and doubtful commitments as a percentage of tatal commitments		0,7 %		0,7 %
Other bad and doubtful commitments as a percentage of totalt commitments incl. loans transferred to cover bond companies *		0,5 %		0,6 %
Net commitments in default and bad and doubtful commitments as a percentage of total commitments		1,0 %		1,4 %
Financial strength				
Capital adequacy ratio		21,7 %		18,5 %
Tier 1 ratio		21,7 %		18,5 %
Capital adequacy ratio before transitional arrangements		21,7 %		18,5 %
Net core capital	5 144		4 185	
Equity ratio		13,3 %		13,1 %

* Cover bond companies used are SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS

"I would like to thank all staff members for their hard work and customers for doing business with us in 2013. Together, we contribute to growth and development for the residents and businesses of the region."

Richard Heiberg
Chief Executive Officer

Positive results for Sparebanken Hedmark

Sparebanken Hedmark reported a Group profit after tax of NOK 694 million for 2013. This is the Bank's best result ever, and an improvement of NOK 291 million over the previous year. The fact that the Bank continues to improve its financial strength is important in order to ensure that the Interior Region continues to have a robust source of financing in the future.

Thanks to good banking operations and good results from wholly and partly-owned companies, Sparebanken Hedmark can look back on a very good year. Many conditions in 2013 have contributed to this positive result. One important milestone distinguishes itself: Increasing our ownership interest in Bank 1 Oslo Akershus from 12 to 40.5 per cent.

This investment was made in January. As early as in the third quarter we observed that the investment had paid off well. It was also positive with regard to our reputation. The residents of Hedmark have expressed pride that their regional bank has the financial strength to go beyond the county borders. It is pleasing to observe this.

There has been stable activity in the market for both the Parent Bank and the Group as a whole, with good lending and deposit growth. Growth in corporate lending was particularly good at 10.2 (2.8) per cent in the Parent Bank. This is proof of a continued willingness of business and industry to invest. Agriculture also shows a healthy investment level. The number of farms continues to decline, but the farmers that are investing are making larger investments on par with many other businesses.

We also see that our investments outside of Hedmark are showing positive effects. The Bank has experienced good growth in the new markets, both in Oppland and Nes in Akershus. In Oppland, we have already surpassed our target figures for 2017, and these targets were set three years ago. We have come to stay and grow more in the new markets. We believe that this will strengthen Sparebanken Hedmark's presence as a *capable, local and committed* bank in the Interior Region.

The subsidiary SpareBank1 Finans Østlandet AS delivered very good results for 2013. In addition, we are seeing positive effects of increased cooperation and co-location between the Bank and the subsidiary EiendomsMegler 1 Hedmark Eiendom.

The Bank continued to upgrade its branch offices in 2013, and the branch in Stange and the customer centre moved into new modern offices. The importance of the role of the customer centre is increasing. This is associated with the fact that visits by customers to branch offices is declining and the number of inquiries in other channels is increasing. The customers are changing their behaviour and choosing self-service solutions. For them it is important that they can reach us precisely when they need help or have questions. Increasing our availability is a focus area for the future. It is all about the response time and being in the right channel at the right time. The Bank has an offensive stance with regard to implementing new technology.

Sparebanken Hedmark is a socially committed bank and concerned about growth and development in the region. This commitment is exercised primarily through sound long-term core operations. The stimulation of innovation in both business and industry and the private arena is also an important part of this commitment. In 2013, the Bank established an incubator fund and an Economic Barometer for the Interior Region, the purpose of which was precisely to contribute capital and competence, respectively, for continued investment. In addition, the Bank has the rewarding task of being able to return some of its profits to the community in the form of sponsorship and donations to art, culture, sports, research and education.

Each one of the Bank's employees perform daily tasks that contribute to positive customer experiences. Together, we create good moments when we meet with our 176,000 customers, either when they visit our offices, call their advisor, receive help from the customer centres, send an e-mail, contact us through social media or meet with representatives of the Bank in private or public forums. All of these small and large tasks collectively fulfil the Bank's vision *Together to create*. Our customers shall experience that we do our best regardless of where they meet us. This is how we instil confidence and gain loyal customers.

I would like to thank all the employees and customers for their efforts and custom in 2013 and that we together are developing the position of Sparebanken Hedmark as the Interior Region's leading regionally anchored merchant bank. This is our most important task.

Richard Heiberg
Chief Executive Officer

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 25 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 176,000 customers. The bank is close to the market with staff working around 540 man-years per annum across 28 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 150 employees.

Self-owned

Sparebanken Hedmark is a self-owned financial institution without primary capital certificate holders, and with equity of NOK 6.2 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 194,000 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

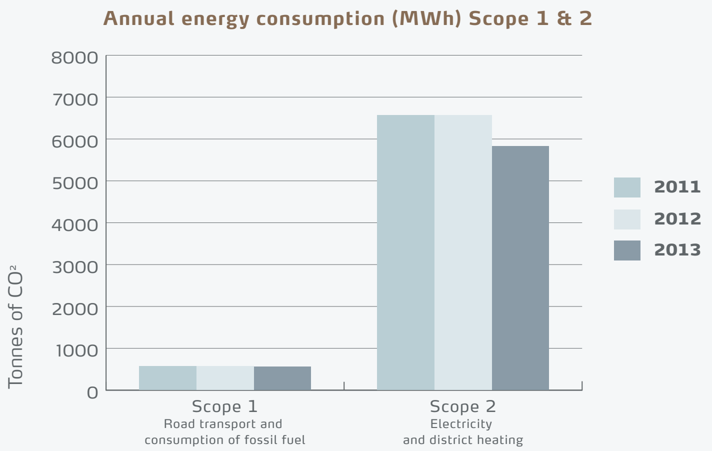
The Bank is a co-owner of SpareBank 1 Gruppen AS (12 per cent). This partnership ensures the Bank of competitiveness through good products, efficient IT services, purchasing schemes and the transfer of skills. The purpose is to pool our resources nationally with local strength. This allows customers 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.

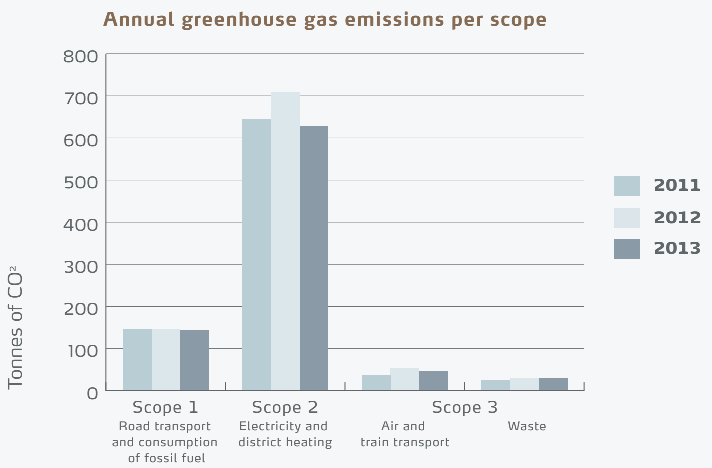
From January 2013 Sparebanken Hedmark increased it's ownership in Bank 1 Oslo Akershus fron 12 to 40,5 percent.

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

Carbon footprint statement for 2013

ENERGY AND CLIMATE INDICATORS	2011	2012	2013	12/13
Total emissions (tonnes of CO^2):	851,0	956,7	869,7	-9,1 %
Total energy consumption scope 1 and 2 (MWh):	7 152,7	7 147,1	6 400,4	-10,4 %
Energy consumption per square metre (kWh/m²)	197,6	193,1	192,8	-0,1 %
CO^2 emissions per man-year (tonnes CO^2/man-year):	1,7	2,1	1,9	-9,5 %
CO^2 emissions per operating profit before tax (tonnes of CO^2/NOK million):	1,6	2,0	1,4	-30,0 %





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

Socially committed bank (CSR)

Sparebanken Hedmark is in a mutually dependent relationship with the communities that it serves. Ever since the establishment of Hof Sparebank (1845), the first local savings bank that is currently part of the Sparebanken Hedmark Group, development of the local community has been of key importance to the choices and appropriations we have made.

Good credit ratings represent the foundation of the Bank's corporate social responsibility. The aim is to create value for the region the bank is a part of. With local knowledge and our proximity to customers, the bank's management makes assessments that are based on a long-term community perspective, in addition to economics and risk. Ever since the time of the small savings banks, the aim of the banks has been to take part in the development of the community as a committed and responsible contributor to society. This has always been part of the basic philosophy of being a locally based and regional financial group in Hedmark. This is also reflected in the Group's vision *Together to create*.

Closeness to the decisions

The region shall be a good place to do business, a good place to live and a good place to move to. We are doing our part to keep it that way. The Bank has been present in Hedmark for 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 here, the Bank will 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 our banking operations and creation of economic value are in accordance with nature's carrying capacity. The Group shall be distinguished by high ethical standards and good corporate governance. The Group follows the Norwegian Code of Practice for Corporate Governance.

Employee and human rights

Sparebanken Hedmark takes employee and human rights, basic social needs and nature's carrying capacity into consideration in its operations. Sparebanken Hedmark shall be an attractive and inclusive workplace for employees of all ages and life phases. The Bank makes provisions so that the balance between work, home and leisure will be perceived as good. The Bank works with health-promoting measures and stimulates physical activity among its employees. There is a good balance between the genders, and the percentage of women in managerial positions is increasing. In collaboration with the Norwegian Labour and Welfare Service (NAV), the Bank welcomes employees who need training and work experience.

New reporting requirements

A separate strategy for corporate social responsibility was prepared in 2013 (adopted by the Bank's Board of Directors early in 2014) to fulfil the new reporting requirements from the authorities. Sparebanken Hedmark is already well-prepared to meet the new reporting requirements. This is illustrated by the following summary of the **tasks and work areas that fall under work with corporate social responsibility:**

Finances	Social affairs	Environment	HR
• Good corporate governance • Risk management • Credit management • Profitability • Financial strength • Money laundering regulations	• Customer surveys • Employment • Substantial taxpayer • Ethical guidelines/anti-corruption work • Fraud prevention measures • Create economic value for the region • Donations to charitable causes • Sponsorship • Sparebanken Hedmark's Art Fund • Transfer of competence in various arenas • Principal partner for Young Entrepreneurship Hedmark • Sparebanken Hedmark's Economic Barometer for the Interior Region.	• HSE • Environmental certification for all offices • Video conferencing in all branch offices • Supplier requirements	• Ethical guidelines • Annual ethics week for entire organisation • Good further and continuing education programme • Management development programme • Warning system • Employee survey with structured follow-up • Recruitment strategy • Training programme for new employees • Continuous training activities • Inclusive Workplace Enterprise • High percentage of licensed advisors • Life-phase policy measures • Collective wage agreements

Ethics

Sparebanken Hedmark's operations are dependent on the confidence of customers, public authorities and society at large. The Group's employees shall be distinguished by high ethical standards, and they shall be competent, confidence-inspiring, honest and fair. Value shall be created in accordance with good advisory practices and within limits that do not require the individual employee to violate ethical guidelines in order to satisfy financial goals. A review and discussion of the ethical guidelines is part of the mandatory introductory programme for new employees. In addition, an annual ethics week is held, which focuses on various topics that involve the entire organisation. In this context, all the employees must also confirm that they have reviewed and understood the content of the ethical guidelines.

Anti-corruption work

Work with anti-corruption is an integral part of our ongoing operations. This is how the Bank ensures that ethics, impartiality, loyalty and integrity are placed on the agenda. In 2014, the Bank will revise relevant governing documents in order to follow up the new strategy for corporate social responsibility. The Bank will also ensure that anti-corruption work is placed more firmly on the agenda to increase awareness of this topic throughout the organisation. This will be done, for example, in connection with the Bank's annual ethics week, at which corruption will be the main topic of lectures, news and activities.

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 Sparebanken Hedmark has a long tradition of returning part of its profit back to the local communities. Each year the Bank donates millions of kroner. These donations go to clubs, organisations 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. In recent years, Sparebanken Hedmark has set aside 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, ball bins and sports facilities. Cultural donations have been made, for example, to the Hamar Cultural Centre, Fortress Spectacle and various cultural projects in our market area. Other recipients of donations include Rena University College and the Hamar and Hedmarken Tourist Association.

Sparebanken Hedmark's Art Fund

The Art Fund Board awarded grants totalling NOK 1 million to 32 young artists in 2013. The Board has not awarded any new grants in 2013 beyond this, but it has continued to work on several major projects that have been approved earlier. This applies, for example, to the 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. The decoration of Stor-Elvdal Lower Secondary School was completed and presented in June.

Business development

Active cooperation between the various actors in research, education and business is important for development of the region. Every year Sparebanken Hedmark uses a great deal of resources on the stimulation of innovation and forging links between industry, business and knowledge. Cooperation with Hedmark University College, knowledge parks, biotechnology communities, NCE Raufoss and the Science Centre in Gjøvik are key elements in this work. To improve access to risk capital for early phase companies, the Bank has established a special incubator fund. The Bank also participates in the investment company Komm-In AS. Sparebanken Hedmark has a strategic goal of being a source of socially beneficial information in Hedmark. The Bank established therefore its own Economic Barometer for the Interior Region in November 2014. The idea is to contribute factual information and insight that can stimulate growth and development in the Interior Region.

Environment

Sparebanken Hedmark has environmentally certified all its branch offices in accordance with the Eco-Lighthouse principle. All of the branch offices, including the three newly established offices outside of Hedmark, will be recertified as Eco-Lighthouse companies in 2014. The aim of this certification process is to ensure that the Bank's employees have awareness of their consumption, travel, waste management and energy consumption. The Bank also prepares its own carbon footprint statements through its focus on CO^2, based on the international Greenhouse Gas Protocol Initiative standard. This is the fifth year that the Bank prepares its own environmental accounts. The purpose is to document and reduce the Bank's consumption and increase the degree of recycling. The total greenhouse gas emissions for 2013 were 890 tonnes of CO^2, a decline of 9 per cent compared with the previous year. In 2013, the Bank used a total of 5,834 MWh of electricity and district heating. This represents a decline in consumption compared with 2012, and the emissions have thus been reduced by 11 per cent. From 2011 to 2012, the consumption of heating oil was reduced by close to 20 per cent, and in 2013 the use of heating oil has been at the same level as in 2012. The transport of employees by car and air contributed to greenhouse gas emissions of 168 tonnes of CO^2, a reduction compared with the previous year. All in all, the Bank has performed well in the environmental area.

Relationship to suppliers

In connection with invitations to tender, the Bank requires certification with regard to environmental considerations and that processes and purchasing are marked by environmental awareness. The purchasing strategy of the SpareBank 1 Alliance also stipulates that purchasing shall be confidence-inspiring, environmentally aware and ethically correct in both internal and external forums.

Status 2013

		2013	2012
Strategy/finances	Group strategy	Strategy contains a special statement on corporate social responsibility. Will be revised according to CSR strategy for 2014.	
	Development of CSR strategy	Under preparation in 2013, adopted early in 2014	Not established
	Consolidated profit/loss before tax (NOK million)	841	527
	Consolidated total assets (NOK million)	47 397	44 113
	Consolidated return on equity	11,0 %	7,0 %
	Consolidated core (tier 1) capital ratio	16,2 %	16,9 %
	Annual review of the Bank's ethical regulations	Completed	Completed
Community/social affairs	Number of full-time equivalents, including subsidiaries	692	694
	Number of full-time equivalents, Bank	464	484
	Absence due to illness	5,6	4,6
	Percentage of women	58 %	56 %
	Percentage of women in managerial positions	41 %	40 %
	Average age	48 år	48 år
	Employee satisfaction, organisational survey	805	733
	Inclusive Workplace agreement	Continued	Continued
	Average period of service	19 years	19 years
	Number of recruitments, internal	19	21
	Number of recruitments, external	27	25
	Turnover	2,00 %	2,00 %
Donations	Granted to art and culture	2 166 000	1 766 000
	Granted to sports	2 120 000	1 693 000
	Granted to humanitarian work	700 000	484 000
	Granted to other purposes	1 334 000	976 000
Endowment fund	Granted to art and culture	5 340 000	3 400 000
	Granted to sports and physical activity	4 425 000	5 850 000
	Granted to education/research	7 500 000	1 380 000
	Granted to other purposes	1 480 000	1 680 000
Sparebanken Hedmark's art fund	Awarded to art and culture	2 495 000	5 281 000
Business development	Granted to innovation	9 000 000	5 000 000
Environment*	*See also separate carbon footprint statement		
	Total greenhouse gas emissions (tonnes of CO^2)	870	940
	Greenhouse gas emissions per man-year, Parent Bank (tonnes of CO^2/man-year)	1,9	2
	Number of video conferencing rooms	42	40
	Number of offices with Eco-Lighthouse certification	27	27

Cavalcade of the year

Sparebanken Hedmark largest owner of Bank 1 Oslo Akershus

Sparebanken Hedmark increased its stake in Bank 1 Oslo Akershus AS from 12 to 40.5 per cent in January 2013. This increase took place after the acquisition of shares from SpareBank 1 SR Bank, SpareBank 1 SMN and SpareBank 1 Nord-Norge.

Up until then, Bank 1 Oslo Akershus AS was owned by the banks in the SpareBank 1 Alliance and the Norwegian Confederation of Trade Unions (LO). The regional banks SpareBank 1 SR-Bank, SpareBank 1 SMN and SpareBank 1 Nord-Norge wanted to reduce their stake in Bank 1 Oslo Akershus. The reason for this was the long geographic distance to their respective main markets, in addition to the fact that everyone sees the importance of more concentrated ownership.

Sparebanken Hedmark acquired a significant portion of the shareholdings of the three regional banks and thus become the largest owner of Bank 1 Oslo Akershus AS with 40.5 per cent of the shares. The Norwegian Confederation of Trade Unions (LO) and affiliated trade unions own 29.9 per cent 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.

Bank 1 Oslo Akershus AS is a member of the SpareBank 1 Alliance and has a business volume of NOK 40 billion, including loans transferred to SpareBank1 Boligkreditt. The company has 280 employees and 16 branch offices in Oslo and Akershus. The bank also has substantial real estate brokerage activities linked to the EiendomsMegler 1 chain.

Strategic focus

– Our market areas border on Oslo and Akershus, and this is one of the most densely populated areas of Norway. Strengthening Sparebank 1 in the central area of Eastern Norway is important, not just for Sparebanken Hedmark, but for the entire Alliance, says CEO Richard Heiberg.

– We believe that this is a good profitable investment and find that it is strategically correct and important to take greater responsibility for developing Bank 1 Oslo Akershus further, says Heiberg.

Vegard Sæten recruited to Sparebanken Hedmark

Vegard Sæten (52) from Ottestad has been recruited as the new Corporate Market Director, succeeding Nils-Arne Nordheim, who will be retiring in May 2014. Vegard Sæten has lengthy experience from DNB, most recently as head of the corporate market in Hedmark. Sæten has a business economist degree from Oslo Business Academy.

Sparebanken Hedmark launches an incubator fund

Innovative growth companies require capital to succeed. A good dynamic growth environment requires that private risk capital finds its way to good growth ideas. This is a challenge today, and in order to improve the capital terms for innovative start-up companies, Sparebanken Hedmark has established its own incubator fund. The fund has start-up capital of NOK 5 million, but there are opportunities to increase this contribution.

Mobile bank solution for children

In September, the Bank launched a mobile bank solution for children. The aim was to make banking easy for the entire family. This allows children to keep track of their own consumption and check their balance in the mobile bank solution. The Bank offers a package that gives children both a bank card and a mobile bank solution. The solution is child-friendly and secure. It is, for example, not possible to make payments in the mobile bank solution for children, and the amount that the children can have in their account is low.

Grand piano to the cultural centre and 300 tickets to an Andsnes concert

In the autumn of 2013, Sparebanken Hedmark donated the Steinway factory's best grand piano model to the new cultural centre in Hamar. The aim is to also make the cultural centre an attractive concert arena for world-renowned artists.

The instrument weighs half a tonne and was rolled on its side into the lift and brought up to the third floor. The grand piano consists of 12,000 parts and is made of hand-picked 160-year-old trees from Canada. The cultural centre's potential as a concert area is improved by this gift, which both the mayor and cultural centre management pointed out and thanked the Bank for. In the opinion of the Bank, the cultural centre and its versatile offerings will strengthen pride in the Interior Region, as well as a sense of belonging and a desire to live here, and we are happy that we could give a gift that really means something. In December, the Bank also gave away 450 concert tickets (150 of which were given to the municipality) for a gift concert with Leif Ove Andsnes i Hamar's new cultural centre on 2nd January 2014. This very first concert at the cultural centre is a gift to the residents of the region, and the 300 tickets were distributed by means of a lottery on the Bank's website.

