2014

Annual report

Sparebanken HEDMARK

'Oven ready' job growth in Folldal. Seven jobs were created thanks to this cooking vessel in Primar AS, which produces bacalao in Folldal. Pictured: operations manager Elin Slåen (left) and founder Sissel Opshaug. They cook 200 tonnes of bacalao a year in this cooking vessel. Slåen used to make brown cheese for Tine in the same cooking vessel.
SOURCE: Sparebanken Hedmark's Economic Barometer.

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In this report you will find photos of customers, partners, employees and managers. They show something of the breadth of the Bank's activities in 2014.

Financial statement analysis

MAIN FIGURES GROUP

	2014		2013	
Result summary (NOK mill and % of average assets)	**Amount**	**%**	**Amount**	**%**
Net interest income	1 043	2,08 %	1 008	2,21 %
Net commissions and other (non-interest) income	663	1,32 %	559	1,22 %
Net income from financial investments	573	1,14 %	263	0,58 %
Total income	**2 279**	**4,55 %**	**1 829**	**4,01 %**
Total operating costs	**981**	**1,96 %**	**916**	**2,01 %**
Result before losses	**1 298**	**2,59 %**	**913**	**2,00 %**
Losses on loans and guarantees	66	0,13 %	72	0,16 %
Result before tax	**1 232**	**2,46 %**	**841**	**1,84 %**
Taxation cost	192	0,38 %	147	0,32 %
Result after tax	**1 040**	**2,08 %**	**694**	**1,52 %**
Minority interests	**2**	**0,00 %**	**-10**	**-0,02 %**
Profitability				
Return on equity capital before tax		17,1 %		13,3 %
Return on equity capital after tax		14,4 %		11,0 %
Return on equity capital of total result after tax		13,5 %		11,0 %
Total operating costs in relation to total income		43,0 %		50,1 %
Total operating costs in relation to total income excl. income from financial investments		57,5 %		58,5 %
From the balance sheet				
Gross loans to customers	39 936		37 180	
Gross loans to customers including loans transferred to cover bond companies *	55 930		52 361	
Deposits from customers	31 070		30 097	
Deposits from customers in relation to gross loans to customers (excl. loans transferred to cover bond companies *)		77,8 %		80,9 %
Lending growth during the last 12 months		7,4 %		4,9 %
Lending growth during the last 12 months including loans transferred to cover bond companies *		6,8 %		8,9 %
Deposits growth during the last 12 months		3,2 %		7,0 %
Assets	49 934		47 397	
Losses and commitments in default				
Losses on loans as a percentage of gross loans		0,2 %		0,2 %
Commitments in default as a percentage of total commitments		0,8 %		0,8 %
Commitments in default as a percentage of total commitments incl. loans transferred to cover bond companies *		0,6 %		0,6 %
Other bad and doubtful commitments as a percentage of totalt commitments		0,5 %		0,6 %
Other bad and doubtful commitments as a percentage of totalt commitments incl. loans transferred to cover bond companies *		0,3 %		0,5 %
Net commitment in default and commitments with loss provisions as a percentage of total commitments		0,9 %		1,1 %
Financial strength				
Common equity Tier 1 capital ratio		14,8 %		16,2 %
Tier 1 capital ratio		15,2 %		16,4 %
Capital adequacy ratio		17,1 %		16,4 %
Net core capital	6 273		5 083	
Equity ratio		15,3 %		14,2 %

MAIN FIGURES PARENT BANK

	2014		2013	
Result summary (NOK mill and % of average assets)	**Amount**	**%**	**Amount**	**%**
Net interest income	835	1,73 %	830	1,82 %
Net commissions and other (non-interest) income	482	1,00 %	409	0,90 %
Net income from financial investments	296	0,61 %	126	0,28 %
Total income	**1 613**	**3,34 %**	**1 364**	**2,99 %**
Total operating costs	**726**	**1,51 %**	**681**	**1,49 %**
Result before losses	**886**	**1,84 %**	**684**	**1,50 %**
Losses on loans and guarantees	52	0,11 %	61	0,13 %
Result before tax	**835**	**1,73 %**	**622**	**1,36 %**
Taxation cost	159	0,33 %	124	0,27 %
Result after tax	**675**	**1,40 %**	**499**	**1,09 %**
Assets	49 061		46 669	
Profitability				
Return on equity capital after tax		10,3 %		8,3 %
Total operating costs in relation to total income		45,0 %		49,9 %
Total operating costs in relation to total income excl. income from financial investments		55,2 %		55,0 %
Losses and commitments in default				
Losses on loans as a percentage of total commitments		0,1 %		0,2 %
Commitment in default as a percentage of total commitments		0,7 %		0,7 %
Commitments in default as a percentage of total commitments incl. loans transferred to cover bond companies *		0,5 %		0,5 %
Other bad debt and doubtful commitments as a percentage of total commitments		0,5 %		0,7 %
Other bad and doubtful commitments as a percentage of totalt commitments incl. loans transferred to cover bond companies *		0,4 %		0,5 %
Net commitments in default and bad and doubtful commitments as a percentage of total commitments		0,8 %		1,0 %
Financial strength				
Common equity Tier 1 capital ratio		21,7 %		21,7 %
Tier 1 capital ratio		21,7 %		21,7 %
Capital adequacy ratio		22,6 %		21,7 %
Net core capital	6 245		5 143	
Equity ratio		13,9 %		13,3 %

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

"Together with our customers, the Group's capable employees created value for the benefit, and to the delight, of both people and business in the region."

Richard Heiberg
Chief executive officer

Creating the best results ever together

Sparebanken Hedmark's group profit after tax for 2014 was its best ever at NOK 1 040 million. The Bank's vision is 'creating together' and the profit for the year proves that we can realise this vision in reality.

The result for 2014 was NOK 346 million better than that for 2013. Very good contributions from wholly and part-owned companies, the sale of our shares in Nets and good banking operations contributed to the strong result.

The part-owned companies Bank 1 Oslo Akershus AS and SpareBank 1 Gruppen AS made a combined contribution after tax of NOK 385 million. The sale of the Bank's stake in Nets produced a profit of NOK 158 million. The subsidiaries, financing company, real estate agent and accounting firm, also delivered very good results totalling a combined NOK 85 million after tax.

The profit for the year further improves the Bank's financial strength, which has been one of Sparebanken Hedmark's key strategic goals for many years. Financial strength is particularly important for a regional bank of our size. It ensures that we can carry on 'business as usual' in any periods of instability and satisfy our customers' need for capital for building and living in the region, and financing businesses and companies. 2014 proved yet again that living in the shadow of oil has its benefits. Economic fluctuations are gentler in the Interior Region and there are few oil-related investments. It is important that the Bank continues to build up its financial strength, including so it can satisfy new capital requirements issued by the authorities in the future.

The Parent Bank has developed stably. We approved around 10 000 new home mortgages in the Bank's market area as a whole in 2014. This testifies to our faith in the future and the good turnover in the housing market. The growth in the new markets of Oppland and Akershus has also been especially positive this year.

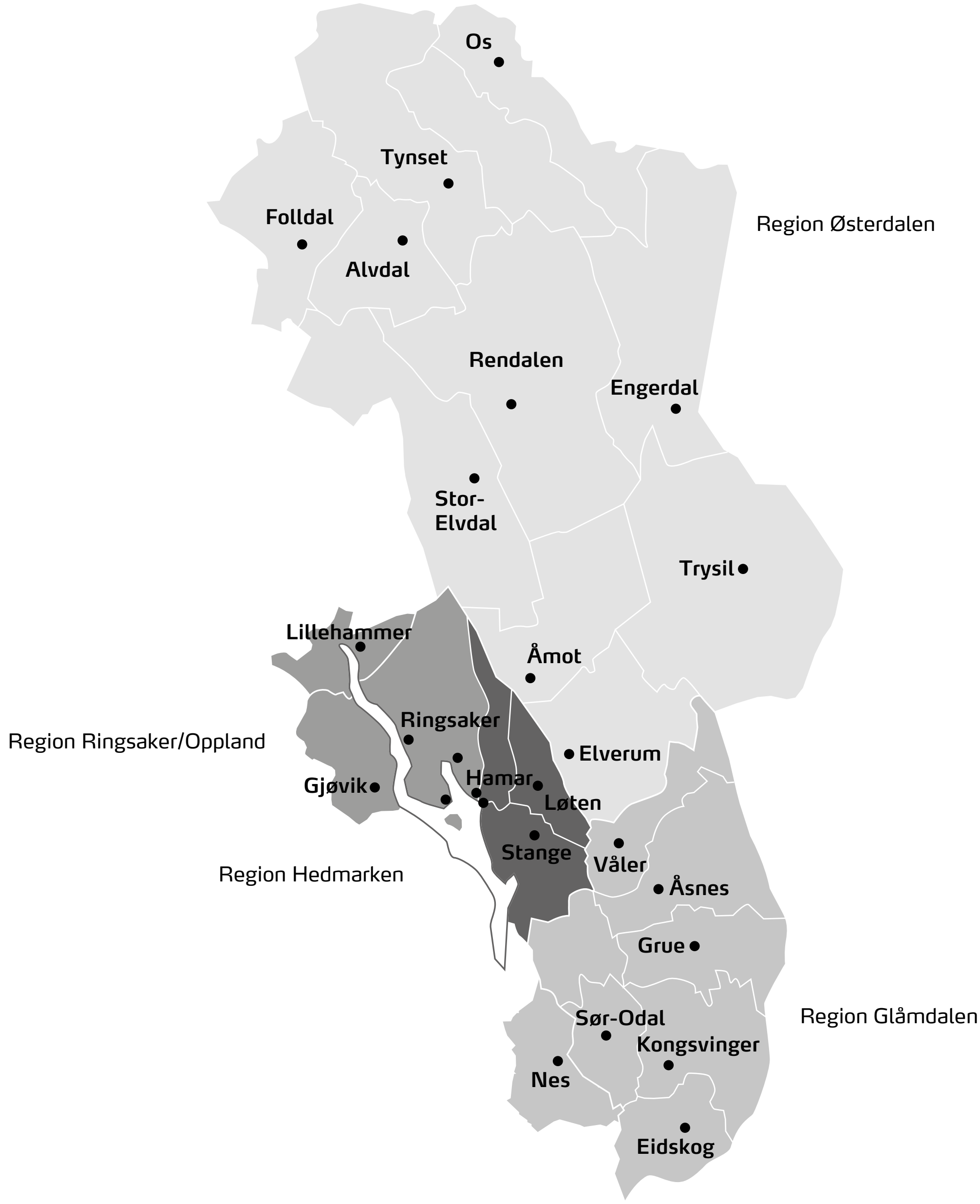
Sparebanken Hedmark's unique accessibility, growth in digital channels and competitive prices are also contributing to the growth in customers. The Parent Bank gained 6 500 new retail customers in 2014.

One particular matter to which special attention was paid in 2014 was the Board's recommendation to the Supervisory Board to convert Sparebanken Hedmark into a equity certificate bank, establish a savings bank foundation and later take a listing on the stock exchange. This matter requires two rounds of approval in the Supervisory Board and the first decision was taken in the extraordinary Supervisory Board meeting in February 2015. The final decision will be taken at the Supervisory Board meeting in March. This is important for the Bank if it is to have the capacity to continue growing and also participate in the future structural race. If the Supervisory Board and Financial Supervisory Authority of Norway give their consent, this will be the Bank's primary focus area in 2015.