Taking the temperature of the Interior Region

In November, Sparebanken Hedmark launched its first Economic Barometer for the Interior Region. The barometer focuses primarily on research on and analysis of structural conditions that affect the economic situation in various sectors of the Interior Region.

The barometer contains both statistical data and editorial articles that support the findings in the report. The results were presented at regional meetings with corporate customers. This time around we have looked closer at various industries such as manufacturing, distributive trades, building and construction, tourism and primary industries, as well as private and public sector services.

The report shows that the Interior Region is not quite keeping up with the growth we are seeing nationally. We know that the economic cycles do not have as much of an impact in the Interior Region, neither upturns nor downturns. The barometer shows that we have a common challenge. We must be more on the offensive. We must have knowledge of the developments in the Interior Region in order to focus on the right things that can create growth and development and thus form the basis of existence for the next generation of businesses and residents. The aim of the economic barometer is precisely to make the public sector, business and industry, residents and ourselves more aware of where we stand and where our strengths lie. The Bank hopes that this can create a debate on where we must jointly contribute to development.

Sparebanken Hedmark's vision is *Together to create*. The Bank has developed this common knowledge platform together with Østlandsforskning in hope that it can contribute to a common focus on the Interior Region's strengths and opportunities in the future. Together we can create growth to the benefit of both businesses and residents.

THE CAVALCADE OF THE YEAR CONTINUES ON NEXT PAGE

Hurray! We passed 1 million apps!

SpareBank 1 has a number of apps that make daily life easier for people on the go. Last autumn Sparebanken Hedmark and the other banks in SpareBank 1 passed 1 million downloads of the Alliance's apps. Mobile phones are a natural part of people's daily lives. Worldwide, over 100 billion apps have been downloaded. SpareBank 1 is responsible for a million of these.

Consis becomes SpareBank 1 Regnskapshuset

The Bank's subsidiary Consis AS has entered into strategic cooperation with the other accounting companies in the SpareBank 1 Alliance and changed its name to SpareBank 1 Regnskapshuset Østlandet AS. Regnskapshuset is Norway's third largest accounting chain now with 550 employees spread across 46 offices throughout the country. The aim of this strategic cooperation is to achieve economies of scale and ensure the development of technology, marketing and skills.

Lot of activity during Savings Bank Week

Savings Bank Week is an important and long tradition at Sparebanken Hedmark. The aim is to establish good savings habits early on. In 2012, the Bank introduced bank cards for children, and in the autumn of 2013 the mobile bank solution for children was launched. We now have a secure, simple and completely cashless offering for children.

Christmas gift to the crisis centres

Every year, Sparebanken Hedmark donates a gift of NOK 100,000 to a social or humanitarian cause. This year the donation was made to the crisis centres in the Interior Region. This is a tradition the Bank has introduced, instead of giving Christmas gifts to employees and customers. There are 50 crisis centres in Norway, and here in the Interior Region we have a total of four.

Q4

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NOK 1 million to young artists

In August, Sparebanken Hedmark's Art Fund granted a total of NOK 1 million to 32 young artists in Hedmark. The grants ranged from NOK 50,000 to NOK 25,000. The Art Fund received over 100 applications, which indicates that there is a multitude of initiatives, expressions and performers in the region.

Q3

Profitability improvement of NOK 116 million

The final report for the Bank's profitability enhancement programme was published in August, with an earnings improvement of NOK 116 million. Higher revenues and other cost reductions totalled NOK 66 million, while staff-related savings totalled NOK 50 million. The purpose of the programme has been to create a foundation to ensure that Sparebanken Hedmark will continue to be the preferred merchant bank in the Interior Region in the future.

Customer centre in place in new offices

The Bank's customer centre and switchboard moved in the autumn to new offices with 45 work stations. The offices have been decorated in the same style as the offices in Lillehammer and Hamar. The training room for new employees has been called "Helt på vidda". – This has a double meaning in Norwegian: When you enter the room you do not have a clue, but when you come out again you have full control, just like a champion on a wide open expanse!, explains the Manager of the Customer Centre Bjørn Terje Eriksrud.

Q1

Greater satisfaction within the organisation

The results of the organisational survey this year were the best ever measured, with a total score of 805 for the Bank. There was significant improvement in the areas of motivation, responsibility and initiative, influence and participation. Most people find that they have adequate competence in order to solve the tasks and challenges facing the Bank.

Sparebanken Hedmark downgraded to A2

The Bank's rating was downgraded from A1 to A2 in March. Moody's attributed this to a reduced opportunity for mutual support among the banks in the SpareBank 1 Alliance. The Bank's individual rating (standalone financial strength rating) was confirmed as C- with a stable outlook. A2 is still a very good rating.

7-24-365

From January, Sparebanken Hedmark expanded its opening hours to 7-24-365 by linking up with the SpareBank 1 Alliance's new joint customer centre. The level of traffic has been stable throughout the year, and this has been a positive experience for the Bank's customers with increased availability and more problem solving outside of the ordinary opening hours.

Interest rate increase

Sparebanken Hedmark made a decision to raise interest rates 0.30 percentage points in general in March, based on the new higher equity requirements for the banks imposed by the authorities. Interest rates on home mortgage loans for young people increased by 0.15 percentage points, and young people received the Bank's best interest rate from 3.60 per cent.

Tremendous opening at Stange

With a Return concert, speech by the mayor, historical accounts and a greeting from the friends of the distillery, the new Stange office opened on 11th March at 11:11 a.m. The bank offices were decorated in a modern, future-oriented design with local character. The bank building was sold earlier in the year to the Municipality of Stange, and the bank is leasing back a smaller portion of the building now.

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Q2

Increased focus on self-service

From June 2012 to June 2013, the number of balance inquiries to the customer centre declined dramatically. This reduction is attributed to purposeful training of our customers to use many good self-service alternatives.

Innovation programme for customer advisors

A total of 18 employees from the corporate market are participating in an innovation programme led by Sjur Dagestad and Espen Ruud of Innoco. The aim is to create a greater number of viable innovation projects. The programme consists of 12 modules and a final examination that leads to an approved certificate from the Norwegian University of Science and Technology (NTNU) upon completion.

High level of activity throughout the festival summer

A total of 3,220 persons, mostly young people and young adults participated during the summer in various activities on Facebook and Instagram in connection with events that the Bank sponsored in Hedmark and Oppland. The aim was to show that: Together we can create good experiences. The Bank received a total of 1,500 photos from the photo competition on Instagram.

A-IRB – to strengthen capital adequacy

In June Sparebanken Hedmark submitted an application to the Financial Supervisory Authority of Norway for permission to use Advanced IRB to calculate the Bank's capital adequacy. The aim is to be able to use the actual collateral security in the corporate market (CM) for the calculation of capital adequacy. Today the bank uses Foundation IRB, in which all of the collateral security in CM, regardless of the quality and value, counts the same. Advanced IRB will give us updated risk models, which will provide a basis for better decisions and lower loan losses in the long term. The Bank's capital adequacy will also be strengthened, which is important in a situation where the authorities are tightening the capital adequacy requirements for Norwegian banks.

Geir Nordrum washes his hands after a shift as operator in the furnace. The NCE Raufoss and SINTEF Raufoss Manufacturing business cluster spends NOK 300 million on research per year. NCE Raufoss will graduate from being a National Centre of Expertise to Global Centre of Expertise early in 2014.

Directors' report

Economic situation in 2013

The world's leading economies showed a positive trend throughout 2013. Unemployment was, however, still high in both the US and Europe, and the central banks kept interest rates at record-low levels.

The growth of the Norwegian economy slowed down in 2013. While the gross national product for mainland Norway increased by 3.4 per cent in 2012, the increase in 2013 was 2.0 per cent. Companies in most industries in Norges Bank's regional network reported fewer capacity problems than earlier and lower expected future growth.

The housing market was characterised by falling price growth throughout 2013. This also had an impact on housing construction. There was a marked decline in the number of housing starts towards the end of the year.

Unemployment is still very low compared with most other countries. Salary inflation is estimated to end up at 3.5 per cent. Household consumption showed quite moderate growth, which is estimated to be around 2.3 per cent, while savings is still at a high level.

Overall credit growth declined somewhat throughout 2013. Household debt growth remained unchanged at around 7 per cent on an annual basis. Growth in credit to non-financial enterprises fell significantly towards the end of 2012 and beginning of 2013. Growth was around 4 per cent in 2013.

After achieving high levels towards the end of 2012 the Norwegian krone weakened throughout 2013. The central bank kept the key policy rate unchanged at 1.5 per cent in 2013, while the three-month money market rate rate fell from 1.9 to 1.7 per cent throughout the year.

The positive trend in the capital markets continued throughout 2013. At the start of the year, the credit markup on the three-month money market rate for five-year senior unsecured funding was 1.2 per cent for regional savings banks. At the end of the year, this spread had fallen by 0.5 percentage points to 0.7 per cent.

Sparebanken Hedmark – Group

The Group prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) 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, as well as SpareBank 1 Regnskapshuset Østlandet AS with an ownership interest of 60 per cent.

The bank owns 40.5 per cent of Bank 1 Oslo Akershus AS, 11 per cent of SpareBank 1 Gruppen AS and 14.7 per cent of SpareBank 1 Markets AS, as well as 8.4 per cent of SpareBank 1 Boligkreditt AS and 2.9 per cent of SpareBank 1 Næringskreditt AS (the covered bond companies). The profit/loss attributable to these companies is recognised in the Bank's consolidated financial statements proportionate to the Bank's ownership interest.

Results

The Group's profit (last year's figure in brackets) was NOK 694 (403) million.Return on equity after tax was 11.0 (7.0) per cent.

Specification of the consolidated profit in NOK million:

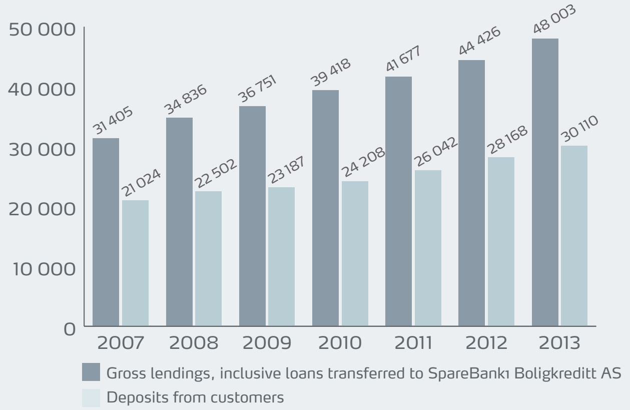
Parent Bank's profit after tax	499
Eliminated dividends from subsidiaries and associates	-124
Profit/loss attributable to:	
SpareBank 1 Gruppen AS	132
Bank 1 Oslo Akershus AS	133
SpareBank 1 Boligkreditt AS	17
EiendomsMegler 1 Hedmark Eiendom AS	3
SpareBank 1 Finans Østlandet AS	58
SpareBank 1 Regnskapshuset Østlandet AS	-4
Other companies	-20
Consolidated profit after tax	694

Income

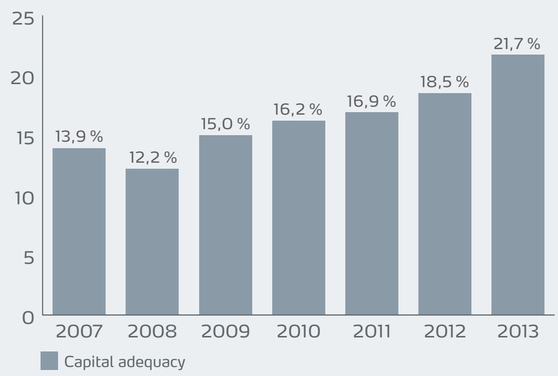
Net interest income was NOK 1,008 (955) million in 2013. Interest income from loans transferred to the covered bond companies (SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS) is recognised as commission income in the Bank's accounts. Total net interest income, including commissions from loans transferred to the covered bond companies, amounted to NOK 1,215 million (NOK 1,064 million). This corresponds to an increase of 14.2 (5.1) per cent over the previous year.

The Group's lending margin, including loans transferred to the covered bond companies, was 3.08 per cent in 2013. The deposit margin was -0.68 (-0.33) per cent. The Group's interest margin was 2.40 per cent.

Gross lending and deposits (Parent bank)



Capital adequacy (Parent bank)



Net commission and other income increased from NOK 435 million in 2012 to NOK 559 million in 2013. This increase is attributed primarily to commission income of NOK 99 million from the covered bond companies.

The net profit from financial assets and liabilities was NOK 262 (43) million. This consisted of profit from ownership interests of NOK 325 (95) million, dividends of NOK 21 (7) million and a result from other financial items of -84 (-59) million.

Of the profit from ownership interests of NOK 325 million, the profit attributable to Bank 1 Oslo Akershus AS accounted for NOK 133 million. In 2013 Sparebanken Hedmark increased its ownership interest in Bank 1 Oslo Akershus AS from 12 to 40.5 per cent. The profit attributable to SpareBank 1 Gruppen AS totalled NOK 132 million.

The net result from other financial items (other financial assets and liabilities) was NOK -84 (-59) million, and this is attributed primarily to fair value fluctuations. The Bank's securities debt, fixed-income investments and fixed-rate loans 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 overall net change in Net commission income was NOK 100 million in 2013, compared with NOK 97 million in 2012.

Costs and losses

The Group's total operating costs were NOK 916 (864) million. Of the increase of NOK 52 million, NOK 27 million was cost growth in subsidiaries in which the level of activity increased. The Group's operating costs accounted for 50.1 (60.3) per cent of the total income in 2013. Total cost growth for the Group was 6 per cent.

Losses remain low and amounted to NOK 72 (42) million, which corresponds to 0.2 (0.1) per cent of gross lending. Credit risk measured as the percentage of problem loans declined in 2013. Problem loans (non-performing and other impaired commitments) as a percentage of gross commitments, including loans transferred to covered bond companies, declined from 1.4 per cent in 2012 to 1.1 per cent at the end of 2013. If we look at the Group's balance sheet in isolation, the percentage declined from 1.9 per cent to 1.4 per cent.

Assets and liabilities

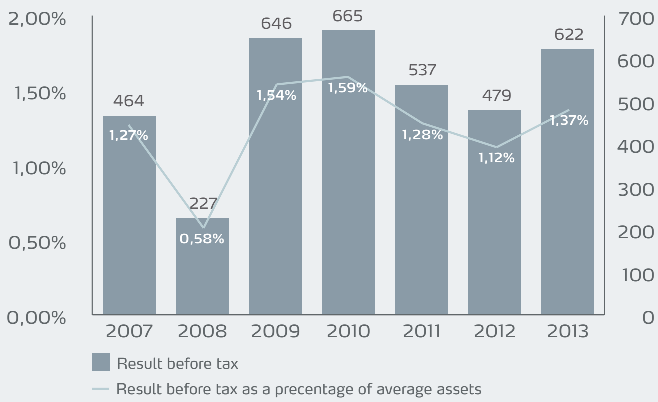
Gross lending to customers, including loans transferred to the covered bond companies, totalled NOK 52.4 (48.1) billion. At the end of the year, loans totalling NOK 15.2 (12.6) billion had been transferred to the covered bond companies. This corresponded to 29 (26) per cent of total lending. Retail customer loans transferred to the covered bond companies as a percentage of the overall retail customer loans (loans on the Banks balance sheet and transferred loans) was 40.5 (37.5) per cent.

Including the transferred loans, the Group's 12-month lending growth was 8.9 (7.7) per cent. At the end of the year the Bank's customer deposits totalled NOK 30.1 (28.1) billion. Growth in deposits was 7.0 (8.6) per cent in 2013. Deposits represented 81.0 (79.4) per cent of gross lending.

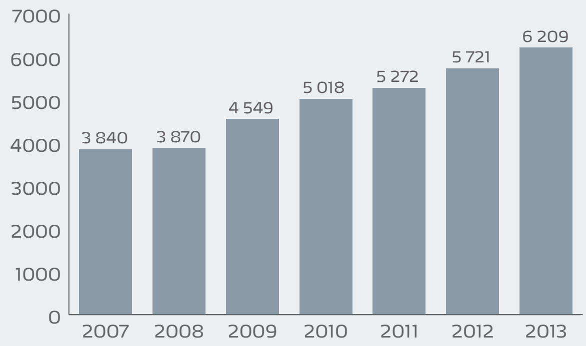
Debt to credit institutions and debt arising from securities issued totalled NOK 9.0 (8.9) billion at the end of the year. The average time to maturity of the Bank's long-term funding was 4.5 (4.4) years. The average time to maturity for all borrowing was 3.9 years (3.5 years). At the end of 2013, the Bank had adequate funding for continued normal operations for 16 (16) months without any new external funding. This scenario assumes 7 per cent lending growth and 4 per cent growth in deposits. There is good interest in the Bank's bonds.

The Group's equity was NOK 6.7 (6.0) billion as at 31 December 2013, which is equivalent to 14.2 (13.7) per

Result before tax (Parent bank)



Equity capital (Parent bank)



cent of the balance sheet. The common equity Tier1 ratio was 16.2 (16.9) per cent. The reduction in the ratio is attributed to the effect of increased ownership in Bank 1 Oslo Akershus AS.

Rating

On 10 January 2014, Moody's Investor Service confirmed Sparebanken Hedmark's rating (long-term debt and deposit rating) as A2. The Bank's standalone financial strength (BFSR) was also confirmed as C-.

Both Sparebanken Hedmark's standalone rating and the Bank's long-term debt and deposit rating have a stable outlook.

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 499 (363) million. The Board of Directors proposes to set aside NOK 6 million for donations.

Profit from banking operations, defined as the result after losses less the profit from ownership interests and dividends, as well as financial assets and liabilities, was NOK 482 (424) million. This was an improvement of 14 per cent compared with the previous year.

Income

Net interest income was NOK 830 (834) million. Net interest income was affected negatively in 2013 by a NOK 20 million charge for the Norwegian Banks Guarantee Fund, NOK 10 million in interest for new Tier 2 capital (NOK 500 million) and higher funding costs forrefinanced senior unsecured bondss.

Net income from lending and deposit activities, which include loans transferred to the covered bond companies, increased from NOK 942 million to NOK 1,037 million. Loans totalling NOK 15.2 billion had been transferred by the end of the year, NOK 14.6 billion of which was to the residential covered bond company and NOK 0.6 billion of which was to the commercial covered bond company. The net margin for residential mortgage loans transferred to the covered bond company, recognised as commissions, was 1.50 (0.97 per cent).

The net interest margin on the balance sheet (excluding currency loans) was 2.53 (2.42) per cent. The Parent Bank's lending margin was 3.21 (2.78) per cent. The deposit margin was -0.68 (-0.33) per cent.

The interest margin for the retail market was 2.48 (2.39) per cent, while in the corporate market it was 2.61 (2.53) per cent.

Net commissions and other income amounted to NOK 409 (287) million. The improvement is attributed primarily to an increase of NOK 99 million in commissions from loans transferred to the covered bond companies.

The net profit from financial assets and liabilities was NOK 126 (41) million. Dividends from financial investments were NOK 21 (7) million. Net profit from ownership interests was NOK 189 (93) million. Of this amount, dividends totalled NOK 124 million. The net result from other financial assets and liabilities was NOK -84 (-59) million. The net change in the market value of investments, fixed-rate loans and funding was NOK -100 (-97) million.

Siri J. Strømmevold
(born 1961), Board Chairman, lives in Tynset.

Strømmevold is a qualified computer engineer, with 15 years experience from the oil industry with Mobil Expl., Statoil and Saga Petroleum. She is now the General Manager of Tynset Bokhandel. She was elected to the board in 2006.

Operating costs and losses

Total operating costs were NOK 681 (652) million. Compared with the previous year, costs were 4.4 per cent higher. The operating costs represented 49.9 (56.1) per cent of net income.

At the end of the year, the Parent Bank had 464 full time equivalents, compared with 462 a year ago.

The net loss on lending and guarantees was NOK 61 (31) million. NOK 18 (5) million of the losses were within the retail market division and NOK 43 (26) million were within the corporate market division.

Assets and liabilities

Gross lending to customers totalled NOK 32.8 (31.8) billion. Including loans transferred to the covered bond companies, the lending volume was NOK 48.0 (44.6) billion.