2014 was without doubt a very good year for the Bank. Together with our customers, the Group's capable employees created value for the benefit, and to the delight, of both people and business in the region. It is with pride and gratitude that I would like to thank our customers and staff for their great teamwork during the year.

Richard Heiberg
Chief executive officer

Our branches



Business concept	Vision	Values
Sparebanken Hedmark wants to be the most attractive financial group in our market area. We intend to contribute to the growth and development of the community of which we are a part, based on good customer experiences and capable employees.	The Bank's vision, '**creating together**', makes the point that the Bank's results are achieved in partnership with those around us. At the same time the vision implies expectations of better interaction, additional initiatives and better results.	**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 financial group in Hedmark with 23 branches. The Bank also has two branches in Oppland and a branch in Akershus.

Sparebanken Hedmark can trace its history back to 1845 when funds from local granaries, forest commons, local authorities 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 its head office in Hamar.

Over county borders

In the autumn of 2011, Sparebanken Hedmark moved into the neighbouring county and the Bank now has branches 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 life in Hedmark with its many branches in 20 of the county's 22 municipalities. The financial group offers a wide range of products within loans, deposits, insurance, pensions, payment services, estate agency, accounting services, leasing and financing.

As the leading financial group in our market area, we do our bit 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 thanks to its 170 years of local knowledge. Sparebanken Hedmark has a market share of 50 per cent with approximately 181 000 customers. The Parent Bank is close to the market with around 460 full time equivalents spread across 26 branches. The Group also includes the subsidiaries EiendomsMegler 1 Hedmark Eiendom AS, SpareBank 1 Finans Østlandet AS and SpareBank 1 Regnskapshuset Østlandet AS, which together have around 212 employees.

Self-owned

Sparebanken Hedmark is a self-owned financial group without equity certificate holders and the Group's has equity of NOK 7.6 billion. It pays approximately 20 per cent tax on its annual profit. The rest of the profit is put to work and lent out again. The profit therefore benefits the entire region.

In the spring of 2015, the Bank's Supervisory Board will consider whether to convert parts of the Bank's equity to equity certificates and establish a savings bank foundation. This would mean that customers, employees and other investors could become co-owners when the Bank is later listed on the Oslo Stock Exchange. The final decision will be taken on 26 March 2015 and also requires the approval of the Financial Supervisory Authority of Norway.

About Hedmark

With 194 000 inhabitants, the people of Hedmark account for just over 4 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 a diverse business community, and it is the largest farming and forestry county in Norway. Broken down 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, both demographically and geographically.

Nature and recreation

Hedmark has a wide variety of scenery ranging from farmland in the south, to vast forests in the east and mountain ranges in the north. Large areas of these mountain ranges are protected. Norway's largest lake, Mjøsa, longest river, Glomma, and highest mountain, Galdhøpiggen (2 469 metres above sea level), are important elements of our cultural landscape.

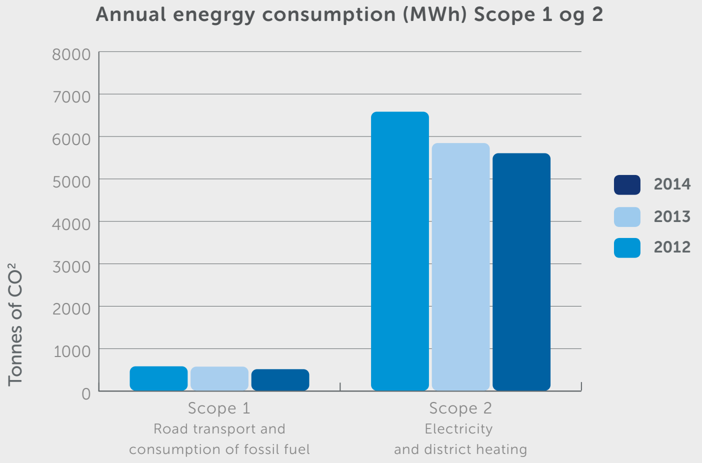
Co-owner of SpareBank 1

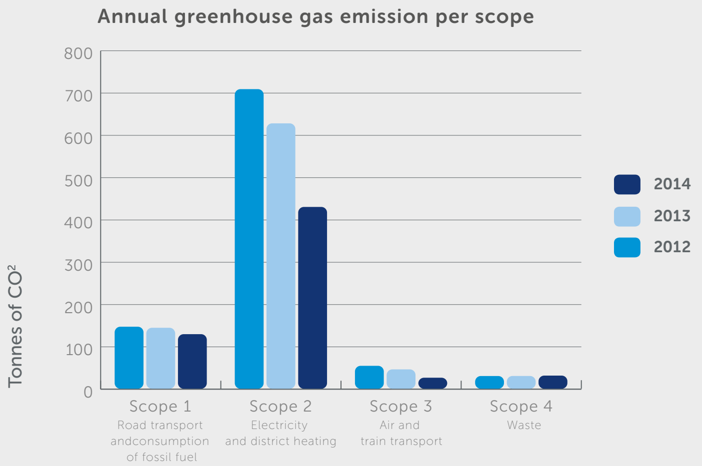
The Bank is a co-owner of SpareBank 1 Gruppen AS (11 per cent). This partnership ensures the Bank competitive advantages through good products, efficient IT services, purchasing arrangements and skills sharing. Pooling our resources through our national alliance ensures local strength. This provides the Bank's customers outside Hedmark and Oppland with good services throughout the country since they can now use all of the SpareBank 1 Alliance's bank branches. In January 2013, Sparebanken Hedmark increased its stake in Bank 1 Oslo Akershus AS from 12 to 40.5 per cent.

Visit sparebank1.no for more information about the SpareBank 1 Gruppen and the Alliance.

Climate accounts for 2014

ENERGY AND CLIMATE INDICATORS	2014	13/14	2013	2012	2011
Total emissions (tonnes CO_2):	633	-27 %	867	957	851
Total energy consumption scope 1 and 2 (MWh):	6 102	-4,7 %	6 400	7 147	7 153
Energy consumption per square metre (kWh/m^2)	183	-5,0 %	193	193	198
CO_2 emissions per full time equivalent (tonnes CO_2/FTES):	1,4	-26 %	1,9	2,1	1,7
CO_2 emissions by turnover (tonnes CO_2/NOK million):	0,8	-423 %	1,4	2,0	1,6





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 responsible bank (CSR)

Sparebanken Hedmark exists in a mutually dependent relationship with the society around it, and corporate social responsibility has played a central role in the Bank's choices and allocations ever since Hof Sparebank was founded in 1845. This was the first local savings bank in what today has become the Sparebanken Hedmark Group.

Good credit ratings represent the foundation of the Bank's corporate social responsibility. The aim is to create value for the region of which the Bank is a part. With local knowledge and our proximity to customers, the Bank's management makes assessments that are based on a long-term social commitment as well as 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 regionally based financial group in Hedmark. This is also reflected in the Group's vision, *'creating together'*, and the Bank's overall strategy. Corporate social responsibility is a specific target area in our strategy with its own measures: *"Customers shall regard Sparebanken Hedmark as a competent and responsible social actor"*.

Close to decisions

The region should be a good place to do business in, a good place to live and a good place to move to. We are doing our part to ensure it is. The Bank has existed in Hedmark for 170 years and is interested in the development of the county and the Mjøsa region. If people are happy, live well, have educational opportunities and secure jobs, as well interesting recreational opportunities here, the Bank will also do well. The fact that the Bank has been financially strong 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 when it comes 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 should be known for its high ethical standards and good corporate governance.

Labour and human rights

Sparebanken Hedmark takes labour 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 on 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.

Social strategy

A specific strategy for corporate social responsibility was adopted by the Bank's Board of Directors early in 2014 to satisfy the new reporting requirements from the authorities. Many of the Bank's governing documents were updated during the year with reference to the adopted social strategy and this work will continue in 2015. The plan is to revise the social strategy during 2015.

Ethics and anti-corruption work

Sparebanken Hedmark's operations depend on the confidence of its customers, public authorities and society as a whole. The Bank's employees must be known for their high ethical standards, expertise, trustworthiness, honesty and fairness. At the same time, the necessary professional distance must be maintained in all our interactions with others. Value must be created in line with good advisory practices and within a framework that does not require individual employees to violate code of conduct in order to satisfy financial goals.

Reviewing and discussing the code of conduct is part of the mandatory induction programme for new employees. The Bank also arranges an annual ethics week at local and central levels. Each year we focus on different topics that involve the entire organisation. Corruption was one of the topics of ethics week 2014. The aim was to raise awareness of the subject and prevent incidents. We have also updated the Bank's code of conduct with a specific section on anti-corruption: *"The Bank shall build relationships in compliance with the applicable guidelines and in an ethical manner. We shall be aware in all relationships that attempts at corruption and other forms of influence peddling may occur."* The work on anti-corruption forms an integral part of our ongoing operations.

All the employees must also confirm each year that they have reviewed and understood the contents of the code of conduct. This is how the Bank ensures that ethics, impartiality, loyalty, anti-corruption and integrity remain on the agenda.

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 special endowment fund for major cultural, sporting, physical activity, research and education projects. From these funds the Bank has awarded grants to sports and public health, including Storhamar Fotball for the construction of an activity park and Vang Skiløperforening for a new ski track preparing machine. In the area of culture, the Bank has awarded grants to Kongsvinger Fortress, the Science Centre in Gjøvik and the Prøysenstjerna sculpture, among others. Other recipients include Hamar and Hedmarken Tourist Association, which was given a grant to build a suspension bridge over the River Åsta.

Sparebanken Hedmark's talent stipend scheme

In 2014, the Bank established a special talent stipend scheme to encourage young athletes and artists aged between 18 and 25 to develop their talent and commitment through training, education and expressing their creativity. The idea is to build pride, create good role models and highlight potential routes for developing talent. The talent stipend scheme is worth NOK 2 million, NOK 1 million for each of the two areas, art and sports. In 2014, 63 recipients received stipends of between NOK 25 000 and NOK 50 000 kroner, and the Bank arranges a day dedicated to motivation and a festival of talent in Hamar Cultural Centre in October. Art stipends are restricted to Hedmark County. Sports stipends are awarded within the Bank's geographic area of operations in Hedmark, Oppland and the Municipality of Nes in Akershus. Applicants must be resident in this area or have other ties to it and belong to a sports team or club in the region. Sports stipends are awarded by a jury consisting of representatives of sports environments in Hedmark and Oppland, Olympiatoppen Interior Region and Sparebanken Hedmark. Art stipends are awarded by the board of Sparebanken Hedmark's Art Fund. The talent stipend scheme will be continued in the same manner in 2015 as well.

Sparebanken Hedmark's Art Fund

The board of the Art Fund distributed NOK 1 million in talent stipends to 28 young artists within art and sculpture (as described in the section above). Vidar Sandbeck's violin was purchased and donated to the Sandbeckstiftelsen foundation. Approval was also given to spending NOK 3 million on works of art in Hamar, Alvdal and Tynset. Work on the previously approved sculpture in memory of the immigration of Finns in the Municipality of Grue and the Big Elk at the Bjøråa rest stop on classified road 3 in Stor-Elvdal continues. Both will be completed in 2015. Kunstverket, a large water fountain in the market place in Brumunddal was presented to the Municipality of Ringsaker in May.