Lending growth over the past 12 months, including transferred loans, was 8.1 (7.1) per cent. Growth in the retail market was 7.2 (9.0) per cent, including transferred loans, while it was 10.2 (2.8) per cent in the corporate market, including transferred loans. Lending growth on a the Banks balance sheet was 1.6 per cent in the retail market and 5.7 per cent in the corporate market. The risk profile for the Bank's granting of credit did not change in 2013.

Deposits from and liabilities to customers totalled NOK 30.1 (28.2) billion. In the last 12-month period, deposits increased by 6.9 (8.2) per cent, divided between 2.7 (7.4) per cent in the retail market and 14.7 (9.6) per cent in the corporate market. The high growth in the corporate market is attributed to new customers from the public sector.

The common equity Tier1 ratio was 21.7 (18.5) per cent. The Bank's equity of NOK 6.2 (5.7) billion consists entirely of retained earnings and represents 13.3 (13.1) per cent of the balance sheet.

Subsidiaries and associates

The leasing and finance company SpareBank 1 Finans Østlandet AS achieved a net profit of NOK 58 (27) million. At the end of the year, the finance company's gross lending totalled NOK 4.2 (3.6) billion. Gross lending growth was 15 per cent in 2013.

SpareBank 1 Regnskapshuset Østlandet AS posted revenues of NOK 103 (101) million and reported a result of NOK - 4.5 (5.5) million. The real estate brokerage company EiendomsMegler 1 Hedmark Eiendom AS posted revenues of NOK 67 (59) million and achieved a profit after tax of NOK 3.2 (3.5) million.

The Bank 1 Oslo Akershus AS Group (40.5 per cent ownership interest) achieved a profit after tax of NOK 328 (106) million. This profit improvement is attributed to higher commission income from SpareBank 1 Boligkreditt AS, higher net interest income and lower losses. The Group's return on equity was 14.0 (6.2) per cent.

SpareBank 1 Gruppen AS (11 per cent ownership interest) achieved a consolidated profit after tax of NOK 1,109 (443) million. SpareBank 1 Livsforsikring AS and SpareBank 1 Skadeforsikring AS were the most important contributors to profit.

SpareBank 1 Gruppen AS sold its ownership interest in SpareBank 1 Markets AS in the third quarter. The company is owned now directly by SpareBank 1 SMN (23.9 per cent), SpareBank 1 Nord Norge (23,89 per cent), Samspar (23,9 per cent), Sparebanken Hedmark (14,3 per cent), LO (12 per cent) and employees (2 per cent). SpareBank 1 Markets reported a loss of NOK 11.5 million for the last quarter of 2013. Sparebanken Hedmark's share of this was NOK 1.6 million.

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.

Bjørnar Håkensmoen
(born 1969), Deputy Chairman
lives in Elverum.

Håkensmoen is qualified within teaching, management and communication. He has worked within the sports industry. He has been the Managing Director of Daldata since 2006. Became Deputy Chairman in 2012.

Erik Garaas
(born 1950), board member,
lives in Oslo.

Garaas has a degree in social economics and has worked at the Central Bureau of Statistics, Finance Ministry, Gjensidige and DNB, mainly within finance and capital management. He was elected to the Board in 2013.

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.

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. In recent years, the market area has expanded with 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 2013. Expected losses and risk-adjusted capital have been reduced in relative terms. Defaults have been declining overall, and the losses on loans are still low. Lending growth was higher in 2013 than in 2012. A continued focus on portfolio improvement and risk repricing will contribute to a further improvement in the portfolio's risk profile.

The risk profile of the retail market portfolio is stable and the risk is considered low, as it is essentially secured by mortgages on real estate. Defaults have been declining overall, and the losses on loans are low. Lending growth has been on par with growth in the market. Continued low unemployment and low interest rates, combined with stable 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 funding to the Bank's subsidiary, SpareBank 1 Finans Østlandet AS.

The Board of Directors finds that the Bank's credit risk related to lending operations overall has shown a positive development in 2013. The Group's credit risk is considered to be moderate.

Market risk

Market risk is defined as the risk of losses due to changes in observable market prices, such as interest rates, share prices or currency 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 decomposed into interest rate risk and credit risk.

Espen Bjørklund Larsen
(born 1976), board member, lives in Elverum.

Larsen has a degree in economics and administration and spent a year studying innovation. He has been the principal union representative and bank employees' representative on the board since 2008.

Nina C. Lier
(born 1972), board member, lives in Ringsaker.

Lier has a degree in civil economics and is CFO of Sykehuset Innlandet HF. She was elected to the board in 2010.

Guidelines and limits for investments in fixed-income securities are adapted to the regulatory requirements for funding management. Investments in fixed-income securities totalled NOK 4.8 billion overall at the end of 2013 and remained essentially unchanged throughout 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.

During the year the volume of debt securities issued increased from NOK 7.7 to 8.5 billion. The fairvalue of the debt varies with fluctuations in interest rates, including in particular fluctuations in the credit spreads for the Bank's issues.

Interest rate risk arises as a result of the Group's balance sheet items having 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. The Bank's interest rate risk has been moderate in 2013. 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 24.6 million.

Currency risk is managed by means of the adopted exposure limits. The positions have generally been very low in 2013.

The price risk for equity capital instruments is measured in relation to the exposure in equity certificates, equity funds and shares, excluding investments in group companies. In 2013 the Bank has had an almost unchanged exposure in equity capital instruments.
It is the opinion of the Board of Directors that the Bank's overall market risk is low to moderate at the end of the year.

Liquidity 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 and the level of various liquidity indicators. 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.

Other important sources for funding are market funding, loans from other financial institutions and the transfer of home mortgage loans to covered bond companies. Just under 70 per cent of the funding volumes (excluding customer deposits) at the end of the year were covered through SpareBank 1 Boligkreditt AS and Sparebank 1 Næringskreditt AS.

As part of the funding management, Sparebanken Hedmark needs to maintain a portfolio of liquid securities. The Bank has chosen to cover 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 2013, the Bank's overall liquidity reserves were NOK 5.2 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 covered bond company totalling NOK 3.1 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 credit facilities and liquidity reserves, the Bank should be independent of external funding for a minimum of 12 months. At the end of

Aud Christensen
(born 1956), board member.
lives in Åsnes.

Christensen is qualified within economics and marketing, and has a degree in strategic board management from BI. She is a partner in AB振vikling AS. She was elected to the board in 2012.

Morten Herud
(born 1959), board member,
lives in Eidskog.

Herud has a degree in civil economics. He has worked within finance and industry and is the General Manager of 10nye AS. He was elected to the board in 2013.

2013, the Bank had adequate liquidity for continued ordinary operations for more than 16 months without any new external funding.

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 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 human resources

Sparebanken Hedmark shall be an attractive and inclusive workplace for employees with various roles, ages and life phases. The Bank is concerned that individuals shall experience a balance between work and private life, and it desires to contribute to employees maintaining a good health situation. The Bank believes that contributions to health-promoting activities through company sports teams, annual health check-ups and a focus on healthy lifestyles through various measures lead to improved health and greater satisfaction and motivation.

A separate HR strategy for the 2013-2015 period has been adopted. This focuses in particular on management development, skills development and internal interaction.

The most important measures related to the HR strategy are reported and followed up as part of the enterprise's comprehensive corporate governance system.

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. For the organisation as a whole, the results in 2013 were the highest ever measured by this method, with a clear improvement in most areas focused on after the survey in 2012.

Absence due to illness was 5.6 per cent overall. This is on par with recent years, even if the absence rate in 2012 was 1 per cent lower. Short-term absence was less than 1.0 per cent, and long-term absence was related primarily 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.

No injuries have been recorded or reported to the Norwegian Labour Inspection Authority in 2013.

Equal opportunities

Women account for 58 per cent of Bank employees, while the proportion of women in managerial positions is 41 per cent. This is an increase from 40 per cent in 2012 and entails a continuation of the positive trend for a number of years. The CEO's management team consists of two women and seven men. The Bank's Board of Directors consists of three women and four men, while the Board of Representatives consists of 15 women and 25 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 17 per cent. Among women, the percentage of part-time employees is 27 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. Analyses conducted in 2013 show that the average wage for women in relation to men varies between 90 per cent and 105 per cent at various position levels. The analyses show that structural factors such as age and seniority are the most important explanation of the differences.

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.

Ethics

Sparebanken Hedmark's operations are dependent on the confidence of customers, public authorities and society at large. Sparebanken Hedmark's employees shall be distinguished by high ethical standards. The Bank's employees shall be competent, confidence-inspiring, honest and fair. The necessary professional distance shall be maintained at all times in all interactions with the public.

Value shall be created in accordance with good advisory practices and within limits that do not require the individual employee to violate ethical guidelines in order to satisfy financial goals.

A review and discussion of the ethical guidelines is part of the mandatory introductory programme for all new employees. In addition, an annual "Ethics Week" is held, which focuses on various topics that involve the entire organisation. In this context, all the employees must also confirm that they have reviewed and understood the content of the ethical guidelines. For additional information on social matters, reference is made to the report on corporate social responsibility in the annual report (page 11)

Outlook for 2014

Lower growth is expected for the Norwegian economy in 2014. This is attributed primarily to a reduction in the impact of the ripple effects from the oil sector, lower consumption, a weaker housing market and a certain increase in unemployment. Improved growth for our trading partners and a weak Norwegian krone may, however, contribute to stimulating Norwegian exports. An expansive finance policy will also contribute to limiting any recession. Norges Bank estimates approximately unchanged wage inflation for 2014 and indicates a low interest rate path with the first interest rate adjustment in the middle of 2015.

Sparebanken Hedmark's primary market is the Inland Region. This region has traditionally been less exposed to cyclical fluctuations than other regions. However, international developments may affect the situation in Norway and thus the Inland Region as well. The bank is well prepared for any setback in the economy with good funding, a high deposit coverage ratio, stable earnings and a high level of equity.

The Board of Directors of Sparebanken Hedmark
Hamar, 6 March 2014

Siri J. Strømmevold
Styreleder

Bjørnar Håkensmoen

Erik Garaas

Morten Herud

Aud Christensen

Nina C. Lier

Espen Bjørklund Larsen

Richard Heiberg
Adm. direktør

Accounting

Vegard Fallet (43) bought wooded land in Trysil for NOK 300,000, and was ridiculed for paying too much. 110 holiday cottages are now being built on the site. Fallet has gone from selling plots to selling holiday cottages to create more employment in Trysil.

Income statement

Parent bank 2012	Parent bank 2013	(NOK million)	Notes:	Group 2013	Group 2012
1 942	1 908	Interest income	20	2 085	2 062
1 108	1 078	Interest expenses	20	1 077	1 107
834	**830**	**Net interest income**		**1008**	**955**
295	416	Commission income	21	415	294
29	27	Commission expenses	21	45	44
21	19	Other operating income	21	189	185
287	**409**	**Net commission and other income**		**559**	**435**
7	21	Dividends	22	21	7
93	189	Net profit from ownership interests	22,39,42	326	95
-59	-84	Net profit from other financial assets and liabilities	22	-84	-59
41	**126**	**Net income from financial assets and liabilities**		**263**	**43**
1 162	**1 364**	**Total net income**		**1 829**	**1 433**
331	342	Personnel expenses	23,24	486	457
321	339	Other operating expenses	25	430	407
652	**681**	**Total operating expenses before losses on loans and guarantees**		**916**	**864**
510	**684**	**Profit before losses on loans and guarantees**		**913**	**569**
31	61	Losses on loans and guarantees	11	72	42
479	**622**	**Profit/loss before tax**		**841**	**527**
116	124	Tax charge	26	147	124
363	**499**	**Results for the accounting year**		**694**	**403**
		Majority interests		704	400
		Minority interests		-10	3
363	**499**	**Statement of other comprehensive income**		**694**	**403**
110	-67	Actuarial gains / losses on pensions		-85	118
-31	18	Tax effect of actuarial gains / losses on pensions		22	-35
		Share of other comprehensive income from associates and joint ventures			1
79	**-49**	**Total items not reclassified through profit or loss**		**-62**	**83**
21	56	Change in value of financial assets available for sale		56	21
-3	-3	Financial assets available for sale transferred to profit and loss on write-down due to permanent impairment of value			-3
5	3	Financial assets available for sale transferred to profit and loss on realisation			3
		Share of other comprehensive income from associates and joint ventures			5
23	**56**	**Total items reclassified through profit or loss**		**61**	**30**
102	**7**	**Total profit and loss items recognised in equity**		**-1**	**113**
465	**505**	**Total profit and loss for the accounting year**		**693**	**516**
		Majority interest of comprehensive income		703	513
		Minority interest of comprehensive income		-10	3

Balance sheet

Parent bank				Group	
2012	2013	*(NOK million)*	Notes:	2013	2012
		ASSETS			
236	572	Cash and deposits with central banks		572	236
3 496	4 254	Loans to and receivables from credit institutions	7	699	294
31 558	32 598	Loans to and receivables from customers	8	36 936	35 200
5 104	4 927	Certificates, bonds and fixed-income funds	30	4 927	5 104
513	363	Financial derivatives	31	363	513
341	357	Shares, units and other equity interests	32	357	341
1 299	2 140	Investments in associates and joint ventures	39	2 565	1 558
340	407	Investments in subsidiaries	39		
1		Assets held for sale		1	1
250	266	Property, plant and equipment	34	288	272
126	117	Goodwill and other intangible assets	33	177	199
46	70	Deferred tax asset	26	58	43
332	599	Other assets	35	455	352
43 642	**46 669**	**Total assets**		**47 397**	**44 113**
		LIABILITIES			
834	634	Deposits from and liabilities to credit institutions	7	632	833
28 168	30 110	Deposits from and liabilities to customers	36	30 097	28 137
8 038	8 399	Liabilities arising from issuance of securities	37	8 398	8 038
193	182	Financial derivatives	31	182	193
114	131	Current tax liabilities	26	144	117
574	503	Other debt and liabilities recognised in the balance sheet	38	722	751
	502	Subordinated loan capital	37	503	
37 921	**40 460**	**Total liabilities**		**40 679**	**38 069**
		EGENKAPITAL			
5 569	6 013	Primary capital		6 013	5 569
83	71	Endowment fund		71	83
69	125	Fund for unrealised gains		125	69
		Other equity		495	299
		Minority interests		14	24
5 721	**6 209**	**Total equity**		**6 718**	**6 044**
43 642	**46 669**	**Total equity and liabilities**		**47 397**	**44 113**

The Board of Directors of Sparebanken Hedmark
Hamar, 6 March 2014

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Espen Bjørklund Larsen

Richard Heiberg
Adm. direktør

Changes in equity capital

Parent bank

(NOK million)	Primary capital	Endowment fund	Fund for unrealised gains	Total equity capital
		Earned equity		
Equity at 1 January 2012	**5 133**	**93**	**46**	**5 272**
Results for the accounting year	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
Equity at 31 December 2012	**5 569**	**83**	**69**	**5 721**
Equity at 1 January 2013	**5 569**	**83**	**69**	**5 721**
Results for the accounting year	499			499
Actuarial gains / losses on pensions	-49			-49
Change in value of financial assets available for sale			56	56
Donations distributed from profit 2012	-6			-6
Grants from endowment fund in 2013		-12		-12
Equity at 31 December 2013	**6 013**	**71**	**125**	**6 209**

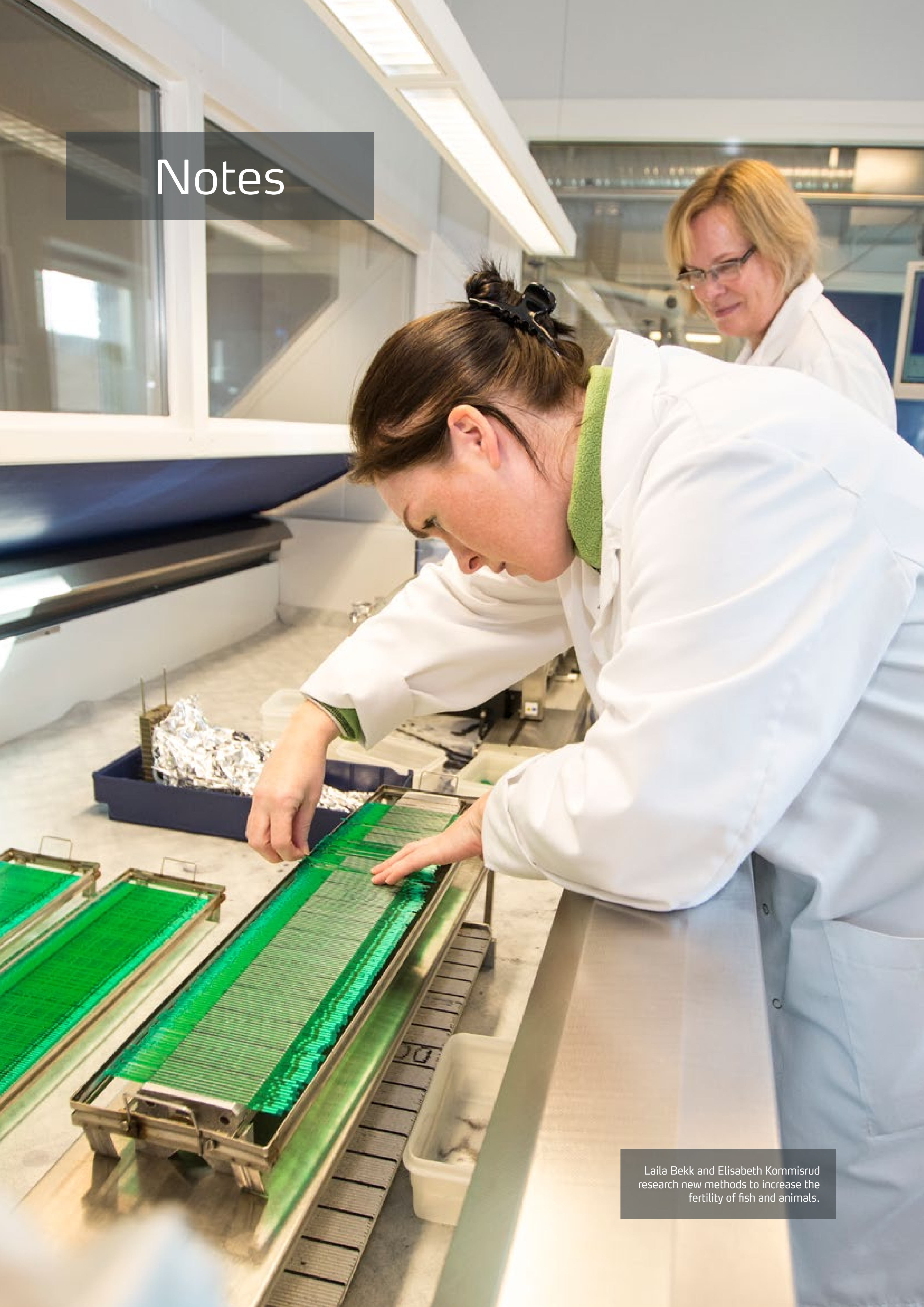
Group

(NOK million)	Primary capital	Endowment fund	Fund for unrealised gains	Other equity	Minority interests	Total equity capital
		Earned equity				
Equity at 1 January 2012	**5 133**	**93**	**46**	**262**	**0**	**5 534**
OB correction: Correction of previous years' errors				-11		-11
Adjusted equity at 1 January 2012	5 133	93	46	251	0	5 523
Results for the accounting year	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
Equity at 31 December 2012	**5 569**	**83**	**69**	**299**	**24**	**6 044**
Equity at 1 January 2013	**5 569**	**83**	**69**	**299**	**24**	**6 044**
OB correction: Correction of previous years' errors				-6		-6
Adjusted equity at 1 January 2013	**5 569**	**83**	**69**	**293**	**24**	**6 038**
Results for the accounting year	499			205	-10	694
Actuarial gains / losses on pensions	-49			-14		-63
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss				1		1
Change in value of financial assets available for sale			56			56
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss				4		4
Adjusted equity in associated companies and joint ventures				2		2
Change in the group composition				4		4
Donations distributed from profit 2012	-6					-6
Grants from endowment fund in 2013		-12				-12
Equity at 31 December 2013	**6 013**	**71**	**125**	**495**	**14**	**6 718**