Business development

Active cooperation between the various actors in research, education and business is important for development of the region. Cooperation with Hedmark University College, knowledge parks, biotechnology communities, NCE Raufoss, Young Entrepreneurs Hedmark, and the Science Centre in Gjøvik are key elements of this work. The Bank also participates in the investment company Komm-In AS. The Bank established a special incubator fund in 2013 to improve access to risk capital for early phase companies. Our experience so far has been that there are too few qualified applicants and the Bank hopes to welcome more good projects. Sparebanken Hedmark has a strategic goal of being a source of socially useful information in Hedmark. The Bank therefore established its own Economic Barometer for the Interior Region in November 2013 and followed this up with the second edition in 2014. The idea is to contribute factual information and insight that can stimulate growth and development in the Interior Region.

Environment

Sparebanken Hedmark has made taking the external environment into consideration an integral part of its routines by introducing an environmental management system. The idea is to raise the awareness of the Bank's employees in relation to consumption, travel, waste management and energy consumption. An annual report documenting the Bank's consumption, recycling rate and energy consumption enables us to convert our consumption into CO_2 emissions and calculate our impact on the external environment. The Bank produces energy and climate accounts every year and complies with the following international standards: The Greenhouse Gas Protocol and ISO 14064. This is the seventh time the Bank has produced such a report. The Bank environmentally certified all of its branches via the Eco-Lighthouse in 2010 and underwent recertification in 2014. In 2014, the Bank consumed a total of 5 595.5 MWh of electricity and district heating. This represents a reduction in consumption compared with 2013. The transport of employees by road and air contributed to greenhouse gas emissions of 26 tonnes of CO_2, which represents a reduction compared with year before. The Bank's emissions have been reduced in most of the areas that are measured. The combined reduction in emissions is 27 per cent. We have also reduced emissions per employee and reduced energy consumption per square metre. The emissions reported in the annual report are used as references for measures intended to minimise the Bank's emissions. The Group is constantly developing new products that reduce its impact on the environment. Online home mortgages, mobile banking, SMS services and the digital distribution of letters and publications reduce the need for transport and paper consumption. In 2014, the Bank continued its work on facilitating digital payment solutions for business and the public sector.

Relationship with suppliers

The Bank requires environmental certification and environmentally friendly processes and procurements as part of invitation to tender processes. 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.

The Bank's stakeholders

By focusing on what the stakeholders are interested in, the organisation will be able to obtain and communicate relevant information to these parties. (See the map of stakeholders on the next page.)

Map of stakeholders for Sparebanken Hedmark

Data on the views of customers and other respondents are regularly obtained through focus groups and customer surveys. Based on these, the Bank can give priority to the right measures to improve both financial and non-financial results. A rough outline of the Bank's various stakeholders and factors that can affect the Group's reputation is provided below.

- **Employees:** Parent Bank, subsidiaries, elected officers, safety deputies, pensioners' association, Finance Norway, Frisk HMS.
- **Customers:** Retail customers, corporate customers, public organisation customers, founders.
- **Authorities:** Local authorities, county councils/Norwegian parliament/government, courts system, Financial Supervisory Authority of Norway, Norges Bank, Norwegian Competition Authority, Consumer Ombudsman.
- **Capital market:** EKB investors, foreign capital, other banks and brokerage houses.
- **Suppliers:** Various product suppliers and service providers within IT, operations, market, auditing, consultancy, personnel, HSE, money transport, security, energy, tradesmen, and others.
- **Competitors:** Local, national, international actors.
- **Sponsorships:** Teams and organisations, clubs.
- **Partners:** SpareBank 1 Alliance, central and local actors.
- **Donation recipients:** Recipients of donations from: the Art Fund, talent stipend scheme, donations for good causes, Endowment Fund.
- **Interest groups:** Finance Norway, the Confederation of Norwegian Enterprise (NHO), Trainee Innlandet, regional councils.
- **Part-owned companies:** SpareBank 1 Gruppen, Bank 1 Oslo Akershus, SpareBank 1 Næringskreditt, SpareBank 1 Boligkreditt, SpareBank 1 Markets, SpareBank 1 Kredittkort AS, SpareBank 1 Verdipapirservice, SpareBank 1 Kundesenter AS, Østlandsforskning, KOMM-IN AS.
- **Society, public actors:** Non-customers, potential customers, public opinion, emergency preparedness. The police, health service, fire service, politicians, Norwegian Financial Services Complaints Board, university colleges.
- **Media:** Local free newspapers, local newspapers, regional media, national media, Norwegian Broadcasting Corporation, national and local, NTB.
- **Social media:** Public opinion in social media.
- **Ratings agencies and analysts:** Moody's Analysts.
- **Oslo Stock Exchange.**

Factors that can affect reputation

• Corporate governance • Bonuses/options and reward mechanisms • Investment and lending policy (ethical criteria)	• HSE • Competitive terms and conditions • Development factors/ career opportunities	• Responsibility in the supply chain • Environmental criteria • Criteria for dropping sup- pliers who are 'unethical'	• Investment policy and long-term strategies • Product information/ marketing ethics/ competition law	• Climate and environmental factors (external) • Local communities and skills sharing • Sponsorship • Donations

Status 2014

		2014	2013
Strategy/finances	Group strategy	Will be updated in new strategy in 2015	The strategy contains a special statement on corporate social responsibility (CSR). Will be revised according to CSR strategy for 2014.
	Development of CSR strategy	Adopted 2014, will be revised in 2015. Incorporation in governing documents has started and will continue in 2015.	Under preparation in 2013, adopted early in 2014
	Consolidated profit before tax (NOK million)	1,232	841
	Consolidated total assets (NOK million)	49 934	47 397
	Consolidated return on equity after tax	14.4%	11.0%
	Consolidated capital adequacy ratio	14.8%	16.2%
	Annual review and confirmation of the Bank's code of conduct	Completed	Completed
Community/social affairs	Number of full time equivalents, incl. subsidiaries	673	656
	Number of full time equivalents, Bank	459	478
	Sick leave	4.1	5.6
	Percentage of women	57%	58%
	Percentage of women in managerial positions	44%	41%
	Average age	47 years	48 years
	Employee satisfaction, organisational survey	814	805
	Inclusive Workplace agreement	Renewed	Continued
	Average period of service	18 years	19 years
	Number recruited, internal	28	19
	Number recruited, external	34	27
	Turnover	3.50%	2.00%
Donations	Granted to art and culture	1 950 000	2 166 000
	Granted to sports	2 011 000	2 120 000
	Granted to humanitarian work	716 000	700 000
	Granted to other purposes	1 012 000	1 334 000
Endowment Fund	Granted to art and culture	6 075 000	5 340 000
	Granted to sports and physical activity	7 425 000	4 425 000
	Granted to education/research	3 960 000	7 500 000
	Granted to other purposes	4 998 000	1 480 000
Sparebanken Hedmark's Art Fund	Awarded to art and culture	4 070 000	2 495 000
Business development	Granted to innovation	NOK 500 000 from the Incubator Fund was granted to specific projects in 2014.	9 000 000
Environment*	*See also separate Climate Accounts		
	Total greenhouse gas emissions (tonnes CO_2):	633	870
	Greenhouse gas emissions per full time equivalent, Parent Bank (tonnes of CO_2/FTES)	1.4	1.9
	Number of video conferencing rooms	42	42
	Number of branches Eco-Lighthouse certified (three of the Bank's new branches will be environmentally certified in 2015).	23	27

Cavalcade of the year 2014

CFO Tore Anstein Dobloug (left) and CEO Richard Heiberg hope to list Sparebanken Hedmark on the stock exchange in 2016.

Aiming to become an equity certificate bank

In 2014, the Board of Sparebanken Hedmark voted to recommend to the Bank's Supervisory Board that equity certificates be issued and that it be listed on the stock exchange. In February 2015, the Supervisory Board agreed to a second round of discussions on the matter in the Supervisory Board meeting on 26 March.

Becoming an equity certificate bank requires two rounds of voting in the Supervisory Board and the first of these passed in February 2015. The second round of voting on the matter will take place at the Supervisory Board's ordinary annual meeting in March. If the consent of the Supervisory Board and Financial Supervisory Authority of Norway is forthcoming, and it is subsequently listed, customers and others will be able to share in the Bank's profit, probably from 2016.

The goal behind issuing equity certificates is to ensure the Bank room for manoeuvre, capital and the strength we will need over time to serve customers and business in the region. Links between the Interior Region and the capital are becoming ever stronger, both with respect to living here and business. Sparebanken Hedmark wants to take part in this development and size will be an important factor in this process. The Bank therefore has to consider possible structural changes such as acquisitions. Equity certificates will be an important settlement instrument in this context. Conversion and listing are a means of maintaining our position as the leading regional savings bank in the Interior Region.

Sparebanken Hedmark must first convert parts of its equity into equity certificates and thereafter be listed on the stock exchange. This would make the Bank the only listed company in Hedmark and the largest in the Interior Region. The Bank will establish a long-term owner, Sparebanken Hedmark Sparebankstiftelse (a savings bank foundation), which initially will own equity certificate representing 60 per cent of the Bank's equity. The equity will thus remain in the Bank and no money will be taken out of it. The foundation will be a long-term owner with a lot of reserves with which it can participate in later issues. Regional ownership will be reinforced through customers, local investors and the Bank's employees becoming equity certificate holders in the Bank.

The savings bank foundation will have its own board and general meeting, and all the members will have to be resident in Hedmark. Its main objective will be to manage the foundation's assets and award grants to good causes. Equity certificates will not alter the Bank's protection against acquisition. In other words, no one will be able to take over the Bank regardless of how many equity certificates they hold. This was an important factor when the Bank concluded that equity certificates are a better alternative to shares. It will ensure that the capital that has been built up in Hedmark over 170 years will remain in Hedmark. The hope is to establish the foundation in the autumn of 2015 and be listed in 2016.

Good growth in both mobile and online bank users in 2014

The use of Sparebanken Hedmark's self-service solutions is growing. Nine out of ten customers aged between 18 and 75 had gone digital by year-end 2014. "We have to go all the way back to 2005 to see higher growth in signed online bank agreements," says technical director Espen Røe.

40 per cent of the Bank's online bank customers now use mobile banking. Many meet their daily needs through mobile banking and steadily more customers are using this service.

Creating a new group strategy together

In 2014, the Bank's executive management group, including the subsidiaries, drew up proposals for a new strategy for the Sparebanken Hedmark financial group for the period 2015–2018. The aim is to view the financial group as more of a whole. The industry is expecting major changes in the customers' use of banking services in the next few years, including as a result of increased digitalisation. We are also seeing actors outside finance introduce smart payment solutions and other user-friendly supplementary services. Broad participation in the strategy work ensures that the Bank's employees feel ownership of the Group's strategic destination for 2018. The goals include making better use of all the financial group's services and increasing interaction across the Group.

Second edition of the Economic Barometer launched

In November, the Bank launched its second edition of the Economic Barometer for the Interior region, a knowledge base about trends in Hedmark and Oppland. The Economic Barometer 2014 shows, among other things, that the number who commute from Oslo and Akershus to the Interior Region is rising. Centralisation is a growing trend and the development in the four largest cities is more positive, especially in the Hamar region. The barometer was presented to corporate customers in a series of meetings around the Bank's market area.

New head of Retail Customer Service Centre

Hege Langerud Bruset became the new head of the Bank's Retail Customer Service Centre in November. She came from the post of general manager of Schibsted Norge Kundesenter AS. She has previously worked as a customer consultant for the retail market in Totens Sparebank and an adviser for their telephone bank venture at the time, Totenbanken Direkte. She is now responsible for a skilled staff of 34 at the customer service centre.

NOK 2 million awarded at the festival of talent 2014

Hamar Cultural Centre was full of talented stipend recipients within both culture and sports when Sparebanken Hedmark's talent stipends were distributed for the first time in November 2014. The recipients participated in a day of motivation with a varied programme, including a talk by Johan Kaggestad and the preparation of a nutritious lunch by chef Charlotte Mohn Gaustad. The day was rounded off with a well-directed festival performance with many talented people on stage in Hamar Cultural Centre. The Bank has previously awarded art stipends in Hedmark, but in 2014 the stipend scheme was expanded to include athletes from the region as well. A total of NOK 2 million was awarded to 63 young people aged 18–25. The stipends ranged from NOK 25,000 to NOK 50,000. The Bank hopes that these stipends will help those with real potential in their field gain a better financial framework for success.

Greater willingness to save and invest

"Given the falling interest rates in 2014 and expectation of further falls in 2015, we increased our investment activities in the last year," says Tor Morten Nygård, Bank Manager Investment Centre. "More and more people are seeking alternatives to deposit accounts to grow their money when interest rates are low. The Bank has strengthened its adviser skills and put in place a better range of products in 2014," says Nygård. Sparebanken Hedmark now offers mutual funds from a range of Norwegian and international fund managers, and this represents a competitive alternative for customers. Overall this has contributed to a more than 30 per cent increase in volume in 2014.

New bank premises in Moelv

Sparebanken Hedmark's brand new premises in Moelv were opened in November. "We are adapting to the customers and have built a future-oriented bank," says branch manager Frode Korsmo. Regional bank director Eva Kristin Myhre is satisfied with the upgrade. "The Moelv branch has enjoyed very good growth in the last twelve months. We now want to grow further and improve the Bank's financial strength," she says.

Bank becomes sole owner of SpareBank 1 Regnskapshuset Østlandet AS

In December, Sparebanken Hedmark bought back SpareBank 1 Regnskapshuset SMN AS's 40 per cent stake and from 2015 became the sole owner of SpareBank 1 Regnskapshuset Østlandet AS. This strengthens the Bank's regional ownership and activities in the defined market area.

Lower interest rates

In October, Sparebanken Hedmark decided to lower the Bank's lending rates in the retail market, generally by 0.20 percentage points. The aim was to adjust the interest rate level for home mortgages to remain competitive in the market.

Major push on pensions

The Bank focused heavily on pensions throughout 2014. A total of 2,500 people participated in pension meetings in the spring. The autumn meetings were also well attended. Customers were actively followed up afterwards. The Bank's focus is helping customers find out more about their own pensions and the opportunities they have to close any gaps in relation to their own pension expectations.

Introduced chat

In December, the Bank launched a chat service in the online bank for both retail and corporate customers. The primary goal is for customers to perceive Sparebanken Hedmark as even more accessible. Surveys show that this is a channel that customers want, especially younger age groups. There is huge potential in this area in relation to being able to offer fast service and good digital solutions.

Q4

A LOOK AT

Q3

Thanks the Bank and a defibrillator for his life

The Bank installed 30 defibrillators in its premises around Hedmark in January. Staff at all the branches took a course on providing emergency lifesaving assistance if a need for it arose. A short time after, Arve Egil Lillevold (74) collapsed outside the Bank's premises in Brumunddal. Adviser Marianne Holm and her colleagues quickly came to his aid with the defibrillator. "Marianne and the defibrillator saved my life," says Lillevold. He returned to the branch in August to thank them.

Successful reopening of the Årnes branch

In September, the branch in Årnes celebrated 5 years as a bank and 2 years as part of the Sparebanken Hedmark financial group. It also opened its newly renovated branch premises.

Insurance success

Sparebanken Hedmark's department for insurance and the corporate market delivered top results in several areas in 2014. Skills insurance advisers recruited many large new customers. The Bank is now enjoying the best P&C growth in the SpareBank 1 Alliance and achieved 100 per cent of its targets for the period. This success was linked to improving skills over time and greater interaction across different fields in the Bank.

Management conference 2014

The management conference in 2014 brought together more than 300 managers from the Interior Region. The theme for the day was inspired by the Bank's vision, *'creating together'*. "We must stand together on maintaining and strengthening the Interior Region's attractiveness so that people want to live and run their businesses here," said Vegard Sæten, Director of Corporate Market and compère for the day. The participants gave the conference very high marks.

BACK 2014

Q1

Successful branch opening in Gjøvik
Sparebanken Hedmark's new branch in Gjøvik was opened by Mayor Bjørn Iddberg in January. This means that all of the Bank's activities in Gjøvik are now gathered under one roof. "This shows that you believe in the development, businesses and people here in the city. The Bank is also help the city centre develop," said Iddberg.

Digital signatures for loans
A year after establishing digital loan processes in February 2013, 45 per cent of all discounted loans in the retail market are being signed digitally. "We were probably the first bank in the world with this solution," says Kari Elise Gisnås, Director of Retail Market. "The solutions are contemporary and show that Sparebanken Hedmark is accessible to its customers."

Growing satisfaction in the Bank
The results of the 2014 organisation survey were the best ever with a response rate of 93 per cent and a total score of 814. Progress was made within a number of important indices. Most believe they have good skills. The profit for the year indicates that the general satisfaction among employees is good and stable.

Pål Jan Stokke new chairman of the Supervisory Board

Pål Jan Stokke from Hamar was elected the new chairman of the Supervisory Board in Sparebanken Hedmark at the Supervisory Board meeting in March 2014. Stokke has been the deputy chairman since 2012. The new deputy chairman is Erik Borg from Arneberg.

Q2

Co-location in Stange
The branches in Romedal and Ottestad were co-located with the branches in Stange and Hamar in April. This was done because the number of customers visiting the physical branches was falling and the Bank wanted to make better use of its HR resources.

Ethics week on corruption
The topic for ethics week in 2014 was corruption and anti-corruption work. The financial industry relies on trust and corruption can damage reputations. The goal of ethics week 2014 was to raise awareness about what corruption entails in our industry.

Lower interest rates
In April, Sparebanken Hedmark lowered lending rates in the retail market by up to 0.25 percentage points.

Sparebanken Hedmark sold its shares in Nets
In March, Sparebanken Hedmark entered into an agreement to sell its stake in Nets. The Bank was one of 186 owners, generally Danish and Norwegian banks, who sold their shares in the payment systems company. Sparebanken Hedmark's stake was 1.4 per cent. The Bank made a profit of NOK 158 million from the sale.

Sparebanken Hedmark and the Science Centre with unique giant brain

In collaboration with Sparebanken Hedmark, the Science Centre in the Interior Region opened a two-metre, six-metre long 'brain' in June that forms part of the educational programme for eighth grade pupils and teachers. Its purpose is to increase young people's interest in maths and science and prevent them from dropping them in upper secondary school.

Most optimistic. People who live in the Lillehammer region are the most optimistic in the Interior Region. The Høyesveen family lives in Lillehammer and is eager to build their three-storey house.
SOURCE: Sparebanken Hedmark's Economic Barometer 2014.

Directors' report

Sparebanken Hedmark is the leading financial institution in Hedmark and Norway's sixth largest savings bank. The Bank is the only regional source of capital with its head office in the Inland Region.

The Group achieved its best result ever in 2014 with a profit after tax of NOK 1,040 million. The return on equity was 14.4 per cent. The continued good macro-economic situation in both Norway and the region contributed to very low losses.

The Group's financial strength is very good and it has an unweighted equity ratio of 15.3 per cent and a capital adequacy ratio of 17.1 per cent.

Its market position as the region's leading financial institution was further strengthened in 2014 and it enjoyed 6.8 per cent growth in total lending. The Group's subsidiaries within leasing, real estate brokerage and accounting services also achieved good results. The Group also saw very good growth in new markets.

Sparebanken Hedmark – Group

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

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

Its head office is in Hamar, and the Group's operations are in Hedmark, Oppland and Akershus. The Group's operations are not regarded as polluting the external environment.

The Bank owns 40.5 per cent of Bank 1 Oslo Akershus AS, 11 per cent of SpareBank 1 Gruppen AS, 16.8 per cent of SpareBank 1 Markets AS and 8 per cent of SpareBank 1 Kredittkort AS. The Bank also owns 9.5 per cent of SpareBank 1 Boligkreditt AS and 3.8 per cent of SpareBank 1 Næringskreditt AS (the covered bond companies). The results from the above companies are recognised in the Bank's consolidated financial statements proportionate to the Bank's stake.

Results

The Group's profit after tax for 2014 (figures for last year in brackets) totalled NOK 1,040 (694) million. The return on equity was 14.4 (11.0) per cent. Excluding the profit from the sale of the Bank's shares in Nets Holding ASA, the return on equity was 12.2 per cent.

Specification of the consolidated profit after tax (NOK millions):

Parent Bank's profit after tax	676
Dividends received from subsidiaries/associated companies	-135
Share of the result from:	
SpareBank 1 Gruppen AS	202
Bank 1 Oslo Akershus AS	183
SpareBank 1 Boligkreditt AS	19
SpareBank 1 Næringskreditt AS	5
EiendomsMegler 1 Hedmark Eiendom AS	8
SpareBank 1 Finans Østlandet AS	73
SpareBank 1 Regnskapshuset Østlandet AS	4
Other associated companies/joint ventures	5
Consolidated profit after tax	**1 040**

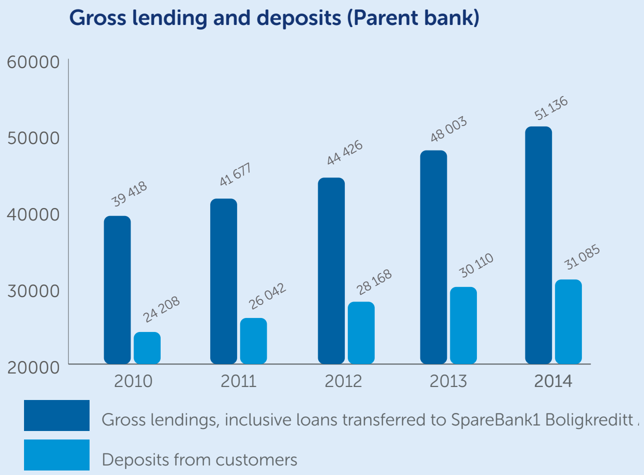
Interest income and other operating income

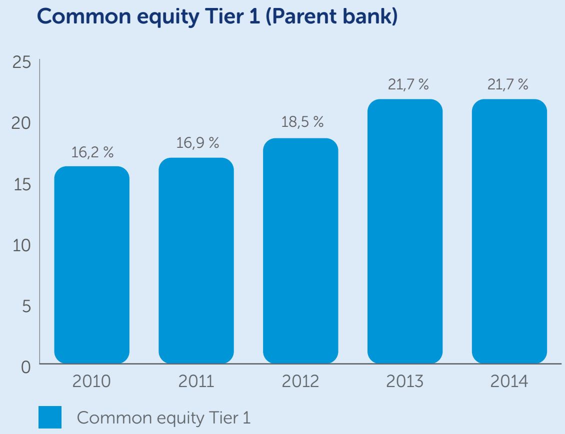
Total net interest income, including commissions from loans transferred to partly-owned companies (recognised as commissions), amounted to NOK 1 271 (1 215) million. This represents an increase of 4.6 per cent compared with 2013.