Cash flow statement

Parent bank			Group	
2012	**2013**	*(NOK million)*	**2013**	**2012**
12 800	12 681	This year's downpayment on repayment loans etc. to customers	14 492	14 129
		Change in advance rent leasing	28	16
-11 569	-10 612	Newly discounted repayment loans etc. to customers for the year	-13 130	-13 599
210	-23	Change in balances of foreign currency lending	-23	210
-1 757	-3 174	Change in balances of credits	-3 173	-1 757
1 533	1 567	Interest and commission income on lending	1 829	1 757
3	25	Included in previous years' realised losses on lending	27	6
-1	1	Net cash flow from assets held for sale		-1
1 219	**465**	**Cash flow from lending operations (A)**	**50**	**761**
2 288	1 246	Change in balances of deposits from customers at call	1 260	2 291
-164	710	Change in balances of deposits from customers with agreed maturity dates	710	-164
-783	-821	Interest payments to customers	-817	-778
1 341	**1 135**	**Cash flow from deposit operations (B)**	**1 153**	**1 348**
187	153	Net cash flow from securities held short term	153	187
-67	66	Cash flow linked to exchange rate gains / losses on securities held short term	66	-67
145	103	Interest received on bonds and certificates	103	145
		Share dividends received from securities held short term		
265	**322**	**Cash flow from investments in securities (C)**	**322**	**265**
-269	-755	Change in receivables from credit institutions with agreed maturity dates	-403	287
114	93	Interest received on deposits in credit institutions	93	114
-155	**-662**	**Cash flow from deposits in credit institutions (D)**	**-310**	**401**
408	551	Other income	721	578
-795	-644	Operating expenses payable	-897	-1 029
-56	-113	Tax payments	-116	-58
-16	-17	Donations	-17	-16
-30		Group contributions		
-67	-135	Net cash flow from change in other assets	28	28
-28	-203	Net cash flow from change in accruals	-315	-158
112	-112	Net cash flow from change in other liabilities	-72	130
-472	**-673**	**Remaining cash flow from current operations (E)**	**-668**	**-525**
2 198	**587**	**CASH FLOW FROM OPERATIONS (A+B+C+D+E=F)**	**547**	**2 251**
-2 160	-200	Change in deposits from credit institutions	-203	-2 163
1 383	2 497	Receipts arising from issuance of securities	2 498	1 383
-579	-1 173	Payments arising from redemption of securities issued	-1 173	-579
-601	-454	Buy-back of own securities	-454	-601
-271	-219	Interest payments on financing	-219	-272
-2 228	**451**	**Cash flow from financing activities (G)**	**449**	**-2 230**
-55	-70	Investments in fixed assets and intangible assets	-77	-62
21	11	Sales of fixed assets and intangible assets at sales price	11	21
-215	-882	Purchase of long-term securities	-882	-215
9	178	Sale of long-term securities	178	9
108	145	Share dividends from securities held long term	115	75
-132	**-618**	**Cash flow from investments (H)**	**-655**	**-171**
16	3	Liquidity effect of acquisition and sale of subsidiaries(I)	-3	4
	-85	Payments arising from placements in subsidaries (L)		
-146	**338**	**CHANGE IN CASH AND CASH EQUIVALENTS (F+G+H+I+L)**	**338**	**-146**
407	261	Cash and cash equivalents at 1 January	261	407
261	**599**	**Cash and cash equivalents at 31 December**	**599**	**261**
		Cash and cash equivalents at 31 December comprise:		
236	572	Cash and deposits with central banks	572	236
25	27	Deposits etc. at call with banks	27	25
261	**599**	**Cash and cash equivalents at 31 December**	**599**	**261**

Notes



Laila Bekk and Elisabeth Kommisrud research new methods to increase the fertility of fish and animals.

Notes to the accounts

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Note 1 General information

Sparebanken Hedmark currently has a 8.37 per cent interest in SpareBank 1 Boligkreditt AS, 9.7 per cent interest in SpareBank 1 Kundesenter AS, 8.9 per cent interest in SpareBank 1 Verdipapirservice AS, 8.0 per cent interest in SpareBank 1 Kredittkort AS, 14.7 per cent interest in SpareBank 1 Markets AS and 2.93 per cent interest in SpareBank 1 Næringskreditt AS. All of the aforementioned companies have also 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 Gruppen AS gives 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. Our branch office network is located primarily in Hedmark, but we have 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 27 March 2014. The Supervisory Board is the Bank's highest administrative body.

Changes in the composition of the Group
2013
Sparebanken Hedmark sold its shareholdings in Consis Credit AS to Conecto AS on 1 January 2013. Conecto AS is a wholly owned company in SpareBank 1 Gruppen AS, and Sparebanken Hedmark therefore still owns an 11 per cent interest indirectly.

Sparebanken Hedmark increased its ownership interest from 12 per cent to 40.5 per cent in SpareBank 1 Oslo Akershus AS through the acquisition of shares from the other owners of the bank. The transaction was completed effective 2 January 2013.

Sparebanken Hedmark acquired 14.7 per cent of the shares in SpareBank 1 Markets AS in the third quarter. Earlier the bank owned indirectly 12 per cent of SpareBank 1 Markets AS through its ownership in SpareBank 1 Gruppen AS.

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 2012.
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 Høvleribygg 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 ownership interest 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 Kredittkort AS. The companies are defined as associated companies.

Note 2 Accounting principles

Basis for preparation of the consolidated annual 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 2013. These include interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and the preceding interpretations committee, 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 2014 or later.

The following new standards have been implemented in the annual financial statements for 2013 for the Sparebanken Hedmark Group:

IAS 1 Presentation of Financial Statements
The statement of other comprehensive income (OCI) shows items that can be reclassified as profit or loss and items that cannot be reclassified separately.

IAS 19R Employee Benefits
See the "Pension" section further down in Note 2.

IFRS 7 Offsetting Financial Instruments
The Group has implemented the amendment to IFRS 7 that entails expanded note disclosure for the net recognition of financial instruments and offsetting arrangements relating to financial instruments.

IFRS 13 Fair Value Measurement
The Group has implemented IFRS 13 Fair Value Measurement for the measurement of financial instruments.

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 General Meeting.

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 interest'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 historical cost and subsequently adjusted for changes in the Bank's share of the net assets of the associated company. Associated companies are accounted for in accordance with the cost method in the Parent Bank and in accordance with the equity method in the Group.

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 ventures are recognised in accordance with the equity method of accounting in the Parent Bank and in accordance with the equity method in the Group.

Loans to and receivables from customers
After the Bank implemented IFRS effective 1 January 2007, loans are measured at amortised cost in accordance with IAS 39.
The assessment of loans in accordance with IAS 39 follows thus the same principles as in accordance with the lending regulations dated 21 December 2004, 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 in the income statement as the net result from other financial assets and liabilities. Fixed-rate loans and loans with interest-rate guarantees are presented in the balance sheet inclusive of accrued interest.

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 based on IAS 29.30.c. 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 9.

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 the result of one or more events that occurred after the initial recognition 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 the 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. 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 the 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.

The Group has applied IAS 19R Employee Benefits since 1 January 2013. This has not entailed any change in the calculation of the Bank's pension liabilities. The actuarial gains and losses have been recognised in the statement of other comprehensive income since the introduction of IFRS in 2007. Calculation of the pension expenses are affected to some extent by the implementation of the revised standard. Earlier the return on pension assets was calculated by means of the long-term expected return. As a result of the application of IAS 19R the net interest expenses for the period are calculated now by applying the discount rate for the liability. The difference between the actual return on the pension assets and the recognised return is reported on an ongoing basis in the statement of other comprehensive income. The pension expenses for 2012 (closed scheme) under the earlier principles totalled NOK 29 million. As a result in the change in the principles for calculation the interest expenses, the recognised pension expenses increased by NOK 10 million, with a corresponding reduction of the actuarial gains and losses. The comparative figures in the income statement have not been restated, since the change has been assessed as insignificant. Capital adequacy and other key figures have not been restated either for prior periods.

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, pension 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 and realised gains and losses are recognised on a net basis from other financial assets and liabilities.

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. The debt is presented inclusive of accrued interest (dirty price). Subordinated loans have priority after all other liabilities and are classified as a liability on the balance sheet and measured at fair value in the same manner as debt securities.

Certificates and bonds
Certificates and bonds are assessed at fair value through profit and loss in accordance with the FVO in IAS 39 in a manner similar to that for debt securities. Changes in fair value and realised gains and losses are recognised in the income statement under "Net profit from other financial assets and liabilities". 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 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".

Derivatives
Derivatives comprise forward exchange contracts, swaps and options plus combinations of these. In addition, a guarantee liability in respect of Eksportfinans ASA 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 or losses arising from changes in the derivative's fair value are included under "Net profit from other financial assets and liabilities" in the income statement. Contracts with unrealised gains are presented on the balance sheet as an asset, and contracts with 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, as well as the fact that the Bank has a number of subsidiaries who provide various 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 the preparation of 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 (IASB's effective date)
New IFRS 9	Replaces the classification and measurement rules in IAS 39 Financial Instruments – Recognition and Measurement of 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	(not adopted)
IFRS 10	Replaces the provisions in the current IAS 27 and SIC 12. The effect of the amendment is considered to be insignificant.	Yes	01-01-14
IFRS 11	Replaces the provisions in the current IAS 31 and SIC 13. The effect of the amendment is considered to be insignificant.	Yes	01-01-14
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	01-01-14
Amendment 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 financial statements remain unchanged.	Yes	01-01-14
Amendment of IAS 28	Amended 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	01-01-14
Amendment of IAS 32	Clarification of the interpretation of the provision concerning the right to the recognition of financial instruments on a net basis on the balance sheet.	Yes	01-01-14
Amendment of IAS 36	The amendment clarifies the note disclosure requirements for recoverable amounts. The disclosure requirement applies to periods with write-downs and the reversal of prior write-downs.	Yes	01-01-14
Amendment of IAS 39	The amendment provides a specific exception entailing that there will no longer be a requirement to terminate hedge accounting through the fulfilment of certain conditions concerning replacement of the counterparty (novation). Amendment has no effect.	Yes	01-01-14
IFRIC 21	This interpretation concerns levies imposed by the authorities. This interpretation does not apply to taxes, it concerns levies for which provisions are set aside in accordance with IAS 37, as well as levies when the time and amount are certain. The effect of the amendment is considered to be insignificant.	Expected Q1 2014	01-01-14
Hedging instruments in IAS 39 and IFRS 9	A documented hedging relationship may continue even if the hedging instruments are subject to clearing as a result of a law or regulation. Amendment has no effect.	Yes	01-01-14

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

MANAGEMENT'S ASSESSEMENT IN CONNECTION WITH THE CHOISE 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. All entities that observe IAS 19R must recognise actuarial gains and losses in other comprehensive income starting in the 2013 financial year.

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. The owners' guarantee liability in respect of Eksportfinans ASA is assessed at fair value at the end of every month by the treasury department of Eksportfinans, as the appointed valuation agent in the agreement. The basis for this valuation is the fair value of the securities portfolio at Eksportfinans that covers the guarantee.

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. For fixed-rate deposits and loans, the trading spread is set at the difference between the Bank's price lists on the balance sheet date and the relevant swap interest rate. For term deposits and loans with an interest rate guarantee, the trading spread is assessed on a discretionary basis.

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. The table below illustrates the effect on net pension liabilities of a change in any og the assumptions (given the rest of parameters unchanged).

	Inpact on the pension liabilities		
	Change in an assumption	Increase in an assumption	Reduction in an assumption
Discount rate	0.50 %	-7.10 %	7.90 %
Wage inflation	0.50 %	3.40 %	-3.10 %
Estimated economic life	1 year	3.90 %	3.50 %

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 4 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.

2013	**Retail banking**	**Corporate banking**	**SpareBank 1 Finans Østlandet**	**Eiendoms-Megler 1 Hedmark Eiendom**	**SpareBank 1 Regnskaps-huset Østlandet**	**Other**	**Total**
Net interest income	*421*	*332*	*180*		*-2*	*77*	*1 008*
-of which internal items		-4	-85	4	-2	87	
Net commission and other income	*329*	*65*	*-19*	*67*	*102*	*15*	*559*
-of which internal items			-1			1	
Net return on financial investments						263	263
Operating expenses*	**244**	**103**	**70**	**63**	**104**	**332**	**916**
Profit before losses by segment:	506	294	91	4	-4	22	913
Losses on loans and guarantees	**18**	**43**	**11**				**72**
Profit / loss per segment	488	251	80	4	-4	22	841
Balance sheet							
Gross lending to customers	18 804	13 490	4 381			505	37 180
-of which internal items					30	-30	
Individual loan write-downs	-43	-88	-7				-138
Collective loan write-downs	**-27**	**-66**	**-13**				**-106**
Other assets	138	2	-16	30	90	10 217	10 461
Total assets per segment	18 872	13 338	4 345	30	90	10 722	47 397
Deposits from and liabilities to customers	18 502	11 327				268	30 097
-of which internal items		**7**		**-7**	**-6**	**6**	
Other liabilities and equity	**370**	**2 011**	**4 345**	**30**	**90**	**10 454**	**17 300**
Total equity and liabilities per segment	**18 872**	**13 338**	**4 345**	**30**	**90**	**10 722**	**47 397**

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

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

Note 5 Capital adequacy and capital management

Parent Bank			Group	
2012	**2013**		**2013**	**2012**
5 569	6 013	Primary capital	6 013	5 569
83	71	Endowment fund	71	83
69	125	Revaluation fund / equalisation reserve	125	69
		Other equity	495	299
		Minority interests	14	24
5 721	**6 209**	**Total equity carried**	**6 718**	**6 044**
		Tier 1 capital		
		Unrealised value change due to reduced / increased value of liabilities		
-171	-188	Deferred tax, goodwill and other intangible assets	-248	-242
-69	-125	Net unrealised gains on shares available for sale	-125	-69
-167	-210	Deduction for expected losses on IRB, net of write-downs	-113	-167
-1 129	-543	Deduction for subordinated capital in other financial institutions	-68	-487
		Capital adequacy reserve	-1 142	-925
		Additional tier 1 capital	61	
4 185	**5 144**	**Total tier 1 capital**	**5 083**	**4 154**
		Supplementary capital		
31	56	45 per cent of unrealised gain on shares classified as available for sale	56	31
	500	Non-perpetual additional tier 1 capital	703	
	-14	Deduction for expected losses on IRB, net of write-downs	-112	
-31	-543	Deduction for subordinated capital in other financial institutions	-68	-31
		Capital adequacy reserve	-579	
0	**0**	**Total supplementary capital**	**0**	**0**
4 185	**5 144**	**Net subordinated capital**	**5 083**	**4 154**
5 775	5 871	Involvement with specialized enterprises	8 079	5 775
5 063	5 498	Other corporate exposures	6 253	5 063
363	431	SME exposure	446	363
2 456	2 613	Retail morgage exposure	3 529	2 456
479	691	Other retail exposure	765	479
2 604	1 666	Equity investments	1 492	2 436
16 739	**16 770**	**Risk-weighted assets credit risk IRB**	**20 564**	**16 571**
4 797	6 133	Exposures calculated using the standardised approach	8 902	6 927
		Market risk	488	
		Transitional arrangements		
2 286	1 932	Operational risk	2 870	2 491
-1 160	-1 085	Deductions	-1 853	-1 467
22 662	**23 751**	**Risk-weighted assets**	**30 971**	**24 522**
		Capital adequacy ratio		
18,5 %	**21,7 %**	Capital adequacy ratio	**16,4 %**	**16,9 %**
18,5 %	**21,7 %**	Core equity tier 1 ratio	**16,2 %**	**16,9 %**
18,5 %	**21,7 %**	Capital adequacy ratio before transitional arrangements	**16,4 %**	**16,9 %**

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 (Parent Bank and Group) has a dynamic goal of pure core capital that is 1 per cent above the level required by the Norwegian authorities for D-SIFI banks at any given time, but not less than 13 per cent. The total capital target is set at the same level as systemically important banks.

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 6 Financial risk management

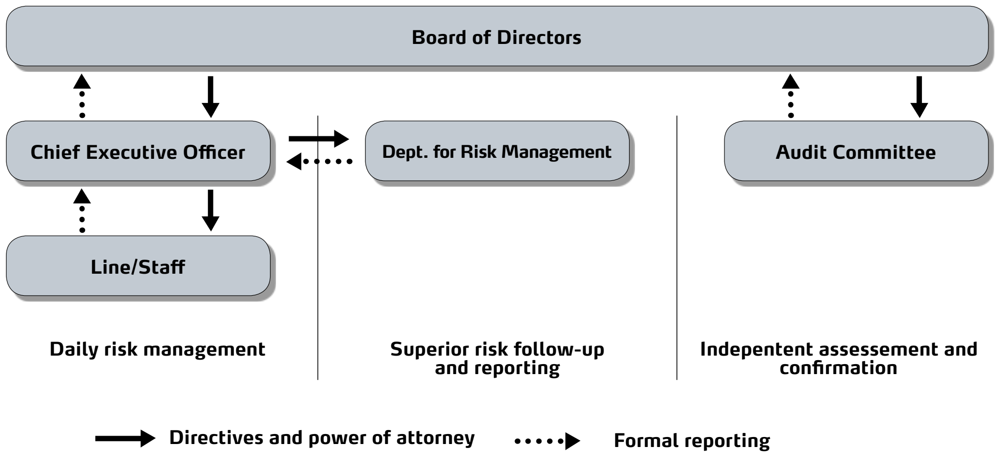
Overall responsibility and supervision
Sparebanken Hedmark's risk management shall support the Bank's strategic development and the attainment of its goals. Risk management shall also ensure financial stability and satisfactory asset management. This is to be achieved by:

– 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 – 15.

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 16 and 17.

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 reserves consist of deposits with Norges Bank, depositable bonds, unused committed drawing facilities and listed shares. The reserve totalled NOK 6.2 billion as at 31 December 2013. At year-end, the average maturity of the Bank's funding was 3.9 years. In addition to the liquidity reserves, the Bank has loans prepared for SpareBank 1 Boligkreditt totalling NOK 2.1 billion. 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 – Pilar III) is available in a separate document on the Bank's website.

Note 7 Credit institutions – claims and liabilities

Parent bank 2012	Parent bank 2013	Loans to and receivables from credit institutions	Group 2013	Group 2012
25	28	Loans and receivables at call	27	25
3 471	4 226	Loans and receivables with agreed maturities or notice	672	269
3 496	**4 254**	**Total**	**699**	**294**
		Loans and receivables specified by major currencies		
3 429	4 182	NOK	627	227
7	12	EUR	12	7
6	19	CHF	19	6
43	31	JPY	31	43
11	10	Other	10	11
3 496	**4 254**	**Total**	**699**	**294**

2012	2013	Liabilities to credit institutions	2013	2012
7	17	Loans and deposits at call	15	6
826	616	Loans and deposits with agreed maturities or notice	616	826
1	1	Accrued interest	1	1
834	**634**	**Total**	**632**	**833**
		Liabilities specified by major currencies		
720	619	NOK	617	719
111	8	EUR	8	111
2	6	Other	6	2
1	1	Accrued interest	1	1
834	**634**	**Total**	**632**	**833**
2,9 %	2,2 %	Average interest rate	2,2 %	2,9 %

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 8 Loans to and receivables from customers

Parent bank 2012	Parent bank 2013		Group 2013	Group 2012
		Loans by type of receivable		
		Financial leasing	1 863	1 682
5 360	8 110	Overdraft facilities and operating credits	8 110	5 360
900	1 318	Building loans	1 318	900
25 434	23 301	Repayment loans	25 773	27 395
95	92	Accrued interest	116	118
31 790	**32 822**	**Gross loans to and receivables from customers**	**37 180**	**35 455**
232	224	Write-downs	244	255
31 558	**32 598**	**Loans to and receivables from customers**	**36 936**	**35 200**
		Loans by type of market		
19 065	19 397	Private customers	21 406	20 773
12 722	13 421	Corporate	15 628	14 569
2	4	Public sector	146	113
31 790	**32 822**	**Gross loans to and receivables from customers**	**37 180**	**35 455**
232	224	Write-downs	244	255
31 558	**32 598**	**Loans to and receivables from customers**	**36 936**	**35 200**
		of which subordinated loan capital		
0	0	Subordinated capital in credit institutions	0	0
0	0	Other subordinated capital	0	0
0	**0**	**Subordinated loan capital recorded as lending**	**0**	**0**
		Of repayment loans, loans stated at fair value through profit and loss (FVO):		
1 809	*1 963*	*- Fixed-rate loans to customers, book value*	*1 963*	*1 809*
1 753	*1 955*	*- Fixed-rate loans to customers, face value*	*1 955*	*1 753*
4	*3*	*- Loans with interest-rate guarantees, book value*	*3*	*4*
3	*3*	*- Loans with interest-rate guarantees, face value*	*3*	*3*

Parent bank 2012	Parent bank 2013	**Total commitments by risk group**	Group 2013	Group 2012
16 178	17 119	Lowest risk	17 119	16 178
5 258	5 860	Low risk	8 058	7 152
9 757	10 110	Medium risk	11 895	11 262
2 473	2 371	High risk	2 671	2 752
1 884	1 990	Highest risk	1 990	1 884
540	548	Defaults	548	540
36 090	**37 998**	**Total commitments by risk group**	**42 281**	**39 768**

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 147 million in the Retail Division and worth NOK 333 million in the Corporate Division on 31 December 2013 in the Bank, and worth NOK 268 million and NOK 356 million in the Group.

These have not been paid and are therefore not included in total commitments.

Parent bank			Group	
2012	**2013**	**Gross loans by risk group**	**2013**	**2012**
14 013	14 947	Lowest risk	14 947	14 013
5 239	5 166	Low risk	7 355	7 126
8 300	8 557	Medium risk	10 426	9 799
2 106	1 942	High risk	2 242	2 385
1 630	1 697	Highest risk	1 697	1 630
502	514	Defaults	514	502
31 790	**32 822**	**Gross loans by risk group**	**37 180**	**35 455**

Parent bank			Group	
2012	**2013**	Individual write-downs by risk group	**2013**	**2012**
134	**131**	Defaults (own definition)	**138**	**146**

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	
2012	**2013**	**Expected annual average net loss by risk group**	**2013**	**2012**
1	1	Lowest risk	1	1
2	2	Low risk	2	2
19	18	Medium risk	20	20
13	17	High risk	28	20
51	36	Highest risk	36	51
19	22	Defaults	22	19
105	**96**	**Total expected annual average net loss by risk group**	**109**	**113**

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	
2012	**2013**	**Total commitments by sector and industry**	**2013**	**2012**
20 870	21 612	Private customers	23 630	22 586
140	137	Public sector	279	252
3 414	3 614	Primary industries	3 784	3 589
319	308	Paper and pulp industries	322	336
571	596	Other industry	739	708
1 202	1 540	Building and construction	1 936	1 574
170	207	Power and water supply	319	244
1 063	1 097	Wholesale and retail trade	1 361	1 335
186	171	Hotel and restaurants	179	191
6 060	6 327	Real estate	6 366	6 096
1 807	2 100	Commercial services	2 550	2 145
271	264	Transport and communications	792	695
17	24	Other	24	17
36 090	**37 998**	**Total commitments by sector and industry**	**42 281**	**39 768**

Parent bank			Group	
2012	**2013**	**Gross loans by sector and industry**	**2013**	**2012**
19 065	19 397	Private customers	21 406	20 773
2	4	Public sector	146	113
3 044	3 198	Primary industries	3 367	3 218
267	250	Paper and pulp industries	264	284
437	437	Other industry	451	573
787	931	Building and construction	1 326	1 158
148	187	Power and water supply	298	222
736	755	Wholesale and retail trade	1 018	1 008
181	153	Hotel and restaurants	161	186
5 454	5 837	Real estate	5 876	5 490
1 453	1 457	Commercial services	2 124	1 791
201	193	Transport and communications	719	624
16	24	Other	24	16
31 790	**32 822**	**Total gross loans by sector and industry**	**37 180**	**35 455**

Parent bank			Group	
2012	**2013**	**Individual write-downs by sector and industry**	**2013**	**2012**
46	46	Private customers	47	52
4	3	Primary industries	3	7
1	1	Paper and pulp industries	1	1
4	7	Other industry	8	4
10	10	Building and construction	12	10
		Power and water supply		
18	20	Wholesale and retail trade	20	19
10	1	Hotel and restaurants	1	10
26	26	Real estate	26	26
15	17	Commercial services	17	16
1		Transport and communications	3	1
134	**131**	**Total individual write-downs by sector and industry**	**138**	**146**

Parent bank			Group	
2012	**2013**	**Expected annual average net loss by sector and industry**	**2013**	**2012**
34	36	Private customers	43	38
5	6	Primary industries	7	5
3	3	Paper and pulp industries	3	3
		Other industry		
8	11	Building and construction	12	9
3	1	Power and water supply	1	3
4	5	Wholesale and retail trade	6	5
1	1	Hotel and restaurants	1	1
16	19	Real estate	19	16
18	12	Commercial services	13	19
13	2	Transport and communications	4	14
105	**96**	**Total expected annual average net loss by sector and industry**	**109**	**113**

Parent bank			Group	
2012	**2013**	**Gross loans by geographic area**	**2013**	**2012**
23 725	23 745	Hedmark County	25 470	25 259
1 618	2 081	Oppland County	2 606	1 618
1 945	2 207	Akershus County	2 931	1 945
4 270	4 599	Rest of Norway	5 983	6 401
136	98	Abroad	98	136
95	92	Accrued interest, undistributed	92	95
31 790	**32 822**	**Total gross loans by geographic area**	**37 180**	**35 455**

Loans to employees

Parent bank			Group	
2012	**2013**		**2013**	**2012**
599	649	Loans to employees	774	720
244	*274*	*Of which loans in SpareBank 1 Boligkreditt AS*	*332*	*289*

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 31.12.13 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)	**2013**	**2012**
Gross receivables linked to financial leasing agreements		
- Up to 1 year	254	231
- 1 to 5 years	1 371	1 222
- More than 5 years	238	229
Total gross receivables	**1 863**	**1 682**
Not accrued income linked to financial leasing agreements	40	4
Net investments linked to financial leasing agreements	1 808	1 677
Net investments in financial leasing agreements can be analysed thus:		
- Up to 1 year	199	231
- 1 to 5 years	1 371	1 217
- More than 5 years	238	229
Total net receivables	**1 808**	**1 677**

Note 9 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 8.37 per cent as at 31 December 2013 (7.77 per cent as at 31 December 2012). 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 2013, the book value of transferred loans was NOK 14.6 billion (2012: NOK 12.6 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 205 million as at 31 December 2013 and NOK 108 million as at 31 December 2012. 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 2013 and as at 31 December 2012.

Note 10 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.

Parent bank

2013	**Up to 30 days**	**31–60 days**	**61–90 days**	**More than 91 days**	**Total**
Loans to and receivables from customers					
- Retail market	5	2	1	9	17
- Corporate market	3	2	1	17	23
Total	**8**	**4**	**2**	**26**	**40**

Group

2013	**Up to 30 days**	**31–60 days**	**61–90 days**	**More than 91 days**	**Total**
Loans to and receivables from customers					
- Retail market	9	3	2	11	25
- Corporate market	8	2	2	19	31
Total	**17**	**5**	**4**	**30**	**56**

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		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**

Note 11 Losses on loans and guarantees

Parent bank							Group					
2012			2013				2013			2012		
RM	CM	Total	RM	CM	Total		RM	CM	Total	RM	CM	Total
-5	-65	**-70**	3	7	**10**	Change in individual write-downs in the period	2	3	**5**	-8	-62	**-70**
-8	3	**-5**	3	-8	**-5**	+ Change in collective write-downs in the period	3	-7	**-4**	-10	7	**-3**
8	82	**90**	5	24	**29**	+ Realised losses on commitments previously written down	9	35	**44**	14	87	**101**
13	6	**19**	26	25	**51**	+ Realised losses on commitments not previously written down	27	26	**53**	14	6	**20**
-2	-1	**-3**	-19	-5	**-24**	- Recoveries on loans and guarantees previously written down	-20	-6	**-26**	-5	-1	**-6**
6	**25**	**31**	**18**	**43**	**61**	**Total losses on loans and guarantees**	**21**	**51**	**72**	**5**	**37**	**42**

2012			2013				2013			2012		
RM	CM	Total	RM	CM	Total	**Individual write-downs**	RM	CM	Total	RM	CM	Total
50	166	**216**	42	96	**138**	Individual write-downs to cover losses on loans and guarantees at 1 January	44	106	**150**	55	173	**228**
8	82	**90**	5	24	**29**	Realised losses in the period on loans and guarantees previously written down individually	9	35	**44**	13	87	**100**
14	35	**49**	4	15	**19**	Reversal of write-downs in previous years	5	16	**21**	16	40	**56**
1	36	**37**		13	**13**	Increase in write-downs on commitments previously written down individually		14	**14**	1	36	**37**
13	11	**24**	10	30	**40**	Write-downs on commitments not previously written down individually	14	36	**50**	17	24	**41**
42	**96**	**138**	**43**	**100**	**143**	**Individual write-downs to cover losses on loans and guarantees at 31 December *)**	**44**	**105**	**150**	**44**	**106**	**150**

'*) Guarantee provisions are included under "Other liabilities" in the balance sheet and at 31 December amounted to NOK 12 million. The corresponding figures in 2012 are NOK 4 million.

2012			2013				2013			2012		
RM	CM	Total	RM	CM	Total	**Collective write-downs**	RM	CM	Total	RM	CM	Total
31	71	**102**	24	74	**98**	Collective write-downs to cover losses on loans and guarantees at 1 January	27	82	**109**	37	75	**112**
-7	3	**-4**	3	-8	**-5**	Collective write-downs to cover losses on loans and guarantees in the period	4	-7	**-3**	-10	7	**-3**
24	**74**	**98**	**27**	**66**	**93**	**Collective write-downs to cover losses on loans and guarantees at 31 December**	**31**	**75**	**106**	**27**	**82**	**109**

2012	**2013**	**Losses by sector and industry**	**2013**	**2012**
14	19	Private customers	21	15
		Public sector	1	
	-1	Primary industries	-1	
-2	1	Paper and pulp industries	1	-2
-1	10	Other industry	10	-1
1	7	Building and construction	9	9
		Power and water supply	0	
9	3	Wholesale and retail trade	3	9
	-3	Hotel and restaurants	-3	
20	28	Real estate	28	20
-5	2	Commercial services	2	-4
-1		Transport and communications	4	-2
-4	-5	Collective write-downs	-3	-2
31	**61**	**Losses on loans to customers**	**72**	**42**

Parent bank						Group				
2009	**2010**	**2011**	**2012**	**2013**	**Defaulted (more than 90 days) and doubtful commitments**	**2013**	**2012**	**2011**	**2010**	**2009**
453	344	368	382	**257**	Defaulted commitments	340	459	424	390	518
234	434	418	270	**271**	Other doubtful commitments	271	270	420	441	247
687	**778**	**786**	**652**	**528**	**Total defaulted and doubtful commitments**	**611**	**729**	**844**	**831**	**765**
194	221	216	138	**143**	Individual write-downs	150	150	228	236	226
493	**557**	**570**	**514**	**385**	**Net defaulted and doubtful commitments**	**461**	**579**	**616**	**595**	**539**
35	41	43	29	**28**	**Interest income from written-down loans charged to income**	28	29	43	41	36

Commitment means the customer's total commitment including guarantee ceilings and unused credit facilities.
Srebanken Hedmark has credit card portfolio on its own balance sheet, and the figures therefore include the defaults and doubtfull commitments for these credit cards.

Note 12 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	**2013**	**2013**	**2012**	**2012**
Lowest risk	3,33	17 118	3,12	16 178
Low risk	6,59	5 860	6,76	5 258
Medium risk	11,56	10 109	12,32	9 757
High risk	25,28	2 371	16,28	2 473
Highest risk	25,34	1 990	25,12	1 884
Defaulted and written down	20,67	548	19,87	540
Total	**8,79**	**37 998**	**8,44**	**36 090**

	Average unsecured exposure (%)	**Total commitment**	**Average unsecured exposure (%)**	**Total commitment**
Group	**2013**	**2013**	**2012**	**2012**
Lowest risk	3,33	17 118	3,10	16 178
Low risk	8,33	8 050	10,40	7 145
Medium risk	10,65	11 903	12,70	11 270
High risk	22,67	2 671	17,60	2 751
Highest risk	25,34	1 990	25,10	1 884
Defaulted and written down	20,67	548	19,90	540
Total	**8,83**	**42 281**	**9,40**	**39 768**

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 doubtfull commitments for these credit cards.

Note 13 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 2012	Parent bank 2013		Group 2013	Group 2012
		ASSETS		
128	449	Deposits with central banks	449	128
3 496	4 254	Loans to and receivables from credit institutions	699	294
31 790	32 822	Gross loans to and receivables from customers	37 180	35 455
-134	-131	- Individual write-downs	-138	-146
-98	-93	- Write-downs to cover groups of loans	-106	-109
31 558	32 598	Net loans to and receivables from customers	36 936	35 200
5 104	4 927	Certificates, bonds and fixed-income funds	4 927	5 104
513	363	Financial derivatives	363	513
40 799	**42 591**	**Credit risk exposure, balance sheet**	**43 374**	**41 239**
		Liabilities		
766	993	Contingent liabilities (guarantees provided)	873	651
3 810	4 615	Unutilised credit lines	4 321	3 649
915	480	Loans approved not disbursed	604	928
5 491	**6 088**	**Total financial guarantees**	**5 798**	**5 228**
46 290	**48 679**	**Total credit risk exposure**	**49 172**	**46 467**

Credit risk exposure on financial assets distributed by geographic area

Parent bank 2012	Parent bank 2013		Group 2013	Group 2012
		Banking activities		
31 108	31 839	Hedmark	29 611	29 146
1 884	2 439	Oppland	2 981	1 884
2 265	2 587	Akershus	3 334	2 265
5 372	6 514	Rest of Norway	7 942	7 511
181	142	Abroad	142	181
-232	-224	Provisions for losses, undistributed	-244	-255
95	92	Accrued interest, undistributed	116	118
40 673	**43 389**	**Total banking activities**	**43 882**	**40 850**
		Financial market activities		
4 960	4 696	Norway	4 696	4 960
616	546	Europe	546	616
41	48	USA	48	41
5 617	**5 290**	**Total financial market activities**	**5 290**	**5 617**
46 290	**48 679**	**Total distributed by geographic area**	**49 172**	**46 467**

Note 14 Financial instruments and offsetting

As from 2013 the Bank is required to disclose financial instruments which the Bank considers to fulfil the requirements for netting under IAS 32.42, and financial instruments in respect of which offsetting agreements have been entered into. Both in accordance with IFRS 7.13 A-F.

The Bank has no financial instruments booked on a net basis in the financial statesments.
Sparebanken Hedmark has two sets of agreements which regulate counterparty risk and netting of derivatives. For retail and corporate customers, use is made of framework agreements requiring provision of collateral. For customers engaged in trading activity, only cash deposits are accepted as collateral. The agreements are unilateral, i.e it is only the customers that provide collateral. As regards financial institutions, the Bank enters into standardised and mainly bilateral ISDA agreements. Additionallt the Bank has entered into supplementary agreements on provisjion of collateral (CSA) with the most central counterparties. The Bank only enters into agreements with cash as collateral.

The assets and liabilities below may be offset.

				Amounts not presented on the balance sheet on a net basis		
31-12-13	**Gross financial assets/(liabilities)**	**Recognised on a net basis**	**Net financial assets/(liabilities) on the balance sheet**	**Financial instruments**	**Cash collateral given/(received)**	**Net amount**
Derivatives as assets	363	0	363	-74	0	289
Derivatives as liabilities	-182	0	-182	74	16	-92

31-12-12	**Gross financial assets/(liabilities)**	**Recognised on a net basis**	**Net financial assets/(liabilities) on the balance sheet**	**Financial instruments**	**Cash collateral given/(received)**	**Net amount**
Derivatives as assets	513	0	513	-42	0	471
Derivatives as liabilities	-193	0	-193	42	54	-97

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

Note 15 Credit quality per class of financial assets

Parent bank		Neither defaulted nor written down						
2013	**Notes:**	**Lowest risk**	**Low risk**	**Medium risk**	**High risk**	**Highest risk**	**Defaulted or individually written down**	**Total**
Loans to and receivables from credit institutions	7	4 254						**4 254**
Gross loans to and receivables from customers measured to amoritisert cost								
Retail market	8	10 317	2 778	3 501	388	**507**	**222**	**17 713**
Corporate market	8	3 409	2 063	4 711	1 528	**1 152**	**291**	**13 154**
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	8	1 038	284	297	29	**33**	**3**	**1 684**
Corporate market	8	133	40	74	11	**13**		**271**
Total gross lending		**19 151**	**5 165**	**8 583**	**1 956**	**1 706**	**515**	**37 076**
Financial investments								
Certificates, bonds and fixed-income funds	30	3 907	543	438	32	**7**		**4 927**
Total financial investments		**3 907**	**543**	**438**	**32**	**7**		**4 927**
Total lending-related assets		**23 058**	**5 708**	**9 021**	**1 988**	**1 713**	**515**	**42 003**

Group		**Neither defaulted nor written dow**						
2013	**Notes:**	**Lowest risk**	**Low risk**	**Medium risk**	**High risk**	**Highest risk**	**Defaulted or individually written down**	**Total**
Loans to and receivables from credit institutions	7	699						**699**
Gross loans to and receivables from customers measured to amoritisert cost								
Retail market	8	10 317	3 508	5 052	393	507	222	**19 999**
Corporate market	8	3 409	3 520	5 117	1 737	1 152	291	**15 226**
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	8	1 038	284	297	29	33	3	**1 684**
Corporate market	8	133	40	74	11	13		**271**
Total gross lending		**15 596**	**7 352**	**10 540**	**2 170**	**1 706**	**515**	**37 879**
Financial investments								
Certificates, bonds and fixed-income funds	30	3 907	543	438	32	7		**4 927**
Total financial investments		**3 907**	**543**	**438**	**32**	**7**		**4 927**
Total lending-related assets		**19 503**	**7 895**	**10 978**	**2 202**	**1 713**	**515**	**42 806**

Parent bank		**Neither defaulted nor written dow**						
2012	**Notes:**	**Lowest risk**	**Low risk**	**Medium risk**	**High risk**	**Highest risk**	**Defaulted or individually written down**	**Total**
Loans to and receivables from credit institutions	7	3 496						**3 496**
Gross loans to and receivables from customers measured to amoritisert cost								
Retail market	8	9 987	2 722	3 240	452	507	229	**17 137**
Corporate market	8	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	8	938	264	233	17	23	2	**1 477**
Corporate market	8	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**

Group		Verken misligholdt eller nedskrevet						
2012	**Noter**	**Laveste risiko**	**Lav risiko**	**Middels risiko**	**Høy risiko**	**Høyeste risiko**	**Misligholdt eller individu-elt nedskrevet**	**Sum**
Loans to and receivables from credit institutions	7	294						**294**
Gross loans to and receivables from customers measured to amoritisert cost								
Retail market	8	9 987	3 375	4 269	457	507	245	**18 840**
Corporate market	8	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	8	938	264	233	17	23	2	**1 477**
Corporate market	8	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**

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 2013, these issues amounted to NOK 800 million and consisted exclusively of certificates and bonds issued by Norwegian munipicalities 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 16 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.

	Interest rate risk, 1 per cent change	
Basis risk	**2013**	**2012**
Bonds and certificates	-30	-27
Fixed-rate loans	-39	-39
Fixed-rate deposits		1
Certificate-based loans	1	1
Bond loans	142	107
Other fixed-rate funding	1	1
Derivatives	-92	-77
Total interest rate risk, effect on profit after tax	**-18**	**-33**

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.

	Interest rate risk, 1 per cent change	
Yield curve risk	**2013**	**2012**
0–1 month	1	
1–3 months	2	2
3–6 months		1
6–12 months	-1	
1–3 years	-11	-10
3–5 years	4	-11
5–10 years	-14	-16
Total interest rate risk, effect on profit after tax	**-18**	**-33**

Note 17 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:

- The absolute total of each net position in any single currency must not exceed NOK 75 million overnight.
- The absolute total of each net position in any single currency must not exceed NOK 100 million intraday.