In connection with the establishment of SpareBank 1 Kredittkort AS, the Bank sold its credit card portfolio totalling NOK 306 million to this company in February 2014. The return on the Bank's credit card portfolio was previously included in net interest income. After the sale, net interest income from the credit card portfolio is recognised as commissions, based on the same principle applied to loans transferred to the covered bonds companies. This change has had a negative impact on the Bank's reported net interest margin and net interest income. The Group's net interest income dropped from 2.21 per cent in 2013 to 2.08 per cent in 2014.

The Group's lending margin, including home mortgages in the covered bonds companies but excluding interest income from the card portfolio, amounted to 2.96 (3.08) per cent. The deposit margin was -0.52 (-0.68) per cent. The Group's net interest margin was 2.44 (2.40) per cent.

Net commissions and other income increased from NOK 559 million in 2013 to NOK 663 million in 2014. Of the NOK 104 million increase, commissions from transferred loans to the covered bonds companies contributed NOK 20 million, gains from the sale of the credit card portfolio contributed NOK 25 million, and commissions from the credit card portfolio contributed NOK 25 million.
Other operating income increased by NOK 28 million. The accounting and estate agency business increased turnover by NOK 36 million.





Net result from financial assets and liabilities

The net result from financial assets and liabilities increased by NOK 310 million to NOK 573 (263) million. The net profit from ownership interests increased by NOK 68 million. The profit from the sale of the shares in the payment systems company Nets Holding ASA contributed NOK 158 million, and changes in the market value of securities saw an improvement of NOK 94 million.

The share of the profit from Bank 1 Oslo Akershus AS accounted for NOK 183 (133) million of the profit from ownership interests. In the second quarter of 2013, Sparebanken Hedmark increased its stake in Bank 1 Oslo Akershus AS from 12 to 40.5 per cent.

The share of the profit from SpareBank 1 Gruppen AS totalled NOK 202 (132) million.

The net result from other financial assets and liabilities amounted to NOK 166 (-84) million. Besides the profit from the sale of the shares in Nets Holding ASA, other securities contributed NOK 8 million.
The Bank's securities issued, fixed-income investments, derivatives and fixed-rate products for customers are assessed at fair value through profit and loss pursuant to IAS 39, and changes in market value are recognised in profit and loss. The total net change in market value for fixed-income securities amounted to NOK 36 (-67) million, while the change in value for fixed-rate products for customers was NOK 28 (-34) million. Other items amounted to NOK 16 (16) million.

Costs and losses

The Group's operating costs were NOK 981 (916) million. This represents an increase of 7.1 (6.0) per cent compared with the year before. NOK 23 million of the NOK 65 million increase was due to increased costs in subsidiaries, primarily due to greater activity. The number of full time equivalents increased by 17 from 656 in 2013 to 673 in 2014.

Personnel costs amounted to NOK 543 (486) million. This represents an increase of NOK 57 million or 11.8 per cent. The ordinary growth in wages amounted to NOK 39 million. The increase includes NOK 6 million in extraordinary costs and NOK 5 million linked to service production in the SpareBank 1 Alliance that generates corresponding income. Increased pension costs amounted to NOK 6 million.

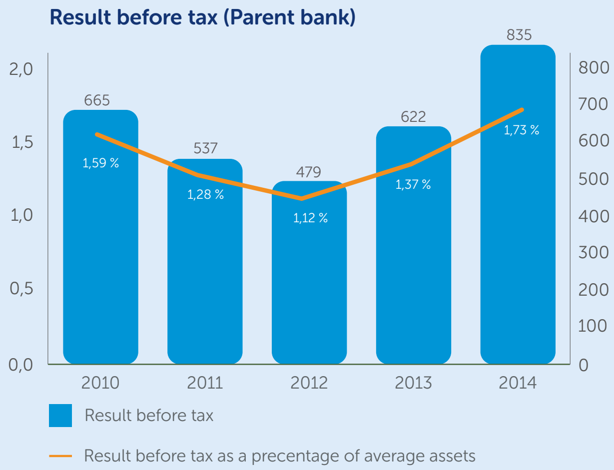
Other operating costs increased by 1.8 per cent and amounted to NOK 438 (430) million.

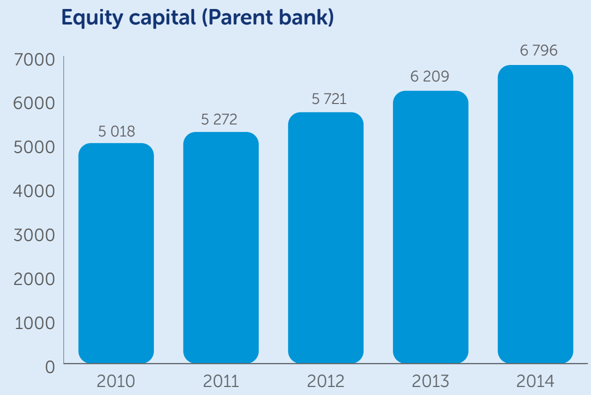
Operating costs as a percentage of total income were 43.1 (50.1) per cent.

Total net loan loss provisions amounted to NOK 66 (72) million, which corresponds to 0.1 (0.1) per cent of gross lending on its balance sheet. Credit risk measured as a percentage of problem loans (non-performing and other impaired commitments) decreased in 2014. In total, the Group's problem loans amounted to 1.2 (1.4) per cent of gross commitments on its balance sheet and 0.9 (1.1) per cent if loans transferred to the covered bond companies are included.

Assets and liabilities

Gross lending to customers, including loans transferred to the covered bond companies, totalled NOK 55.9 (52.4) billion. At year-end 2014, loans totalling NOK 15.4 (14.6) billion had been transferred to SpareBank 1 Boligkreditt AS and loans totalling NOK 0.6 (0.6) billion had been transferred to SpareBank 1 Næringskreditt AS. Retail customer loans transferred to the covered bond company as a percentage of the overall retail customer loans (loans on its balance sheet and transferred loans) was 43.5 (40.5) per cent.
The Group's 12-month lending growth, including transferred loans, was 6.8 (8.9) per cent.
Customer deposits totalled NOK 31.1 (30.1) billion. The growth over the past 12 months was 3.2 (7.0) per cent. Deposits represented 77.8 (80.9) per cent of gross lending.





Senior debt to financial institutions and senior securities issued totalled NOK 9.6 (9.0) billion. The average term to maturity of the Bank's long-term funding was 4.0 (4.5) years. The average term to maturity for all funding was 3.6 (3.9) years. The average risk premium on the Bank's funding portfolio at year-end 2014 was 82 basis points. In addition to senior debt, the Bank had NOK 0.5 billion in subordinated loans.

Liquidity was very good and there has been high level of interest in the Bank's bonds. At year-end 2014, the Bank had enough reserves to maintain normal operations for 18 (16) months. This scenario assumes 5.9 per cent lending growth and a 2.6 per cent growth in deposits.

In the opinion of the Board of Directors, the Bank's liquidity risk is low.

The Group's equity amounted to NOK 7.6 (6.7) billion, which is equivalent to 15.3 (14.2) per cent of the balance sheet.

The Group's core equity tier 1 ratio was 14.8 (16.2) per cent. The reduction in the core equity tier 1 ratio was primarily attributable to increased home mortgage risk weights and the introduction of regulations in CRD IV. The total capital adequacy ratio was 17.1 (16.4) per cent.

Rating

Sparebanken Hedmark is rated by Moody's as A2 (long-term senior debt and deposit rating). The Bank's individual rating (standalone financial strength rating) is C-. In May, Moody's changed Sparebanken Hedmark's rating from A2, Stable Outlook to A2, Negative Outlook. The reason for this was the EU's adoption of the Bank Recovery and Resolution Directive, the so-called "bail-in". This change applied to all of the savings banks in Norway.

Sparebanken Hedmark – Parent Bank and subsidiaries

With reference to the Norwegian Accounting Act's requirements concerning the content of annual reports, the Board of Directors confirms that the financial statements have been prepared on the basis of a going-concern assumption.

The profit after tax in 2014 totalled NOK 676 (499) million.
Banking operations, defined as net interest income plus commissions and other operating income less operating costs and losses, achieved a profit before tax of NOK 505 (497) million.

Income

Net interest income, including loans transferred to the covered bond companies, amounted to NOK 1,063 (1,037) million. The increase was due to higher volumes.

The net interest margin for loans on the balance sheet (excluding currency loans) was 2.49 (2.53) per cent. The lending margin was 3.01 (3.21) per cent and the deposit margin was -0.52 (-0.68) per cent. When the sale of the credit card portfolio is taken into account, the net interest margin was almost unchanged throughout 2014.

The interest margin for the retail market was 2.38 (2.48) per cent, and for the corporate market it was 2.69 (2.61) per cent.

NOK 228 (207) million of the NOK 482 (409) million in net commissions and other operating income came from commissions on loans transferred to the covered bond companies. The net margin for the portfolio transferred to SpareBank 1 Boligkreditt AS, which amounts to NOK 15.4 (14.6) billion, was 1.47 (1.50) per cent.

The net profit from financial assets and liabilities was NOK 296 (126) million. Income from dividends amounted to NOK 13 (21) million. The profit after tax from ownership interests, primarily dividends, amounted to NOK 117 (189) million. The net result from other

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.

financial assets and liabilities was NOK 166 (-84) million, including the profit from the sale of the shares in Nets.

Operating costs and losses

Total operating costs were NOK 726 (681) million. Costs increased by 6.6 (4.4) per cent, or NOK 45 million, compared with the year before. Personnel costs increased by NOK 32 million. NOK 5 million of this increase was linked to services performed for the Alliance and which provide corresponding income. IT costs increased by NOK 8 million and marketing costs increased by NOK 3 million. Other operating costs increased by NOK 3 million.

At year-end 2014, the Parent Bank had 459 (464) full time equivalents.

Operating costs represented 45.0 (49.9) per cent of total income.

Net loan loss provisions were NOK 52 (61) million. NOK 15 (18) million of this was in the retail market, while NOK 36 (43) million was in the corporate market. Group write-downs amounted to NOK 8 (-5) million.

Assets and liabilities

Gross lending to customers, including loans transferred to the covered bond companies, totalled NOK 51.1 (48.0) billion. The Parent Bank's lending growth for the last 12 months, including loans transferred to the covered bond companies, was 6.5 (7.6) per cent.

Growth, including transferred loans, was 6.1 (7.2) per cent in the retail market and 7.2 (10.2) per cent in the corporate market. The risk profile for the Bank's granting of credit has not changed in 2014.

Deposits from and liabilities to customers totalled NOK 31.1 (30.1) billion at the end of the year. The growth in deposits was 3.2 (6.9) per cent. NOK 20.2 billion of deposits came from the retail market, while NOK 10.9 billion came from the corporate market. Public sector deposits amounted to NOK 3.6 billion.

The core equity tier 1 ratio was 21.7 (21.7) per cent at year-end 2014. The Parent Bank's equity of NOK 6.8 (6.2) billion consists entirely of retained earnings and represents 13.9 (13.3) per cent of the balance sheet.

Subsidiaries and partly-owned companies

The leasing and finance company SpareBank 1 Finans Østlandet AS reported a profit after tax of NOK 73 (58) million. At the end of the year the finance company's gross lending totalled NOK 4.8 (4.2) billion. Gross lending growth over the past 12 months was 16.1 (15.0) per cent.

SpareBank 1 Regnskapshuset Østlandet AS posted earnings of NOK 126 (103) million and achieved a result after tax of NOK 4 (-5) million.

The estate agency EiendomsMegler 1 Hedmark Eiendom AS posted earnings of NOK 79 (67) million and achieved a profit after tax of NOK 8 (3) million.

SpareBank 1 Gruppen AS (11 per cent stake) achieved a consolidated profit after tax of NOK 1,848 (1,109) million. The return on equity was 28 (20) per cent.

Bank 1 Oslo Akershus AS (40.5 per cent stake) achieved a profit after tax of NOK 452 (328) million. The result gave a return on equity of 15.4 (12.8) per cent, including the profit from the sale of the shares in Nets Holding ASA. The return on equity excluding this profit was 11.2 per cent. The core equity tier 1 ratio was 14.5 (14.0) per cent.

Risk Management

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

The Board of Directors has adopted the "Risk and Capital Management Policy in 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

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.

well as the Bank's finance strategy for the areas of liquidity 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/processes 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 risk groups. For more detailed information, please refer 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 been expanded to include the Gjøvik and Lillehammer regions in Oppland, as well as Nes in Akershus. As before, 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 improved in 2014. Expected losses and risk-adjusted capital have been reduced in relative terms. Total defaults have been stable and loan losses remain at a very low level. Losses were lower in 2014 than in 2013. Lending growth was also somewhat lower in 2014 than in 2013.

The risk profile in the retail market portfolio has improved and the risk in the portfolio is regarded as low, with the majority secured by security in real estate. Total defaults have been reduced and losses on loans are low. Lending growth has been on a par with growth in the market. 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 in the market risk section below. The Bank also has credit risk related to accounts receivable from other credit institutions. The decidedly largest single receivable is a loan to the Bank's subsidiary, SpareBank 1 Finans Østlandet AS.

The Board of Directors finds that the Bank's credit risk related to lending operations overall has developed positively in 2014. 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 interest rates, share prices and foreign exchange rates. Limits and guidelines for the management of market risk follow from the Group's financial strategy adopted by the Board of Directors. Risk exposure and development is continuously monitored and reported periodically to the 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. This market risk – the spread risk – can be divided into interest rate risk and credit risk.

Guidelines and limits for investments in fixed-income securities are adapted to the regulatory requirements for funding management. Total investments in fixed income securities amounted to NOK 4 billion at year-end. The relative share of fixed income securities with the lowest credit risk increased throughout the year due to the gradual adaptation to regulatory requirements. 79 per cent of the portfolio was rated AA or better at year-end.

The holding of securities issued increased during the year from a nominal value of NOK 8.5 billion to a nominal value of NOK 8.9 billion. The liability's market value varies with changes in interest rates and credit spreads.

Interest rate risk arises as a result of the Group's balance sheet items having different remaining interest rate

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

Larsen has a degree in economics and administration and spent a year studying innovation. In addition he has an Executive Master of Management degree from BI Norwegian Business School.

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.

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. 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 result by NOK 15 million.

Currency risk is managed by means of the adopted exposure limits. The positions have generally been very low in 2014.

The price risk for equity capital instruments is measured in relation to exposure to equity capital instruments. The greatest part of the exposure concerns strategic investments in the Parent Bank. In 2014, the Bank experienced a drop in exposure to equity capital instruments.

In the opinion of the Board of Directors the Bank's total market risk is low at year-end 2014.

Liquidity risk

Liquidity 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 liquidity risk is based on the finance strategy. This sets limits for the net funding requirements at different time intervals, requirements for long-term and diversified funding, the size of the liquidity reserve and time horizons for which the Bank must be independent of new external financing.

Deposits from customers represent the Bank's main source of funding. Sparebanken Hedmark's goal is to maintain a broad base of deposits from both retail and corporate customers. At year-end 2014, the Bank had a deposit coverage ratio of 78 per cent.

In addition to deposits, the Bank is funded by loans in the securities market, loans from financial institutions and covered bonds via the sale of loans to the covered bond companies SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

At year 2014, the average term to maturity for the Parent Bank's long-term funding was 4.0 years. The average term to maturity of all borrowing was 3.6 years.

As part of the liquidity management, Sparebanken Hedmark maintains a portfolio of liquid securities. In addition to the securities portfolio, the Bank has a liquidity reserve in the form of loans prepared for sale to the mortgage companies.

The Bank satisfies the regulatory liquidity requirements by having liquid assets that satisfy heavy short-term stress in addition to survival in a longer perspective. At year-end 2014, the Bank had a liquidity coverage ratio (LCR) of 88 per cent, at the same time as the Bank has enough liquid assets to survive for more than 18 months without the supply of external funding in an ordinary operating situation with budget growth.

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.

The 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 Group'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 believes that the Bank's overall risk exposure is acceptable.

Organisation and HR

Sparebanken Hedmark wants to recruit, develop and retain capable employees and develop a competent and adaptable organisation. Individual employees should experience a balance between work and leisure, and the Bank wants to help employees stay healthy. Health

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

Christensen is qualified withineconomics and marketing, and has a degree in strategic board management from BI. She is a partner in ABUtvikling 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 7sterke AS. He was elected to the board in 2013.

promoting activities through the company sports teams, expanded annual health check-ups, and a focus on healthy lifestyles through various measures help to improve health and job satisfaction and motivation.

The Bank has a special HR strategy that particularly focuses on managerial development, skills development and internal interaction.

The most important measures associated with the HR strategy are reported and followed up as part of the organisation's overall performance management system.

The 'Kompetanseportalen' – a tool developed within the SpareBank 1 Alliance – was implemented during the year in order to run more strategic, goal-oriented and systematic skills development.

The Bank has also established a special 'Management School' for developing both new and existing managers. In addition to this, there are specialist days for managers, half-yearly gatherings for all managers in the Group, and manager meetings within the individual divisions.

Organisational development and HSE

Some minor adaptations were made to the organisation's structure and a series of organisational development activities were implemented in 2014. Much of this has involved improving work processes and better interaction between parts of the Group.

The annual organisational survey is important as part of the assessment, follow-up and development of the organisation's managers, and is used to evaluate the need for various organisational development measures. The results for the organisation in 2014 were, overall, at the highest level that has been measured using this method.

The sick leave rate dropped from 5.6 per cent in 2013 to 4.1 per cent in 2014. Short-term sick leave is below 1.0 per cent and long-term sick leave was largely related to serious illnesses that were not work related. The Bank signed a new IW agreement during 2014 and set targets for long-term sick leave, employing more people with impaired functionality, and higher retirement ages.

One new occupational accident was reported to the Norwegian Labour Inspection Authority in 2014.

Equal opportunities

Women account for 57 per cent of the Bank's employees, while the proportion of women in managerial positions is 44 per cent. The proportion of women in managerial positions has been increasing for years.

The chief executive'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 14 women and 26 men.

Sparebanken Hedmark is striving for a balance between the genders in different roles at all levels of the organisation, and facilitates equal opportunities through continuous personnel management and development measures.

All employees' salaries are determined on the basis of their position, education, experience and personal qualities, and they are subject to individual annual assessments.

Sparebanken Hedmark strives to avoid discrimination in all contexts. The Bank makes special adaptations for employees who, because of illness, experience reduced capacity for work or who, for 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 depend on the confidence of customers, public authorities and society at large. Sparebanken Hedmark's employees should be known for their high ethical standards. Its employees should be competent, honest, fair and inspire confidence. The necessary professional distance should be maintained in all interactions with others.

Value shall be created in accordance with good advice practices and within limits that do not require the individual employee to violate the code of conduct in order to satisfy financial targets.
Discussing the code of conduct is part of the mandatory introductory programme for new employees. An annual "Ethics Week" is also arranged and involves the entire organisation. All the employees must also confirm each year that they have reviewed and understood the content of the code of conduct.

Outlook for 2015

The Board has recommended that the Supervisory Board approve the conversion of parts of the primary capital into equity capital certificates to strengthen the Bank's position and lay the groundwork for further growth. If this is approved, a foundation will be established that will become the owner of 60 per cent of the Bank's equity. The foundation's share will be reduced in the event of any subsequent listing on the stock exchange, but it is suggested that the articles of association stipulate that the ownership interest must be more than 50 per cent.

Economic activity in Norway is expected to drop slightly in 2015. Sparebanken Hedmark's primary market is the Inland Region, which encompasses the counties of Hedmark and Oppland. 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. Reduced Norwegian oil activities will have limited consequences for the Inland Region in the short-term. The Bank's credit exposure to oil-related activities is very low.

The Bank is well prepared for any setback with good liquidity, a high deposit coverage ratio, stable earnings and a high level of equity.

The Board of Directors of Sparebanken Hedmark
Hamar, 5. March 2015

Siri J. Strømmevold Board Chair	Bjørnar Håkensmoen	Erik Garaas
Espen Bjørklund Larsen	Nina C. Lier	Aud Christensen
Morten Herud		Richard Heiberg CEO

Accounting

All for Osen. Machinery entrepreneur Wiggo Rønningen has invested more than NOK 10 million in a high-risk hotel project on the shores of the Osensjøen lake in Åmot. The goals include constructing a 1 kilo-metre long promenade along the shoreline.
SOURCE: Sparebanken Hedmark's Economic Barometer 2014.