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	**2013**	**2012**
GBP	1	6
USD	3	2
DKK	2	2
JPY		2
PLN	1	-2
SEK	4	2
EUR	7	1
CHF	4	1
Other		1
Total	**22**	**16**
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.	2	1

Note 18 Liquidity risk

Parent bank

2013	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		-22	-9	-109	-630	-770
Deposits from and liabilities to customers	-28 780		-1 330			-30 110
Liabilities arising from issuance of securities		-1 160	-496	-5 660	-1 728	-9 044
Subordinated loan capital		-4	-13	-559		-575
Derivatives related to liabilities		21	56	166	47	291
Current tax liabilities			-131			-131
Other liabilities		-57	-123	-20	-303	-503
Total cash flows related to liabilities	**-28 780**	**-1 222**	**-2 045**	**-6 181**	**-2 614**	**-40 842**

Group

2013	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		-22	-9	-109	-630	-770
Deposits from and liabilities to customers	-28 767		-1 330			-30 097
Liabilities arising from issuance of securities		-1 160	-496	-5 660	-1 728	-9 044
Subordinated loan capital		-4	-13	-559		-575
Derivatives related to liabilities		21	56	166	47	291
Current tax liabilities			-144			-144
Other liabilities		-61	-323	-20	-319	-723
Total cash flows related to liabilities	**-28 767**	**-1 226**	**-2 258**	**-6 181**	**-2 630**	**-41 062**

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**

Note 19 Maturity analysis of assets and liabilities

Parent bank

2013	**At call**	**Less than 3 months**	**3–12 months**	**1–5 years**	**More than 5 years**	**Total**
Assets						
Cash and deposits with central banks	572					572
Loans to and receivables from credit institutions	3 927		227	100		4 254
Gross loans to and receivables from customers	12 413	349	482	4 483	15 095	32 822
- Individual write-downs	-58	-1	-8	-29	-35	-131
- Write-downs of groups of loans				-93		-93
Net loans to and receivables from customers	12 355	348	474	4 361	15 060	32 598
Certificates, bonds and fixed-income funds		921	439	2 761	806	4 927
Financial derivatives		83	18	182	79	363
Shares, units and other equity interests					357	357
Investments in associates and joint ventures					2 140	2 140
Investments in subsidiaries					407	407
Assets held for sale						0
Property, plant and equipment				67	199	266
Goodwill and other intangible assets			8	33	76	117
Deferred tax asset				70		70
Other assets		175	365	16	43	599
Total assets	**16 854**	**1 527**	**1 531**	**7 591**	**19 166**	**46 669**
Liabilities						
Deposits from and liabilities to credit institutions	17	1	2	65	549	634
Deposits from and liabilities to customers	28 779	1 330				30 110
Liabilities arising from issuance of securities		1 141	304	5 321	1 632	8 398
Financial derivaties		11	11	90	69	182
Current tax liabilities			131			131
Other debt and liabilities recognised in the balance sheet		57	123	20	303	503
Subordinated loan capital					503	503
Total liabilities	**28 796**	**2 541**	**571**	**5 496**	**3 056**	**40 460**

Group

2013	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	572					572
Loans to and receivables from credit institutions	372		227	100		699
Gross loans to and receivables from customers	12 413	399	1 002	7 079	16 287	37 180
- Individual write-downs	-58	-1	-8	-36	-35	-138
- Write-downs of groups of loans				-106		-106
Net loans to and receivables from customers	12 355	398	994	6 937	16 252	36 936
Certificates, bonds and fixed-income funds		921	439	2 761	806	4 927
Financial derivatives		83	18	182	79	363
Shares, units and other equity interests					357	357
Investments in associates and joint ventures					2 565	2 565
Investments in subsidiaries						0
Assets held for sale			1			1
Property, plant and equipment				82	206	288
Goodwill and other intangible assets			8	33	136	177
Deferred tax asset				58		58
Other assets	13	79	304	16	43	455
Total assets	**13 312**	**1 481**	**1 991**	**10 170**	**20 443**	**47 397**
Liabilities						
Deposits from and liabilities to credit institutions	17	1		65	549	632
Deposits from and liabilities to customers	28 766	1 331				30 097
Liabilities arising from issuance of securities		1 141	304	5 321	1 632	8 398
Financial derivatives		11	11	90	69	182
Current tax liabilities			144			144
Other debt and liabilities recognised in the balance sheet		61	323	20	319	722
Subordinated loan capital					503	503
Total liabilities	**28 783**	**2 545**	**782**	**5 496**	**3 072**	**40 679**

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**

Note 20 Net interest income

Parent bank 2012	Parent bank 2013		Group 2013	Group 2012
		Interest income		
159	131	**Interest on loans to and receivables from credit institutions**	46	55
1 607	1 640	Interest on loans to and receivables from customers	1 902	1 832
146	109	Interest on certificates, bonds and other interest-bearing securities	109	146
29	28	Interest income from written-down loans charged to income	28	29
1 942	**1 908**	**Total interest income**	**2 085**	**2 062**
		Interest expenses		
72	37	**Interest on debt to credit institutions**	37	71
785	807	Interest on deposits from and liabilities to customers	806	781
250	203	Interest on securities issued	203	250
	10	Interest on subordinated loan capital	10	
	21	Fees to the Banks' Guarantee Fund	21	
1		Other interest expenses and similar expenses		5
1 108	**1 078**	**Total interest expenses**	**1 077**	**1 107**
834	**830**	**Total net interest income**	**1 008**	**955**

Note 21 Net commission income and other operating income

Parent bank 2012	Parent bank 2013		Group 2013	Group 2012
		Commission income		
13	15	Guarantee commissions	14	13
6	7	Securities trading	7	6
100	111	Payment transmission	110	100
57	66	Insurance services	66	57
108	207	Commission from loans transferred to cover bond companies	207	108
11	10	Other commission income	11	11
295	**416**	**Total commission income**	**415**	**294**
		Commission expenses		
21	20	Payment transmission	20	21
8	7	Other commission expenses	25	24
29	**27**	**Total commission expenses**	**45**	**44**
		Other operating income		
4	5	Operating income from real estate	4	4
		Real estate brokerage	67	59
		Income from accounting	102	101
1	1	Rental income	1	1
11	10	Gains on fixed assets	10	11
5	3	Other operating income	5	9
21	**19**	**Total other operating income**	**189**	**185**
287	**409**	**Total net commission income and other operating income**	**559**	**435**

Note 22 Net income from financial assets and liabilities

Parent bank 2012	Parent bank 2013		Group 2013	Group 2012
		Change in value of interest rate instruments		
69	-12	Bonds and certificates at fair value through profit and loss	-12	69
-223	-9	Securities at fair value through profit and loss	-9	-223
7	-34	Fixed-rate loans at fair value through profit and loss	-34	7
-1	1	Fixed-rate deposits at fair value through profit and loss	1	-1
		Change in value of derivatives		
-16	16	Net change in value of derivatives related to bonds (assets)	16	-16
73	-62	Net change in value of derivatives related to funding loans	-62	73
16	3	Guarantee liability – Eksportfinans ASA	3	16
2	0	Net change in value of other derivatives	0	2
		Income from equity instruments at fair value		
0	0	Net income from equity instruments held for trading	0	0
2	0	Change in value of equity instruments held for trading	0	2
-70	**-95**	**Total net income from financial assets and liabilities at fair value**	**-95**	**-70**
7	21	Net income from equity instruments available for sale	21	7
-5	-3	Gains / losses on realisation of equity instruments available for sale	-3	-5
3	3	Write-down of and reversal of previous write-down of equity instruments available for sale	3	3
5	**21**	**Total net income from equity instruments available for sale**	**21**	**5**
93	**189**	**Income from ownership interests**	**326**	**95**
13	**11**	**Net income from currency trading**	**11**	**13**
41	**126**	**Total net income from financial assets and liabilities**	**263**	**43**

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

Parent bank 2012	Parent bank 2013		Group 2013	Group 2012
242	244	Payroll	358	346
37	37	Employers' National Insurance contribution	54	50
36	43	Pension costs (note 24)	49	38
16	18	Social security expenses	25	23
331	**342**	**Total personnel expenses**	**486**	**457**
497	485	Average no. of employees	693	700
462	464	No. of fulltime equivalents at 31 December	656	659
484	486	No. of employees at 31 December	687	698

Payments to Group management

2013 (NOK thousands)

Title / name	Salaries and other short-term benefits	Other remune-ration	Accrued pension entitlements in the last 12 months	Board fees in subsidiaries etc.	Loans	Guarantees
Chief Executive Officer Richard Heiberg	2 717	130	1 516		4 200	
Director, Nils Arne Nordheim	2 031	24	255	95	2 231	
Director, Corporate Market Vegard Sæten (from 01.10.2013)	392	5	16			
Director, Retail Market Kari E. Gisnås	1 317	22	238	85	1 999	
Director of Finance Tore Anstein Dobloug	1 253	43	203			
HR Director Eldar Kjendlie	1 213	22	125	55	1 041	
Director, Operations and IT Dag-Arne Hoberg	1 214	18	285	50	2 296	
Director, Risk Management Vidar Nordheim	1 053	26	137		1 858	
Bank Manager Tor Morten Nygård	1 038	23	209		3 442	
Head of Information Siv Stenseth	1 043	19	199		4 141	
Managing Director, EiendomsMegler 1 Hedmark Eiendom AS Magnus Aasen	1 007	29	137		652	
Managing Director, SpareBank 1 Finans Østlandet AS Hans Olav Wedvik	1 170	24	164		13 735	
Managing Director, SpareBank 1 Regnskapshuset Østlandet AS Ove Jahnsen	1 205	6	69			

2012 (NOK thousands)

Title / name	Salaries and other short-term benefits	Other remune-ration	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. Gisnås	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		

Of the total lending to Group management, NOK 9 million was transferred to SpareBank 1 Boligkreditt AS in 2013 (NOK 6 million in 2012).

Remuneration to the Board and the Control Committee

2013 (NOK thousands)

Title / name	Fees	Other remuneration	Loans	Guarantees
Styret:				
Chairman Siri J. Strømmevold	257		2 219	
Vice Chairman Bjørnar Håkensmoen	186			
Board member Aud Christensen	140			
Board member Nina Cecilie Lier	177			
Board member Erik Garaas	107			
Board member Morten Herud	103			
Board member Espen B. Larsen (ansatt, inkl i lønn)	129		4 434	
Deputy Sverre Bjørnstad				
Deputy Alexander S. Lund	15			
Deputy Ola Reidar Gulli (ansatt, inkl i lønn)	74		2 015	
Control Committee:				
Chairman Vidar Brobakken	131			
Vice Chairman Mikael Løken	66			
Gro Svarstad	61			
Jan Erik Myrvold	61			
Valborg Berthelsen	66			
Deputy Marit Johnsrud				
Deputy Anne Grete Melbye				
Deputy Gry Torgals			1 269	
Deputy Bodil Helene Andersen			891	
Deputy Gunn S. Hvamstad			1 064	

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	118			
Board member Nina Cecilie Lier	172		8	
Board member Jan Wibe	129		1	
Board member Grethe G. Fossum	118			
Board member Espen B. Larsen (ansatt, inkl i lønn)	129		4 447	
Deputy Sverre Bjørnstad	14			
Deputy Morten Herud	7			
Deputy Ola Reidar Gulli (ansatt, inkl i lønn)	78		582	
Control Committee:				
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	

Of the total lending to the Board and the Control Committee, NOK 3 was transferred to SpareBank 1 Boligkreditt AS in 2013 (NOK 4 million in 2012)

Remuneration to the Board of Representatives (NOK thousands)	2013	2012
Chairman Jonny Holen	24	2
Other members	2-46	2-46

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 up to 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 futher details of the Group’s pension plans see note 2 Accounting Principles and note 23 Payroll expenses and payments to senior employees and elected officers.

Defined-contribution pension from 1 July 2008

Salary between 1 and 6 times the National Insurance basic amount (G)	5 %
Salary between 6 and 12 times the National Insurance basic amount (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	328	364
Pensioners	245	249

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

Assumptions 31 December	01-01-14	01-01-13	01-01-12	01-01-11
Discount rate	4,00 %	3,90 %	2,60 %	4,00 %
Expected return on assets	4,00 %	3,90 %	4,20 %	4,30 %
Expected future wage development	3,75 %	3,50 %	3,50 %	4,00 %
Expected adjustment of the basic amount (G)	3,50 %	3,25 %	3,25 %	3,75 %
Expected pension adjustment	3,50 %	3,25 %	3,25 %	3,75 %
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 %	0,00 %
Disability table applied	IR02	IR02	IR02	IR02
Mortality table applied	K2013 BE	Reinforced K2005	K2005	K2005

The dates used above indicate the date from which the liability is calculated with changed assumptions. For example, this means that the pension liability at 31 December 2013 has been discounted on the basis of the assumptions that apply on 1 January 2014, whereas the annual cost for 2013 is based on the assumptions that applied at the beginning of the year.

The Norwegian Accounting Standards Board (NASB) reassessed the market for corporate bonds in 2012 as a result of input form 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 that the pricing was reliable.
The NASB can accordingly not deny use of the covered bond market interest rate for calculation of the discount rate. Sparebanken Hedmark decided on this basis to use the covered bond interest rate as its discount rate as of 31 December 2012.

Pension cost

Secured scheme

Parent bank			Group	
2012	**2013**		**2013**	**2012**
25	19	Present value of pension accruals for the year	22	30
20	25	Interest cost of pension liability	26	21
-21	-17	- Return on pension assets	-17	-22
1	1	Adminstrative cost	1	1
		Transition to defined-contribution pension		-6
4	4	Accrued employer contributions	4	4
29	**32**	Net pension cost	**36**	**28**

Actual return on pension assets:

3,8 %	3,6 %		3,6 %	3,8 %

Unsecured pension scheme

Parent bank			Group	
2012	**2013**		**2013**	**2012**
	2	Present value of pension accruals for the year	2	
1	1	Interest cost of pension liability	1	1
3	4	Defined-contribution pension charged to profit and loss	5	6
3	3	Effect of new AFP scheme charged to profit and loss	3	3
	1	Accrued employer contributions	1	
7	**11**	Net pension cost	**12**	**10**

Total secured and unsecured schemes

Parent bank			Group	
2012	**2013**		**2013**	**2012**
25	21	Present value of pension accruals for the year	25	30
21	26	Interest cost of pension liability	27	22
-21	-17	- Return on pension assets	-17	-22
1	1	Adminstrative cost	1	1
3	4	Defined-contribution pension charged to profit and loss	5	6
3	3	Effect of new AFP scheme charged to profit and loss	3	3
		Transition to defined-contribution pension		-6
4	5	Accrued employer contributions	5	4
36	**43**	Net pension cost	**49**	**38**

Pension liability

Sikret ordning

Parent bank 2012	Parent bank 2013		Group 2013	Group 2012
795	705	Gross liabilities at 1 January	731	833
26	20	Pension accruals for the year	23	30
20	25	Interest on pension liability	26	21
-17	-17	Benefits paid	-17	-17
	-5	Employers' National Insurance contribution on pension premium paid in	-5	
-119	63	Actuarial differences included in equity	67	-136
705	**791**	Gross liability at 31 December	**824**	**731**
490	524	Pension assets at 1 January	541	507
47	40	Paid into the scheme	44	51
	-5	Employers' National Insurance contribution on pension premium paid in	-5	
21	19	Expected return on pension assets	19	21
-1		Adminstrative cost		-1
-17	-17	Benefits paid	-17	-17
-16	-3	Actuarial gains and losses included in equity	-4	-21
524	**558**	Pension assets at 31 December	**578**	**541**
43	26	Employers' National Insurance contribution liability at 1 January	29	45
-7	-5	Employers' National Insurance contribution on pension premium paid in	-6	-6
-14	8	Employers' National Insurance contribution on actuarial differences	8	-14
4	4	Employers' National Insurance contribution on the pension cost for the year	4	5
26	**33**	Employers' National Insurance contribution liability at 31 December	**36**	**29**
348	207	Net pension liability secured scheme at 1 January	220	371
207	266	Net pension liability secured scheme at 31 December	282	220

Premium transfers are estimated to NOK 38 million for the parent bank and NOK 43 million for the Group.

Unsecured pension scheme

Parent bank 2012	Parent bank 2013		Group 2013	Group 2012
42	36	Gross liabilities at 1 January	36	42
	2	Pension accruals for the year	2	
1	1	Interest on pension liability	1	1
-13	-8	Benefits paid	-8	-13
		Changes to pension plan		
6	1	Actuarial differences included in equity	1	6
36	**32**	Gross liability at 31 December	**32**	**36**
6	5	Employers' National Insurance contribution liability at 1 January	5	6
-2	-1	Employers' National Insurance contribution on paid benefits	-1	-2
1		Employers' National Insurance contribution on actuarial differences		1
		Employers' National Insurance contribution on effect of new AFP scheme		
		Employers' National Insurance contribution on the pension cost for the year		
5	**5**	Employers' National Insurance contribution liability at 31 December	**5**	**5**
48	41	Net pension liability unsecured scheme at 1 January	41	48
41	37	Net pension liability unsecured scheme at 31 December	37	41

Total secured and unsecured schemes

Parent bank 2012	Parent bank 2013	**Summary of pension liability**	Group 2013	Group 2012
395	248	Net pension liability at 1 January	261	418
249	303	Net pension liability at 31 December	319	261

Actuarial gains and loss (changes in estimates)

Parent bank			Group	
2012	2013		2013	2012
110	-67	Actuarial gains and losses and pre-tax losses in equity capital for the period	-68	118
77	144	Cumulative actuarial gains and losses and pre-tax losses in equity capital	138	70

Parent bank	2013	2012	2011	2010	2009
Present value of pension liability	861	773	885	767	765
Fair value of pension assets	558	524	490	472	429
Deficit / surplus	**303**	**249**	**395**	**296**	**293**
Experience adjustments to pension liabilities	73	-129	90	-7	-57
Experience adjustments to pension assets	-3	-18	-23	5	-5

Group	2 013	2 012	2 011	2 010	2 009
Present value of pension liability	897	801	925	791	787
Fair value of pension assets	578	541	507	482	438
Deficit / surplus	**319**	**261**	**418**	**309**	**349**
Experience adjustments to pension liabilities	78	-148	93	-9	-65
Experience adjustments to pension assets	-5	-24	-24	2	-5

Composition of the Group's pension assets	2013	2012
Fixed income funds	32,9 %	34,6 %
Shares	2,9 %	0,5 %
Short-term bonds	31,2 %	16,2 %
Certificates	16,2 %	24,7 %
Money market	14,9 %	23,8 %
Other	1,8 %	0,1 %

Note 25 Other operating expenses

Parent bank 2012	Parent bank 2013		Group 2013	Group 2012
38	42	External services	45	41
39	39	External data processing	40	40
40	40	Marketing	65	64
25	24	Postage, courier, telephone, computer lines	29	29
68	75	IT equipment, software	79	72
29	33	Depreciation (notes 33 and 34)	39	36
9	11	Rent *	28	26
18	18	Operating expenses property	18	18
20	12	Wealth tax	12	20
35	45	Other operating expenses	75	62
321	**339**	**Total other operating expenses**	**430**	**407**
		Auditor's fee (NOK thousands)		
816	945	Statutory audit	1 733	1 813
		Other attestation services	50	91
100	76	Other services	389	392
916	**1 021**	**Total, including VAT**	**2 172**	**2 295**

* Specification of rent for 2013 (NOK thousands):

Parent bank	
Rent of premises	7 428
Machine hire	267
Rent of parking spaces	137
Electricity and fuel – rented premises	1 118
Other operating expenses – rented premises	1 854
Repairs and maintenance	178
Total rent	10 982

Group	
Rent of premises	13 489
Machine hire	7 583
Rent of parking spaces	153
Electricity and fuel – rented premises	1 583
Other operating expenses – rented premises	4 624
Repairs and maintenance	231
Total rent	27 663

Note 26 Taxes

Parent bank			Group	
2012	2013		2013	2012
479	622	Profit before taxes	840	527
-100	-192	+/- permanent differences *	-328	-74
-82	104	+/- changes in temporary differences	70	-153
110	-67	+/- tax effect recorded directly against equity	-73	116
407	**467**	**Tax base / taxable income for the year**	**510**	**416**
114	131	Of which is tax payable 28%	144	117
	1	Tax at source	1	
23	-24	Change in deferred tax	-14	39
1	-2	Excess/insufficient tax allocation in previous years	-2	1
-22	18	- of which change not recorded in income statement	18	-33
116	**124**	**Total tax charge**	**147**	**124**
2012	**2013**	**Explanation of why the tax charge for the year is not 28 % of the year's profit before tax**	**2013**	**2012**
134	174	28% tax on profit before tax	235	148
-27	-52	28% of permanent differences*	-91	-21
	1	Tax at source	1	
1	-2	Excess/insufficient tax allocation in previous years	-2	1
		Excess/insufficient deferred tax allocation in previous years	1	-4
	3	Reduction in the tax rate for deferred tax assets from 28% to 27%	2	
109	**124**	**Estimated tax charge**	**147**	**124**
23 %	**20 %**	**Effective tax rate (%)**	**17 %**	**23 %**
2012	**2013**	**Deferred tax assets**	**2013**	**2012**
-70	-98	Deferred tax assets that reverse in more than 12 months	-113	-96
-5	-2	Deferred tax assets that reverse within 12 months	-2	-5
-75	**-100**	**Total deferred tax assets**	**-115**	**-101**
29	29	Deferred tax that reverse in more than 12 months	55	55
		Deferred tax that reverse within 12 months	2	3
29	**29**	**Total deferred tax**	**57**	**59**
-46	**-70**	**Net deferred tax/deferred tax asset**	**-58**	**-43**
2012	**2013**	**Specification of temporary differences**	**2013**	**2012**
12	16	Gains and loss account	16	12
-249	-303	Pension liabilities	-320	-261
15	40	Operating equipment	191	119
59	-12	Other temporary differences	-58	21
		Carry forward tax loss	-45	-44
-163	**-260**	**Total temporary differences**	**-215**	**-152**
28 %	27 %	Tax rate applied	27 %	28 %

*) 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 2013, the wealth tax is calculated to be NOK 12 mill (2012 NOK 20 mill) and is classified as other operating expenses.