Income statement

Parent bank 2013	Parent bank 2014	(NOK million)	Notes:	Group 2014	Group 2013
1 908	1 894	Interest income	20	2 101	2 085
1 078	1 059	Interest expenses	20	1 058	1 077
830	**835**	**Net interest income**		**1 043**	**1 008**
416	497	Commission income	21	496	415
27	31	Commission expenses	21	50	45
19	16	Other operating income	21	217	189
409	**482**	**Net commission and other income**		**663**	**559**
21	13	Dividends	22	13	21
189	117	Net profit from ownership interests	22,39,42	394	326
-84	166	Net profit from other financial assets and liabilities	22	166	-84
126	**296**	**Net income from financial assets and liabilities**		**573**	**263**
1 364	**1 613**	**Total net income**		**2 279**	**1 829**
342	374	Personnel expenses	23,24	543	486
339	353	Other operating expenses	25	438	430
681	**726**	**Total operating expenses before losses on loans and guarantees**		**981**	**916**
684	**886**	**Profit before losses on loans and guarantees**		**1 298**	**913**
61	52	Losses on loans and guarantees	11	66	72
622	**835**	**Profit/loss before tax**		**1 232**	**841**
124	159	Tax charge	26	192	147
499	**676**	**Results for the accounting year**		**1 040**	**694**
		Majority interests		1 038	704
		Minority interests		2	-10

Parent bank 2013	Parent bank 2014		Group 2014	Group 2013
499	**676**	**Statement of other comprehensive income**	**1 040**	**694**
-67	-51	Actuarial gains / losses on pensions	-81	-85
18	14	Tax effect of actuarial gains / losses on pensions	20	22
		Share of other comprehensive income from associates and joint ventures	10	1
-49	**-37**	**Total items not reclassified through profit or loss**	**-51**	**-62**
56	142	Change in value of financial assets available for sale	144	56
-3		Financial assets available for sale transferred to profit and loss on write-downs due to permanent impairment of value		-3
3	-158	Financial assets available for sale transferred to profit and loss on realisation	-158	3
		Share of other comprehensive income from associates and joint ventures		5
56	**-16**	**Total items reclassified through profit or loss**	**-14**	**61**
7	**-53**	**Total profit and loss items recognised in equity**	**-65**	**0**
505	**623**	**Total profit and loss for the accounting year**	**975**	**693**
		Majority interest of comprehensive income	973	703
		Minority interest of comprehensive income	2	-10

Balance sheet

Parent bank				Group	
2013	**2014**	(NOK million)	Notes:	**2014**	**2013**
		ASSETS			
572	748	Cash and deposits with central banks		748	572
4 254	4 856	Loans to and receivables from credit institutions	7	675	699
32 598	34 923	Loans to and receivables from customers	8	39 691	36 936
4 927	4 017	Certificates and bonds	30	4 017	4 927
363	531	Financial derivatives	31	531	363
357	239	Shares, units and other equity interests	32	239	357
2 140	2 323	Investments in associates and joint ventures	39	3 073	2 565
407	668	Investments in subsidiaries	39		
		Assets held for sale			1
266	315	Property, plant and equipment	34	336	288
117	110	Goodwill and other intangible assets	33	185	177
70	72	Deferred tax asset	26	33	58
599	260	Other assets	35	406	455
46 669	**49 061**	**Total assets**		**49 934**	**47 397**
		LIABILITIES			
634	667	Deposits from and liabilities to credit institutions	7	665	632
30 110	31 085	Deposits from and liabilities to customers	36	31 070	30 097
8 398	8 951	Liabilities arising from issuance of securities	37	8 951	8 398
182	330	Financial derivatives	31	330	182
131	146	Current tax liabilities	26	150	144
503	581	Other debt and liabilities recognised in the balance sheet	38	639	722
503	505	Subordinated loan capital	37	505	503
40 460	**42 265**	**Total liabilities**		**42 310**	**40 679**
		EQUITY CAPITAL			
6 013	6 645	Primary capital		6 645	6 013
71	42	Endowment fund		42	71
125	109	Fund for unrealised gains		110	125
		Other equity		827	495
		Minority interests			14
6 209	**6 796**	**Total equity capital**		**7 624**	**6 718**
46 669	**49 061**	**Total equity capital and liabilities**		**49 934**	**47 397**

The Board of Directors of Sparebanken Hedmark
Hamar, 6 March 2015

Siri J. Strømmevold
Chairperson

Bjørnar Håkensmoen

Erik Garaas

Espen Bjørklund Larsen

Nina C. Lier

Aud Christensen

Morten Herud

Richard Heiberg
Chief executive officer

Changes in equity capital

Parent bank

(NOK million)	Primary capital	Endow-ment fund (Earned equity capital)	Fund for unrealised gains (Earned equity capital)	Total equity capital
Equity capital 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 capital at 31 December 2013	**6 013**	**71**	**125**	**6 209**
Equity capital at 1 January 2014	**6 013**	**71**	**125**	**6 209**
Results for the accounting year	676			676
Actuarial gains / losses on pensions	-37			-37
Change in value of financial assets available for sale			-16	-16
Donations distributed from profit 2013	-6			-6
Grants from endowment fund in 2014		-29		-29
Equity capital at 31 December 2014	**6 645**	**42**	**109**	**6 796**

Group

(NOK million)	Primary capital	Endow-ment fund (Earned equity capital)	Fund for unrealised gains (Earned equity capital)	Other equity	Minority interests	Total equity capital
Equity capital at 1 January 2013	**5 569**	**83**	**69**	**299**	**24**	**6 044**
OB correction: Correction of previous years' errors				-6		-6
Adjusted equity capital 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
Other items that will be reclassified in associated companies and joint ventures				4		4
Adjusted equity capital 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 capital at 31 December 2013	**6 013**	**71**	**125**	**495**	**14**	**6 718**
Equity capital at 1 January 2014	**6 013**	**71**	**125**	**493**	**14**	**6 717**
Results for the accounting year	676			364		1 040
Actuarial gains / losses on pensions	-37			-24		-61
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss				10		10
Change in value of financial assets available for sale			-16	1		-14
Adjusted equity capital in associated companies and joint ventures				-4		-4
Change in the group composition				-15	-14	-29
Donations distributed from profit 2013	-6					-6
Grants from endowment fund in 2014		-29				-29
Equity capital at 31 December 2014	**6 645**	**42**	**110**	**827**	**0**	**7 624**

Cash flow statement

Parent bank			Group	
2013	**2014**	(NOK million)	**2014**	**2013**
12 681	11 012	This year's downpayment on repayment loans etc. to customers	12 905	14 492
		Change in advance rent leasing	19	28
-10 612	-10 394	Newly discounted repayment loans etc. to customers for the year	-12 979	-13 130
-23	-118	Change in balances of foreign currency lending	-118	-23
-3 174	-2 883	Change in balances of credits	-2 883	-3 173
1 567	1 541	Interest and commission income on lending	1 848	1 829
25	5	Included in previous years' realised losses on lending	9	27
1		Net cash flow from assets held for sale	1	
465	**-837**	**Cash flow from lending operations (A)**	**-1 198**	**50**
1 246	715	Change in balances of deposits from customers at call	714	1 260
710	279	Change in balances of deposits from customers with agreed maturity dates	279	710
-821	-766	Interest payments to customers	-763	-817
1 135	**228**	**Cash flow from deposit operations (B)**	**231**	**1 153**
153	914	Net cash flow from securities held short term	914	153
66	122	Cash flow linked to exchange rate gains / losses on securities held short term	122	66
103	97	Interest received on certificates and bonds	97	103
322	**1 134**	**Cash flow from investments in securities (C)**	**1 134**	**322**
-755	-592	Change in receivables from credit institutions with agreed maturity dates	33	-403
93	116	Interest received on deposits in credit institutions	116	93
-662	**-476**	**Cash flow from deposits in credit institutions (D)**	**149**	**-310**
551	619	Other income	821	721
-644	-696	Operating expenses payable	-979	-897
-113	-146	Tax payments	-159	-116
-17	-35	Donations	-35	-17
-135	68	Net cash flow from change in other assets	-37	28
-203	248	Net cash flow from change in accruals	147	-315
-112	14	Net cash flow from change in other liabilities	-121	-72
-673	**72**	**Remaining cash flow from current operations (E)**	**-361**	**-668**
587	**121**	**CASH FLOW FROM OPERATIONS (A+B+C+D+E=F)**	**-46**	**547**
-200	17	Change in deposits from credit institutions	33	-203
2 497	2 053	Receipts arising from issuance of securities	2 053	2 498
-1 173	-1 388	Payments arising from redemption of securities issued	-1 388	-1 173
-454	-262	Buy-back of own securities	-262	-454
-219	-225	Interest payments on financing	-225	-219
451	**195**	**Cash flow from financing activities (G)**	**211**	**449**
-70	-77	Investments in fixed assets and intangible assets	-83	-77
11	1	Sales of fixed assets and intangible assets at sales price	1	11
-882	-222	Purchase of long-term securities	-222	-882
178	280	Sale of long-term securities	280	178
145	147	Share dividends from securities held long term	85	115
-618	**130**	**Cash flow from investments (H)**	**61**	**-655**
3	-27	Liquidity effect of acquisition and sale of subsidiaries(I)	-43	-3
-85	-235	Payments arising from placements in subsidaries (L)		
338	**184**	**CHANGE IN CASH AND CASH EQUIVALENTS (F+G+H+I+L)**	**184**	**338**
261	599	Cash and cash equivalents at 1 January	599	261
599	**783**	**Cash and cash equivalents at 31 December**	**783**	**599**
		Cash and cash equivalents at 31 December comprise:		
572	748	Cash and deposits with central banks	748	572
27	35	Deposits etc. at call with banks	35	27
599	**783**	**Cash and cash equivalents at 31 December**	**783**	**599**

Notes

Investing in accessibility. Director of Retail Market, Kari Elise Gisnås (middle), and regional bank directors for the retail market, Snorre Sveløkken, Eva Kristin Myhre, Jan Sævig, June S. Vinje and Geir Schjølberg, together with Bank Manager Private Banking, Pål Marthinsen, and Bank Manager Retail Customer Service Centre, Hege Langerud Bruset.

Notes to the accounts

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Farming. The companies in the Interior Region expect higher turnover, profitability and demand next year. Farmers are the least optimistic, but that does not apply to Ole Anders Krogrud from Gaupen in Ringsaker.
SOURCE: Sparebanken Hedmark's Economic Barometer 2014.

Note 1 General information

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

The Bank owns 11 per cent of SpareBank 1 Gruppen AS. The other owners are SpareBank 1 SR-Bank, SpareBank 1 Nord-Norge, SpareBank 1 SMN and Samarbeidende Sparebanker AS, each of which owns a 19.5 per cent stake, the Norwegian Federation of Trade Unions (LO), which owns a 9.6 per cent stake, and Bank 1 Oslo Akershus AS, which owns a 1.4 per cent stake. The management structure of the SpareBank 1 Alliance is governed by an agreement between the owners. The Group's stake in SpareBank 1 Gruppen AS is classified as an investment in a joint venture. The Bank owns 50 per cent of the shares in Torggata 22 AS. The company is treated as a joint venture in the financial statements. The same applies to SpareBank 1 Utvikling DA, in which the Bank has an 11.3 per cent stake. The other owners in the latter company are banks in the SpareBank 1 Alliance.

Sparebanken Hedmark owns 40.5 per cent of Bank 1 Oslo Akershus AS. The company is classified as an associated company. This is also true of the mortgage companies SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, which the Bank owns 9.50 per cent and 3.84 per cent of, respectively, as well as SpareBank 1 Kredittkort AS, which it owns 8.0 per cent of, and KOMM-IN AS, which it owns 23.7 per cent of. A number of alliance companies are defined as associated companies in spite of the fact that the ownership interest is less than 20 per cent. The reason for this is that the ownership structure and the strategic cooperation between the owning banks of the SpareBank 1 Group AS gives Sparebanken Hedmark 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 26 branches spread across three counties. The branch network is located primarily in Hedmark, but the Bank also has two branches in Oppland and one branch 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 financial statements were authorised for issue by the Supervisory Board on 26 March 2015. The Supervisory Board is the Bank's supreme administrative body.