Note 27 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 defines 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.

2013

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit and loss				
- Derivatives		360	3	363
- Bonds and certificates		4 927		4 927
- Equity instruments				0
- Fixed-rate loans		1 976		1976
- Loans with interest-rate guarantees			3	3
Financial assets available for sale				
- Equity instruments	101		256	357
Total assets	**101**	**7 262**	**261**	**7 624**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at fair value through profit and loss				
- Derivatives		182		182
- Securities issued		8 398		8 398
- Subordinated loan capital		503		503
- Fixed-rate deposits		76		76
- Term deposits			51	51
Total liabilities	**0**	**9 159**	**51**	**9 210**

2012

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit and loss				
- Derivatives		502	11	513
- Bonds, certificates and fixed-income funds		5 053		5 053
- Equity instruments				0
- Fixed-rate loans		1 809		1 809
- 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	**Nivå 1**	**Nivå 2**	**Nivå 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**

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:

2013	**Loans with interest-rate guarantees**	**Equity instru-ments**	**Derivatives**	**Market-linked certifi-cates of deposit (BMA)**	**Total**
Opening balance	4	251	11	-206	**59**
Investments in the period		2		-51	**-49**
Sales / redemption in the period	-1	-29	-11	205	**164**
Gains / losses recognised through profit and loss		-3	3	1	**1**
Gains / losses recognised directly against comprehensive income		35			**35**
Closing balance	3	256	3	-51	**210**
Gains / losses for the period included in the profit for assets owned on the balance sheet day		-3	3		**0**

2012	**Loans with interest-rate guarantees**	**Equity instru-ments**	**Derivatives**	**Market-linked certifi-cates of deposit (BMA)**	**Total**
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**

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.

A realistic change in the observable factors linked to the valuation of loans with a guaranteed interest rate, derivatives and terms deposits at level 3, will only have an insignificant effect on profit or loss. Unlisted equity instruments will be valued in accordance with the valuation hierarchy in Note 3.
There is a great deal of uncertainty related to establishing the fair value for these instruments. However, sensitivity considerations cannot be linked to specific valuation factors. All equity instruments at level 3 are also classified as available for sale with changes in value recognised under other comprehensive income.

For fixed-rate loans to customers, the higher credit markups in 2013 have reduced the fair value of the Bank's receivables by an estimated NOK 38 million. For fixed-rate deposits from customers the same effect is insignificant.

Note 28 Classification of financial instruments

Parent bank	Financial investments at fair value through profit and loss				
2013	**Held for trading**	**To be recognised at fair value**	**Financial investments held to maturity**	**Financial instruments assessed at amortised cost**	**Total**
Assets					
Cash and deposits with central banks				572	572
Loans to and receivables from credit institutions				4 254	4 254
Gross loans to and receivables from customers		1 978		30 844	32 822
- Individual write-downs				-131	-131
- Write-downs of groups of loans				-93	-93
Net loans to and receivables from customers	0	1 978	0	30 620	32 598
Certificates, bonds and fixed-income funds		4 927			4 927
Financial derivatives	363				363
Shares, units and other equity interests			357		357
Total assets	**363**	**6 905**	**357**	**35 446**	**43 070**
Liabilities					
Deposits from and liabilities to credit institutions				634	634
Deposits from and liabilities to customers		127		29 983	30 110
Liabilities arising from issuance of securities		8 398			8 398
Financial derivatives	182				182
Subordinated loan capital		503			503
Total liabilities	**182**	**9 028**	**0**	**30 617**	**39 827**

Group	Financial investments at fair value through profit and loss				
2013	**Held for trading**	**To be recognised at fair value**	**Financial investments held to maturity**	**Financial instruments assessed at amortised cost**	**Total**
Assets					
Cash and deposits with central banks				572	572
Loans to and receivables from credit institutions				699	699
Gross loans to and receivables from customers		1 978		35 202	37 180
- Individual write-downs				-138	-138
- Write-downs of groups of loans				-106	-106
Net loans to and receivables from customers	0	1 978	0	34 958	36 936
Certificates, bonds and fixed-income funds		4 927			4 927
Financial derivatives	363				363
Shares, units and other equity interests			357		357
Total assets	**363**	**6 905**	**357**	**36 229**	**43 853**
Liabilities					
Deposits from and liabilities to credit institutions				632	632
Deposits from and liabilities to customers		127		29 970	30 097
Liabilities arising from issuance of securities		8 398			8 398
Financial derivatives	182				182
Subordinated loan capital		503			503
Total liabilities	**182**	**9 028**	**0**	**30 602**	**39 812**

Parent bank	Financial investments at fair value through profit and loss				
2012	**Held for trading**	**To be recognised at fair value**	**Financial investments held to maturity**	**Financial instru-ments assessed at amortised cost**	**Total**
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				
2012	**Held for trading**	**To be recognised at fair value**	**Financial investments held to maturity**	**Financial instru-ments assessed at amortised cost**	**Total**
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**

Note 29 Information about fair value

Parent bank	Book value 2013	Fair value 2013	Level in the valuation hierarchy	Book value 2012	Fair value 2012	Level in the valuation hierarchy
ASSETS						
Loans to and receivables from credit institutions	4 254	4 254	2	3 496	3 496	2
Net loans to and receivables from customers						
RM	19 324	19 324	3	18 996	18 996	3
CM	13 274	13 274	3	12 562	12 562	3
Securities	5 283	5 283	1,2,3	5 445	5 445	1,2,3
Derivatives	363	363	2	513	513	2
Total financial assets	**42 498**	**42 498**		**41 012**	**41 012**	
LIABILITIES						
Liabilities to credit institutions	634	634	2	834	834	2
Deposits from and liabilities to customers	30 110	30 110	3	28 168	28 168	3
Liabilities arising from issuance of securities	8 398	8 398	2	8 038	8 038	2
Derivatives	182	182	2	193	193	2
Subordinated loan capital	503	503	2			
Total financial liabilities	**39 826**	**39 826**		**37 232**	**37 232**	

Group	Book value 2013	Fair value 2013	Level in the valuation hierarchy	Book value 2012	Fair value 2012	Level in the valuation hierarchy
ASSETS						
Loans to and receivables from credit institutions	699	699	2	294	294	2
Net loans to and receivables from customers						
RM	21 328	21 328	3	20 694	20 694	3
CM	15 608	15 608	3	14 506	14 506	3
Securities	5 283	5 283	1,2,3	5 445	5 445	1,2,3
Derivatives	363	363	2	513	513	2
Total financial assets	**43 281**	**43 281**		**41 452**	**41 452**	
LIABILITIES						
Liabilities to credit institutions	632	632	2	833	833	2
Deposits from and liabilities to customers	30 097	30 097	3	28 137	28 137	3
Liabilities arising from issuance of securities	8 398	8 398	2	8 038	8 038	2
Derivatives	182	182	2	193	193	2
Subordinated loan capital	503	503	2			
Total financial liabilities	**39 813**	**39 813**		**37 200**	**37 200**	

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 3.

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 costs 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 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		**2013**	**2012**
Government			
	nominal value	150	150
	fair value	157	157
Other public sector issuers			
	nominal value	1 098	1 253
	fair value	1 111	1 271
Financial institutions			
	nominal value	3 018	2 793
	fair value	3 098	2 889
Non-financial institutions			
	nominal value	566	791
	fair value	560	786
Total fixed-income papers, nominal value		**4 832**	**4 987**
Total fixed-income papers at fair value		**4 927**	**5 104**

Virkelig verdi presenteres inklusive påløpte renter. Påløpte renter utgjør 43 mill kr i 2013 og 43 mill kr i 2012.

Se note 15 for nærmere spesifikasjon av risiko knyttet til rentepapirer.

Note 31 Financial derivatives

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

Assessment at fair value through profit and loss	**2013**		
	Contract sum	**Fair value**	
Currency instruments		**Assets**	**Liabilities**
Currency forward contracts	672	25	15
Currency swaps	1 369	14	4
Total currency instruments	2 041	38	19
Interest rate instruments			
Interest rate swaps (including currency swaps)	9 468	310	163
Forward Rate Agreements (FRA)	150	11	
Total interest rate instruments	9 618	322	163
Other derivatives			
Guarantee liability in respect of Eksportfinans ASA	66	3	0
Total currency and interest rate instruments			
Total currency instruments	**2 041**	**38**	**19**
Total interest rate instruments	**9 618**	**322**	**163**
Total other derivatives	**66**	**3**	**0**
Total	**11 725**	**363**	**182**

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**

Note 32 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.

	2013	**2012**
At fair value through profit and loss		
- Listed		
Available for sale	357	341
- Listed	101	78
- Unlisted	256	262
Total shares and units	**357**	**341**
Total listed companies	**101**	**78**
Total unlisted companies	**256**	**262**

Listed companies	**Classification**	**Percentage ownership (%)**	**No. of shares**	**Cost of acquisition (NOK thousands)**	**Market value/ book value (NOK thousands)**
Visa Inc.	TFS	0,0 %	13 710	5 891	18 416
Total listed shares				**5 891**	**18 416**
SpareBank 1 Ringerike Hadeland	TFS	0,3 %	41 388	5 126	5 064
Totens Sparebank	TFS	23,5 %	1 440 530	94 782	77 428
Total listed equity certificates				**99 908**	**82 492**
Total listed shares and equity certificates				**105 799**	**100 908**
Unlisted companies					
Eiendomskreditt AS	TFS	1,1 %	32 510	3 446	3 414
Eksportfinans ASA	TFS	1,3 %	3 499	52 127	67 139
Nets Holding AS	TFS	1,4 %	2 591 201	112 312	167 462
Norgesinvestor IV AS	TFS	1,7 %	79 000	7 308	8 335
Other	TFS			18 624	9 466
Total unlisted shares and units				**193 817**	**255 816**
Total shares, units and equity certificates				**299 616**	**356 724**

Note 33 Goodwill and other intangible assets

Parent bank 2012	Parent bank 2013		Group 2013	Group 2012
		Goodwill		
22	22	Acquisition cost at 1 January	93	82
		Acquisitions / disposals	6	11
22	22	Acquisition cost at 31 December	99	93
		Accumulated write-downs at 1 January		
		Current year's write-downs	20	
		Accumulated write-downs at 31 December	20	
22	**22**	**Goodwill incorporated in the balance sheet at 31 December**	**79**	**93**

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 SpareBank 1 Regnskapshuset Østlandet 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 SpareBank 1 Regnskapshuset Østlandet 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 Group's increase in goodwill in 2013 arose in connection with acquisition of Consis Sandnes AS.

The value of goodwill in subsidiaries, associated companies and joint ventures has been tested for impairment as of 31 December 2013. Due to the companies' equity and expected future earnings there is an impairment loss of NOK 20 million in the consolidated profit and loss for 2013.

Parent bank 2012	Parent bank 2013		Group 2013	Group 2012
		Other intangible assets		
107	130	Acquisition cost at 1 January	133	107
23		Acquisitions		26
		Disposals		
130	130	Acquisition cost at 31 December	133	133
19	26	Accumulated depreciation at 1 January	27	20
		Disposals accumulated depreciation		
7	8	Current year's depreciation	8	7
26	34	Accumulated depreciation at 31 December	35	27
104	**95**	**Other intangible assets at 31 December**	**98**	**106**

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 2012	Parent bank 2013		Group 2013	Group 2012
126	**117**	**Total intangible assets at 31 December**	**177**	**199**

See note 3 for a description of the valuation models used for goodwill and intangible assets.

Note 34 Property, plant and equipment

Parent bank: Buildings, land and other property	Parent bank: Fixtures, fittings and vehicles	Parent bank: Total		Group: Buildings, land and other property	Group: Fixtures, fittings and vehicles	Group: Total
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
149	162	311	Accumulated depreciation and write-downs at 1 January 2012	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**
345	224	569	Acquisition cost at 1 January 2013	409	267	676
22	24	46	Acquisitions	22	31	53
17	20	37	Disposals	17	20	37
350	228	578	Acquisition cost at 31 December 2013	414	278	692
148	171	319	Accumulated depreciation and write-downs at 1 January 2013	203	201	404
9	15	24	Current year's depreciation	10	21	31
			Current year's write-downs			
12	19	31	Current year's disposal	12	19	31
145	167	312	Accumulated depreciation and write-downs at 31 December 2013	201	203	404
205	**61**	**266**	**Book value at 31 December 2013**	**214**	**75**	**288**
		0	**Buildings available for sale**			**0**

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 2013 was NOK 171 million.
The corresponding figures for 2012 are NOK 179 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 2013.

Investment properties (NOK thousands)

Parent bank: Value 01.01.13	Acqu./ depr.	Value 31-12-13	Rent	Rented on 31-12-13		Group: Value 01.01.13	Acqu./ depr.	Value 31-12-13	Rent	Rented on 31-12-13
7 144	-317	6 827	410	100%	Brugata 7 - Brumunddal	7 144	-317	6 827	174	66%
7 144	**-317**	**6 827**	**410**		**Total**	**7 144**	**-317**	**6 827**	**174**	
		8 000			Fair value			8 000		

Morbank: Value 01.01.12	Acqu./ depr.	Value 31-12-12	Rent	Rented on 31-12-12		Konsern: 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	7 479	-335	7 144	193	66%
7 479	**-335**	**7 144**	**356**		**Total**	**7 479**	**-335**	**7 144**	**193**	
		8 000			Fair value			8 000		

Fair value of investment properties is based on an appraisal by an independent appraiser.

Note 35 Other assets

Parent bank 2012	Parent bank 2013		Group 2013	Group 2012
28	43	Capital payments into pension fund	43	28
161	298	Accrued income, not yet received	298	161
32	32	Prepaid costs, not yet incurred	32	32
111	226	Other assets	82	131
332	**599**	**Other assets**	**455**	**352**

Note 36 Deposits from and liabilities to customers

Parent bank 2012	Parent bank 2013	Deposits from and liabilities to customers	Group 2013	Group 2012
27 532	28 777	Deposits from and liabilities to customers at call	28 767	27 506
620	1 330	Deposits from and liabilities to customers with agreed maturity dates	1 330	620
16	3	Accrued interest		11
28 168	**30 110**	**Total deposits from and liabilities to customers**	**30 097**	**28 137**
		Of total deposits, deposits stated at fair value through profit and loss (FVO):		
429	*74*	*Fixed-rate deposits, book value*	*74*	*429*
418	*74*	*Fixed-rate deposits, nominal value*	*74*	*418*
206	*50*	*Term deposits, book value*	*50*	*206*
200	*50*	*Term deposits, nominal value*	*50*	*200*

2012	2013	Deposits by sector and industry	2013	2012
18 134	18 744	Private customers	18 744	18 134
2 843	3 966	Public sector	3 966	2 843
796	831	Primary industries	831	796
119	135	Paper and pulp industries	135	119
405	410	Other industry	410	405
598	616	Building and construction	616	598
116	108	Power and water supply	108	116
720	666	Wholesale and retail trade	666	720
89	84	Hotel and restaurants	84	89
1 536	1 688	Real estate	1 688	1 536
2 604	2 601	Commercial services	2 588	2 573
203	254	Transport and communications	254	203
6	6	Other operations	6	6
28 168	**30 110**	**Total deposits by sector and industry**	**30 097**	**28 137**

2012	2013	Deposits by geographic area	2013	2012
24 259	26 043	Hedmark County	26 033	24 233
515	541	Oppland County	541	515
861	954	Akershus County	954	861
2 180	2 211	Rest of Norway	2 211	2 180
336	358	Abroad	358	336
16	3	Accrued interest, undistributed		11
28 168	**30 110**	**Total deposits by geographic area**	**30 097**	**28 137**

Note 37 Liabilities arising from issuance of securities

Parent bank and Group

	2013	2012
Certificate-based debt		
- nominal value	300	300
- fair value	304	307
Bond debt		
- nominal value	7 718	7 346
- fair value	8 094	7 731
Subordinated loan capital		
- nominal value	500	
- fair value	503	
Total liabilities arising from issuance of securities, nominal value	**8 518**	**7 646**
Total liabilities arising from issuance of securities, fair value	**8 901**	**8 038**
Average interest rate on certificate-based debt	2,3 %	3,3 %
Average interest rate on bond debt	2,8 %	3,3 %
Average interest rate on subordinated loan capital	3,5 %	

Liabilities from issuance of securities by maturity date	**2013**	**2012**
2013		1 546
2014	1 388	1 250
2015	1 205	1 205
2016	1 745	1 345
2017	1 000	1 000
2018	1 580	1 030
2019	700	
2020	300	270
2022	200	
2023	400	
Total liabilities from issuance of securities, nominal value	**8 518**	**7 646**

Parent bank and Group

Changes in liabilities from issuance of securities	**31-12-13**	**Issued**	**Due / redeemed**	**Other changes**	**31-12-12**
Certificate-based debt, nominal value	300	300	-300		300
Bond debt, nominal value	7 718	1 700	-1 350	22	7 346
Subordinated loan capital, nominal value	500	500			0
Accrued interest	164			-19	183
Adjustments	219			10	209
Total debt raised through issuance of securities, fair value	**8 901**	**2 500**	**-1 650**	**12,9**	**8 038**

Changes in liabilities from issuance of securities	**31-12-12**	**Issued**	**Due / redeemed**	**Other changes**	**31-12-11**
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**

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 2013 has in isolation increased the fair value of the Bank's debt securities by an estimated NOK 36 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 2012, possibly with initial recognition of debt that was issued in 2013. All other factors remain the same.

In comparison, the reduced trading spreads in 2012 resulted in a increase of the fair value of the debt securities by an estimated NOK 88 million from the start to the end of the year.

As at 31 December 2013 an accumulated unrealised loss, including hedging derivatives, of NOK 114 million was recognised relating to the assessment of the Bank's debt securities at fair value.

Note 38 Other debt and liabilities

Morbank			Konsern	
2012	**2013**	**Other debt and liabilities recognised in the balance sheet**	**2013**	**2012**
249	303	Pension liabilities (note 24)	319	261
4	12	Guarantee provisions	12	4
9	8	Banker's drafts	8	9
42	41	Accounts payable	44	48
270	139	Other	339	430
574	**503**	**Total other debt and liabilities recognised in the balance sheet**	**722**	**751**
		Guarantee commitments etc. (amounts guaranteed)		
343	563	Payment guarantees	443	343
259	385	Contract guarantees	385	259
		Loan guarantees		
5	5	Guarantees for taxes	5	5
159	40	Other guarantees	40	44
		Total guarantees		
766	**993**		**873**	**651**
		Other liabilities - not on the balance sheet		
		Unutilised credit lines		
3 810	4 615	Loans approved (not discounted)	4 321	3 662
915	480	Other liabilities	604	915
8	18	Total other liabilities	18	8
4 733	**5 113**		**4 943**	**4 585**
		Total liabilities		
6 073	**6 609**	**Totale forpliktelser**	**6 538**	**5 987**

Buildings	**Securities**	**Total**	**Assets pledged as security**	**Buildings**	**Securities**	**Total**
		0	Assets pledged as security in 2013*			0
		0	Related liabilities 2013			0
	2 607	2 607	Assets pledged as security in 2012*		2 607	2 607
		0	Related liabilities 2012			0

* 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 shareholderhas 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 Investments in subsidiaries, associates and joint ventures

Company	acquisition	office	Stake 1)
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 %
SpareBank 1 Regnskapshuset Østlandet AS	2011	Hamar, Norge	60,00 %
Vato AS	1981	Hamar, Norge	100,00 %
Investments in associated companies			
Bank 1 Oslo Akershus AS	2010	Oslo, Norge	40,50 %
SpareBank 1 Boligkreditt AS	2007	Stavanger, Norge	8,37 %
SpareBank1 Næringskreditt AS	2012	Stavanger, Norge	2,93 %
SpareBank 1 Kundesenter AS	2012	Stavanger, Norge	9,70 %
SpareBank 1 Kredittkort AS	2012	Trondheim, Norge	7,99 %
SpareBank 1 Verdipapirservice AS	2012	Tromsø, Norge	8,90 %
SpareBank 1 Markets AS	2013	Oslo, Norge	14,70 %
KOMM-IN AS	2013	Raufoss, Norge	23,70 %
Investments in joint ventures			
Torggt 22 AS	2001	Hamar, Norge	50,00 %
SpareBank 1 Gruppen AS	2006	Tromsø, Norge	11,00 %
SpareBank 1 Utvikling DA	2006	Oslo, Norge	11,30 %
Oslo Eiendom Holding AS	2013	Lena, Norge	50,00 %

1) The voting share corresponds to the ownership interest in all the companies.

Shares in subsidiaries parent bank

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

2013	**The company's share capital**	**No. of shares**	**Assets *)**	**Short-term debt**	**Long-term debt**	**Total income**	**Total expenses**	**The company's annual profit/loss**	**Book value 2013**
SpareBank 1 Finans Østlandet AS	370,0	370 000	4 345	350	3 564	161	70	58	370
Total investments in credit institutions			**4 345**	**350**	3 564	**161**	**70**	**58**	**370**
EiendomsMegler 1 Hedmark Eiendom AS	0,5	500	30	14	7	70	63	3	8
SpareBank 1 Regnskapshuset Østlandet AS	12,5	750 000	90	30	30	100	104	-4	20
Vato AS	0,6	352	11			2	1	1	9
Total investments in other subsidiaries			**131**	**44**	**37**	**172**	**168**	**0**	**37**
Total investments in Group companies parent bank			**4 476**	**394**	**3 601**	**333**	**238**	**58**	**407**

2012	**The company's share capital**	**No. of shares**	**Assets *)**	**Short-term debt**	**Long-term debt**	**Total income**	**Total expenses**	**The company's annual profit/loss**	**Book value 2013**
SpareBank 1 Finans Østlandet AS	285,0	285 000	3 679	153	3 209	107	59	27	285
Total investments in credit institutions			**3 679**	**153**	**3 209**	**107**	**59**	**27**	**285**
EiendomsMegler 1 Hedmark Eiendom AS	0,5	500	29	14	5	59	54	3	8
Consis AS	12,5	750 000	94	29	31	99	97	5	37
Consis Credit AS	1,3	100 600	4	2		5	3	1	1
Vato AS	0,6	352	12			2	1	1	9
Total investments in other subsidiaries			**139**	**45**	**36**	**165**	**155**	**10**	**55**
Total investments in Group companies parent bank			**3 818**	**198**	**3 245**	**272**	**214**	**37**	**340**

*) Assets classified as fixed assets

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	
2012	2013		2013	2012
1 100	1 299	Book value at 1 January	1 558	1 329
199	841	Acquisitions/disposals	869	199
		Write-downs		
		Changes in equity	2	2
		Share of the profit	261	95
		Dividend paid	-124	-68
1 299	**2 140**	**Book value at 31 December**	**2 565**	**1 558**

Inntekter fra investeringer i datterselskaper, tilknyttede selskaper og felleskontrollert virksomhet

Parent bank			Group	
2012	2013		2013	2012
52	82	Dividend SpareBank 1 Gruppen AS		
		Share of the profit SpareBank 1 Gruppen AS	132	60
		Share of the profit Bank 1 Oslo Akershus AS	133	15
		Share of the profit SpareBank 1 Boligkreditt AS	17	20
8		Dividend SpareBank 1 Gruppen AS		
7	12	Share of the profit SpareBank 1 Gruppen AS		
6	3	Share of the profit Bank 1 Oslo Akershus AS		
27	27	Share of the profit SpareBank 1 Boligkreditt AS		
	-17	Nedskrivning	-20	
-8	82	Tap/gevinst ved salg eierandeler	66	
		Resultatandeler andre	-2	1
93	**189**	**Total income**	**326**	**95**

The Group's stake in associates and joint ventures

2013	Ownership	No. of shares	Assets	Short-term debt	Long-term debt	Income	Expenses	Income	Book value 2013
Bank 1 Oslo Akershus AS	40,50%	1 854 126	12 816	8 072	3 707	456	247	133	1 036
SpareBank 1 Boligkreditt AS	8,37%	4 442 411	17 256	1 234	15 329	28	3	17	693
SpareBank 1 Næringskreditt AS	2,93%	400 000	462	1	410	2		1	51
SpareBank 1 Kundesenter AS	9,70%	966							
SpareBank 1 Kredittkort AS	7,99%	55 486	17		1	1	3	-1	15
SpareBank 1 Verdipapirservice AS	8,90%	106 088	8	3			2	-1	4
SpareBank 1 Markets AS	14,70%	8 821	99	73		7	9	-1	21
KOMM-IN AS	23,70%	7 500 000							8
Torggt 22 AS	50,00%	8 000	20	1	6	2	1	1	13
Oslo Eiendom Holding AS	50,00%	15 000	2						2
SpareBank 1 Gruppen AS	11,00%	215 204	5 580	441	4 499	1 532	1 342	132	709
SpareBank 1 Utvikling DA	11,30%		63	14	38	78	79	-1	13
			36 322	**9 840**	**23 991**	**2 106**	**1 686**	**280**	**2 565**

2012	Ownership	No. of shares	Assets	Short-term debt	Long-term debt	Income	Expenses	Income	Book value 2012
Bank 1 Oslo Akershus AS	12,00%	427 344	3 504	2 309	983	118	79	15	212
SpareBank 1 Boligkreditt AS	7,77%	3 910 886	14 530	649	13 259	29	2	20	605
SpareBank 1 Kundesenter AS	9,70%	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	1	7	2	1		12
SpareBank 1 Gruppen AS	12,00%	234 768	5 604	443	4 519	1 397	1 301	60	713
SpareBank 1 Utvikling DA	11,30%		59	9	38	75	75		13
			23 717	**3 411**	**18 805**	**1 621**	**1 458**	**95**	**1 558**

Note 40 Acquisition of businesses / business combinations

ACQUISITION OF SHARES IN SPAREBANK 1 MARKETS AS FROM SPAREBANK 1 GRUPPEN AS

Sparebanken Hedmark acquired 14.7 per cent of the shares in SpareBank 1 Markets AS in the third quarter. Earlier the bank owned indirectly 12 per cent of SpareBank 1 Markets AS through its ownership in SpareBank 1 Gruppen AS. An acquisition analysis has been conducted in accordance with IFRS 3, in which the acquisition cost of NOK 21.7 million is allocated to the fair value of assets and liabilities. The former ownership interest has been accounted for in accordance with the pooling of interest method. The difference between the identifiable net assets and the acquisition cost for the increased ownership interest of just under NOK 1 million, has been recognised as income in the third quarter in accordance with IAS 28.

Number of shares owned by the SpareBank 1 Group prior to the banks' acquisition:	59 172
SpareBank 1 Group's ownership interest in Markets at the time of the acquisition	98,62%
Book value of equity on SpareBank 1 Markets' balance sheet as of 30 September 2013 was NOK:	191
Number of shares owned indirectly by Sparebanken Hedmark prior to the acquisition:	7 101
Total number of shares acquired by Sparebanken Hedmark	8 821
Increase in number of shares owned by Sparebanken Hedmark after the acquisition:	1 720
Percentage share of cost price allocated to the new shares	19,5 %
Price paid per share was NOK:	2 464,65
Sparebanken Hedmark's prior ownership interest (indirectly owned)	12,0 %
New ownership interest (directly owned)	14,70%
Increase in ownership interest	2,70%
Increase of 2.7% in the ownership interest gives the Sparebanken Hedmark Group increased equity of NOK:	5
Cost price for total number of shares purchased:	22
Paid for shareholding already owned indirectly	18
Remainder of purchase price paid for increased proportion of shares	4
Cost price of the new shareholding is measured against the value of increased equity in the Group:	
Increase in equity due to the increased ownership interest	5
Paid for this shareholding in NOK:	4
Negative goodwill	**1**

The negative goodwill was recognised in the Group's income statement on 30 September 2013.

Original shareholding owned indirectly has been accounted for in accordance with the pooling of interest method:

Cost price for the prior ownership interest of 12% owned indirectly was NOK:	18
Pooling of interest value from the financial statements of the SpareBank 1 Group (book value):	13
Payment for excess value or shortfall for the prior ownership interest	**5**

Book value of all the shares in SpareBank 1 Markets at the time of the acquisition (30 September 2013):	
Original shareholding owned indirectly accounted for in accordance with the pooling of interest method:	18
Cost price for the new ownership interest:	4
Negative goodwill:	1
Payment for excess value or shortfall to the SpareBank 1 Group for the original ownership interest:	-5
Book value of shareholding concerning SpareBank 1 Markets in the Sparebanken Hedmark Group as of 30 September 2013:	**18**

INCREASED OWNERSHIP INTEREST IN BANK 1 OSLO AKERSHUS AS

Sparebanken Hedmark increased its ownership interest from 12 per cent to 40.5 per cent in SpareBank 1 Oslo Akershus AS through the acquisition of shares from other owners of the bank. The transaction was carried out effective 2 January 2013 and the acquisition cost for the stake was NOK 705 million. An excess value analysis was carried out at the time of the acquisition, in which the acquisition cost of the acquired ownership interest has been compared with the net identifiable assets and liabilities for the corresponding ownership in the company. The analysis shows that there is no goodwill in the acquired shareholding.

Current assets	319
Loans to customers and credit institutions	7 277
Shares and securities	944
Financial derivatives	125
Investments in associated companies	195
Property, plant and equipment	171
Goodwill and intangible assets	7
Other assets	72
Deposits from customers and credit institutions	-5 889
Debt securities issued	-2 352
Financial derivatives	-41
Other liabilities	-76
Subordinated loan capital and hybrid tier 1 securities	-47
Total identifiable net assets	**706**

Note 41 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 8 and 23. For the purchase of shares, se note 40.

Subsidiaries

2013	Loans	Bonds and subordinated loans	Deposits	Deposits income	Interest expences	Commission income	Other operating income	Operating expences	Guarantees
SpareBank 1 Finans Østlandet AS	3 555		1	84		1	1		120
EiendomsMegler 1 Hedmark Eiendom AS			7	3	4				
Other subsidiaries	30		11	2					
Total subsidiaries	**3 585**	**0**	**19**	**89**	**4**	**1**	**1**	**0**	**120**

2012	Loans	Bonds and subordinated loans	Deposits	Deposits income	Interest expences	Commission income	Other operating income	Operating expences	Guarantees
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**

Associated companies and joint ventures

2013	Loans	Bonds and subordinated loans	Deposits	Deposits income	Interest expences	Commission income	Other operating income	Operating expences	Guarantees
Bank 1 Oslo Akershus AS									
SpareBank 1 Boligkreditt AS		476		15		205			
SpareBank 1 Næringskreditt AS		150		1		2			
SpareBank 1 Gruppen AS	327			8		66			
Other associated companies and joint ventures								79	
Total associated companies and joint ventures	**327**	**626**	**0**	**24**	**0**	**273**	**0**	**79**	**0**

2012	Loans	Bonds and subordinated loans	Deposits	Deposits income	Interest expences	Commission income	Other operating income	Operating expences	Guarantees
Bank 1 Oslo Akershus AS									
SpareBank 1 Boligkreditt AS		468		17		108			
SpareBank 1 Gruppen AS	227			4		55			
Other associated companies and joint ventures			1					71	
Total associated companies and joint ventures	**227**	**468**	**1**	**21**	**0**	**163**	**0**	**71**	**0**

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

Note 42 Dividends from subsidiaries

Dividends	**2013**	**2012**
Dividends received from:		
EiendomsMegler 1 Hedmark Eiendom AS	3	6
SpareBank 1 Finans Østlandet AS	27	27
Vato AS	1	1
Total dividends	**31**	**34**

Note 43 Events after the balance sheet date

No events have taken place after the date of the balance sheet that are of significance to the published annual financial statements.

Elin Sveløkken Paalsrud earned almost NOK 1 million on underwear last year. She benefited from Ringsaker achieving the highest growth rate in retail turnover in 2012 for the Interior Region.

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 2013 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, 6. March 2014

Siri J. Strømmevold Chairman	Bjørnar Håkensmoen	Erik Garaas
Morten Herud	Aud Christensen	Nina C. Lier
Espen Bjørklund Larsen		Richard Heiberg Chief Executive Officer

REPORT FOR 2013

TO

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 2013.

Minutes of board meetings and 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 the assessment of the larger commitments, risk, plans and the regulatory framework. The Committee has continuously overseen overdraft and arrears lists 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 been invited to the Committee's meetings according to plan and answered the Committee's questions. As in previous years, special emphasis has been placed on risk management and credit issues, as well as compliance with legislation and regulations.

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

The Committee has focused particularly on commitments exposed to potential loss 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. A meeting has been held between the Board Chairman and the Committee Chairman.

In reviewing the proposed annual financial statements for the Parent Bank, directors' report and auditor's report, as well as the corresponding documents for the Bank's subsidiaries, especially SpareBank 1 Finans Østlandet AS, the Committee has particularly reviewed the annual financial statements in the light of the rules for recording losses and write-downs for losses. No circumstances of significance to 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 financial statements 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 financial statements for 2013.

Hamar, 7 March

The Control Committee of Sparebanken Hedmark

Vidar Brobakken	Mikael Løken
Gro Svarstad	Jan Erik Myrvold
Valborg Berthelsen	

pwc

To the Annual Shareholders' Meeting 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 financial statements of the parent company and the financial statements of the group. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2013, 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 entity’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 for the parent company and the group Sparebanken Hedmark as at 31 December 2013, and its financial performance and its cash flows for

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statement on Corporate Social Responsibility

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 and in the statement on Corporate Social Responsibility concerning the financial statements, 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, 6 March 2014
PricewaterhouseCoopers AS

Ola Tronsrud
State Authorised Public Accountant (Norway)

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

Subsidiaries

SpareBank 1 Finans Østlandet AS

The demand for the products of SpareBank 1 Finans Østlandet AS was better in 2013 than previous years. New sales totalled NOK 2,337 million, an increase of NOK 241 million. The profit for the year was NOK 60 million after tax.

The result is attributed to good lending growth and a stable cost development. Loan losses were low in 2013. It was also a good year for the company with regard to the market.

The company continued to grow in accordance with the adopted strategy. Net lending increased by 18 per cent and totalled NOK 4,220 million. The company's credit losses have been satisfactorily low in recent years. The loss costs for 2013 were 0.27 per cent of the average net lending. The Board of Directors is satisfied with the efforts being made to manage and limit losses.

The company still has ambitions for further growth and expects to see positive effects from its increased presence in Eastern Norway. In recent years, the business has developed to become an important player in the company's focus areas in Eastern Norway. We currently have 46 employees, including temporary employees.

The business is experiencing a higher level of activity in both the retail and corporate markets. Some transport and building companies do not have satisfactory profitability. Combined with a low consumption capacity, the situation is challenging for certain companies.

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 Eastern 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 is growing and the number of residential units sold increased 5 per cent in 2013, compared with 2012. The company's turnover increased 14 per cent at the same time, from NOK 58.8 million to 67 million.

The growth is attributed primarily to project sales and secondary market sales. The total market volume declined 8 per cent during the same period.

The company has increased its presence in the county by two new offices, and real estate is co-located now with Sparebanken Hedmark at Stange and Tynset. In 2013, EiendomsMegler 1 had an average of 45 full-time equivalents employed in the company, an increase of 8 full-time equivalents from 2012. Profit after tax was NOK 3.3 million. The company is expecting further growth and to strengthen its position as the largest real estate agent in our region.

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 its own offices in the largest towns in Hedmark, including Hamar, Kongsvinger, Elverum, Trysil, Brumunddal, Stange and Tynset, as well as Årnes in Akershus.

Consis changed its name to SpareBank 1 Regnskapshuset Østlandet AS

In 2013, the company changed its name from Consis AS to SpareBank 1 Regnskapshuset Østlandet AS and entered at the same time into cooperation with the other accounting companies owned by the SpareBank 1 banks in Norway. As part of the company's strategy, the franchise operations were discontinued in 2013, and all of the business operations will be owned by the company starting in 2014. The main markets will be Hedmark, Oppland, Oslo and Akershus.

Operating revenues totalled NOK 103 million in 2013. The result after tax was affected by the company's strategic adaptation and ended up at minus NOK 4.5 million. The equity ratio was 34.5 per cent at the end of the year, and the company had 111 employees.

About SpareBank 1 Regnskapshuset Østlandet AS

SpareBank 1 Regnskapshuset Østlandet AS provides accounting, payroll and consulting services. At the end of the year, the company had offices at 11 geographic locations in Eastern Norway and Rogaland. The head office is located in the Municipality of Hamar. The company is owned by Sparebanken Hedmark (60 percent) and SpareBank 1 Regnskapshuset SMN AS (40 percent). SpareBank 1 Regnskapshuset Østlandet AS serves small and medium-sized enterprises engaged in manufacturing, retail trade and agriculture in Norway.

The Birken events create a ripple effect worth over NOK 350 million per year. The majority of the work is performed by 6,500 volunteers doing voluntary community work. The Birken managementand parent clubs take part in an unofficial Birken race up Ballettbakken, in Lillehammer.

Taking part in an unofficial Birken race are Bjørgulv Noraberg (from left), Brit Pettersen Tofte, Tone Lien, Jon Erik Rønning, David Tofthagen and Lisbeth Berntsen Huse.

With roots in Hedmark

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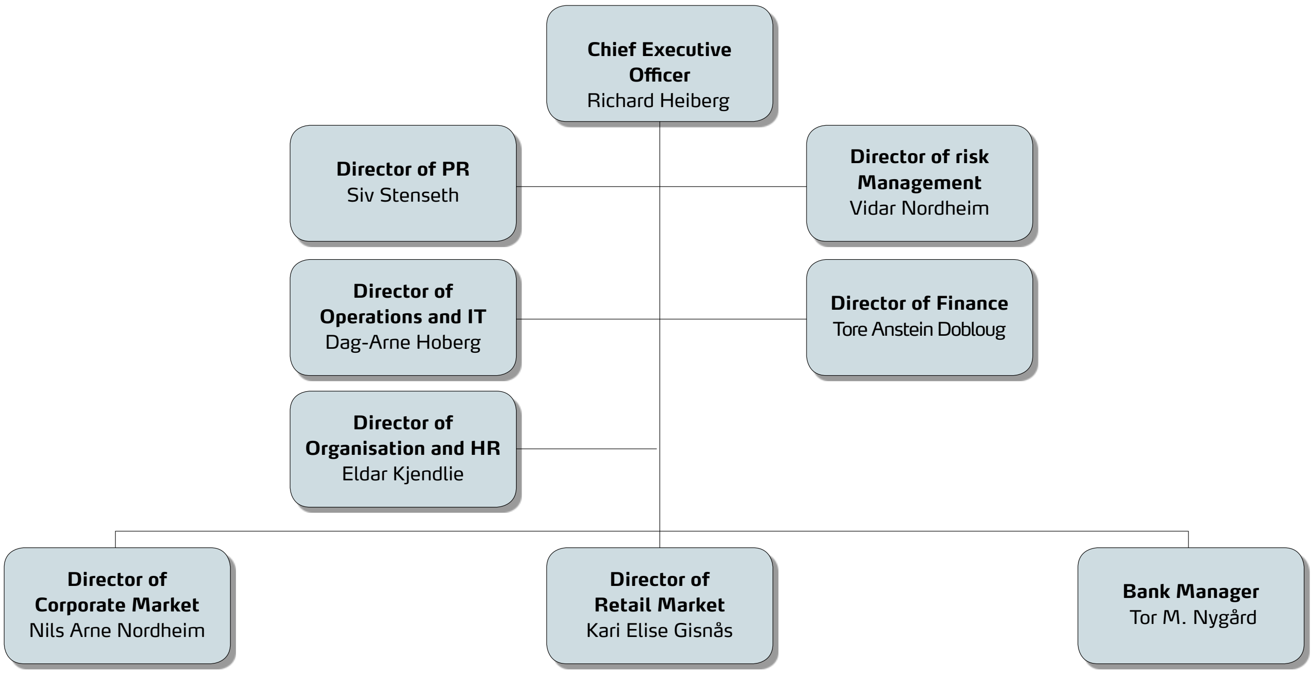
Corporate Management 2013



Together to create

Sparebanken Hedmark is a cornerstone in the local communities of the region. Through loans extended to private persons, commerce and industry, coupled with management of customers' deposits, the Bank helps people to build, live and work in Hedmark and Oppland. The Bank's corporate vision 'Together to create', makes the point that the Bank's results are achieved in cooperation with its customers.