Changes in the composition of the Group

2014
In the first quarter, Sparebanken Hedmark sold its shares in SpareBank 1 Verdipapirservice AS (8.90 per cent) and SpareBank 1 Kundesenter AS (9.70 per cent) to Alliansesamarbeidet SpareBank 1 DA. The companies are still owned indirectly by Sparebanken Hedmark through the Alliance (11.30 per cent).

Sparebanken Hedmark increased its stake in SpareBank 1 Markets AS from 14.70 to 16.64 per cent in the second quarter. In the third quarter, its stake in SpareBank 1 Markets AS was increased to 16.80 per cent. There has been an ongoing restructuring process in the company in the last year.

In the fourth quarter, Sparebanken Hedmark acquired SpareBank 1 SMN's 40 per cent stake in SpareBank 1 Regnskapshuset Østlandet AS. Sparebanken Hedmark now owns 100 per cent of the shares in the company. The Bank previously owned a majority share in the accounting chain with a 60 per cent stake. The changed ownership interest entailed no changes in the treatment of the company in the financial statements and it is incorporated into the consolidated financial statements as before.

2013
Sparebanken Hedmark sold its stake 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 indirectly still owns an 11 per cent stake.

Sparebanken Hedmark increased its stake 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 completed with effect from 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 indirectly owned 12 per cent of SpareBank 1 Markets AS through its ownership of SpareBank 1 Gruppen AS.

Note 2 Accounting principles

Basis for preparation of the consolidated financial statements
The company and the consolidated financial statements for Sparebanken Hedmark have been prepared in accordance with the International Financial Reporting Standards (IFRS), which the EU has ruled shall be used as at 31 December 2014. This also includes interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC). Sparebanken Hedmark started applying IFRS as at 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 2015 or later.

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

Subsidiaries
Assets in subsidiaries are valued in accordance with the cost method of accounting in the Parent Bank financial statements. 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. The definition of subsidiary is

dealt with in IFRS 10 - Consolidated Financial Statements. It is the degree of actual control that determines whether or not a company should be classified as a subsidiary. Control only exists when an investor has power over relevant activities in the investment object, the risk of variable returns, and also the ability to affect those returns through exercising its power. In cases where loan terms and conditions are breached, the Bank will assess whether or not it has achieved genuine power in relation to IFRS 10.

Consolidation
The consolidated financial statements cover the Bank and all of 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 combination), 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 financial statements. The minority's share of the Group's profit/loss is presented on a separate line under profit/loss after tax in the income statement. The minority's share of equity is shown as a separate item.

Associated companies
The definition of an associated company is governed by IAS 28. Associated companies are companies in which the Bank has significant influence, but not control. Normally, significant influence exists when the Bank owns a stake of 20 per cent or more, unless it can be clearly established that this is not the case. Enterprises are treated as associated companies from the time significant influence is established and until it no longer applies. The investment is recognised for the first time on the balance sheet at cost and subsequently adjusted for changes in the Bank's share of the net assets of the associated company. Associated companies are recognised in accordance with the cost method of accounting in the Parent Bank and in accordance with the equity method in the Group.

Joint ventures
In a joint venture, the partners involved have joint control over operations based on contractual agreements. The agreements demand unanimity between the partners on strategic, financial and operations-related decisions. Joint ventures are recognised in accordance with the cost 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 with effect from 1 January 2007, loans are measured at amortised cost in accordance with IAS 39. The assessment of loans in accordance with IAS 39 thus follows the same policies as those in accordance with the lending regulations dated 21 December 2004, ref. Directive no. 10/2005 from the Financial Supervisory Authority of Norway.

Fixed-rate loans and loans with interest-rate guarantees are recognised at fair value through profit and loss using the Fair Value Option (FVO) in IAS 39. Gains and losses arising from a change in fair value are recognised as 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 managing the loans and contact with the customers. The Bank receives compensation in the form of commissions for the obligations associated with managing the loans. Please refer 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 a result of one or more events that occurred after the first time the item in question had been included in the financial statements (a loss event), and it must also be possible to measure the impact of the loss event(s) in a reliable manner. Objective proof of reduction in value of a financial asset or group of financial assets includes observed data that is known to the Group relating to the following loss events:

- significant financial difficulties experienced by the issuer or borrower
- default of contract, such as failure to pay instalments and interest
- the Group granting the borrower special terms and conditions for financial or legal reasons relating to the borrower's situation
- it becoming probable that the borrower will enter debt settlement proceedings or other financial reorganisation-
- the disappearance of active markets for the financial assets because of financial difficulties, or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, even though the decrease cannot yet be identified with an individual financial asset in the group including:
    - unfavourable development in the payment status of the debtors 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 costs. The difference between this value and the value of the loan commitment is adjusted through the income statement. Repossessed assets that cannot be expected to be sold are capitalised as fixed assets on the Bank's balance sheet.

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

Goodwill and other intangible assets
Goodwill is defined as the difference between the purchase price and the value of the acquired business included on the balance sheet, after the acquisition cost has been allotted to identifiable tangible and intangible assets, liabilities and contingent liabilities. Goodwill is not amortised, but is subject to an annual impairment test with a view to ascertaining any impairment, in accordance with IAS 36. When assessing impairment, the assessment is carried out at the lowest level where it is possible to identify cash flows. Any write-down of goodwill cannot be reversed. Negative goodwill is recognised as income immediately. Negative goodwill relating to investments in associated companies and joint ventures is recognised as income immediately according to the equity method of accounting. Other immaterial assets are depreciated on a straight-line basis over their estimated useful life.

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

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

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

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

Plots of land, buildings and sections of buildings owned by the Group for the purpose of earning rental income and/or capital gains are classified as investment properties. In buildings where the Group uses parts of the building for its own operations, that part that is leased to others is treated as an investment property if that part is sectionable. The Group has chosen to recognise investment properties in accordance with the cost method of accounting. The fair value of investment properties is established through an appraisal or valuation by a government-authorised estate agent.

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

DEFINED BENEFIT SCHEME
In the defined benefit pension scheme, the employer undertakes to provide a future pension of a given size. The basis for calculating the pension costs is a linear distribution of pension entitlements measured against the estimated accumulated commitments at the time of retirement. Costs are calculated on the basis of pension entitlements earned during the year, with a deduction for the return on funds assigned to pensions. Pension liabilities 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 calculating pension liabilities. 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. The calculation of the pension costs was slightly affected 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 costs 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 recognised on an ongoing basis against other operating income and costs.

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

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 early retirement under the AFP scheme with effect from 2011 or later, will be given benefits under 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 up to and including the calendar year in which the employee turns 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 liabilities, plan assets and pension costs. In the absence of estimates of the individual components and a consistent and reliable basis for allocation recorded, the new pension scheme is recognised 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 costs and employers covering two-thirds of the pension costs. 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 financial statements 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" in the income statement.

Derivatives

Derivatives comprise forward exchange contracts, swaps and options plus combinations of these. In addition, a guarantee liability in respect of Eksportfinans 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 and 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 costs
Interest income and interest costs 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 costs linked to interest-bearing instruments that are assessed at fair value are included in the presented market value (dirty price).

Commissions and commission costs
Commissions and commission costs are generally accrued according to the delivery/receipt of a service. Fees in conjunction with interest-bearing instruments are not recorded as commissions, but are included in calculating the effective interest rate and recognised through profit or loss accordingly. 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 financial statements are recognised when the transaction is completed.

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

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

Segment reporting
Sparebanken Hedmark aims to be a full-service provider of financial products and services, partly through services provided by the Bank and partly by distributing products and services on behalf of joint venture partners. In addition, the Bank has a number of subsidiaries that provide different financial services. Different kinds of operations are therefore conducted within the Group. The Group's segment reporting is primarily divided into the following areas: retail banking, corporate banking, financing, real estate brokerage, accounting, debt collection and other operations. Sparebanken Hedmark has applied IFRS 8 Operating Segments in its segment reporting since 1 January 2009.

Events 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 financial statements 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 for financial assets and liabilities. In accordance with IFRS 9, financial assets that include ordinary loan terms are to be recognised at amortised cost, unless it has been decided to recognise them at fair value, while other financial assets are to be recognised at fair value. The classification and measurement rules for financial liabilities are identical with those that we currently have in IAS 39, with the exception of the designation of liabilities at fair value with value changes through profit or loss (fair value option). For these kinds of instruments, any changes in fair value as a result of changes in the entity's own credit risk are recorded against comprehensive income (OCI), but all other changes will be recorded in the profit on ordinary activities. IFRS 9 also contains the derecognition provisions from IFRS 39. It is assumed that the amendment will entail consequences for the Bank's financial statements, 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	1 January 2018
New IFRS 15	A new standard for recognising income in which the general rule is that income can first be recognised when the company transfers control of a performance obligation to the customer. The effect of this standard on the Bank's financial statements is regarded as negligible.	Expected Q2 2015	1 January 2017
IFRIC 21 - Levies	IFRIC 21 clarifies how a levy imposed by public authorities, which is not a tax pursuant to IAS 12 - Income Taxes and does not represent a fine/duty, should be recognised. This means, for example, that if the liability is triggered by a milestone or a specified limit, then the levy must be recognised from this point in time. In the Bank's financial statements this will mean that wealth tax, for example, should first be recognised in its entirety in annual financial statements and not in interim financial statements.	Yes	1 January 2015
Amendments to IAS 16 and IAS 38	Clarifies that the depreciation method based on income profile cannot be applied to tangible fixed assets and intangible assets. The effects of this amendment will not affect the Bank's financial statements.	Expected Q1 2015	1 January 2016
Amendments to IAS 28 and IFRS 10	Clarifies that the elimination of gains pursuant to IAS 28 for stakes that are still owned shall only apply to assets that are not companies. For companies, the gain shall be calculated as if 100 per cent was sold. The effect of this amendment on the Bank's financial statements is regarded as negligible.	Expected Q3 2015	1 January 2016
Amendments to IAS 27	Suggests opportunities for applying the equity method for subsidiaries, associated companies Suggests opportunities for applying the equity method for subsidiaries, associated companies	Expected Q3 2015	1 January 2016
Amendments to IFRS 11	Clarification that the acquisition method must be applied in an analogue fashion when acquiring stakes in Clarification that the acquisition method must be applied in an analogue fashion when acquiring stakes in	Expected Q1 2015	1 January 2016

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

Management's assessments in connection with the choice of accounting policies

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

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. The following financial assets and liabilities are also stated at fair value through profit and loss pursuant to the Fair Value Option (FVO) in IAS 39, section 9: Bonds, and certificates, fixed-rate loans and loans with interest-rate guarantees for customers, securities debt, fixed-rate deposits for customers, and term deposits. FVO is applied with a view to achieving a consistent assessment of assets and liabilities 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 are classified 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 financial statements are published.

Fair value is consistently presented inclusive of accrued interest (dirty price).

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 financial statements 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 had to recognise actuarial gains and losses in other comprehensive income starting from 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. Substantial and especially exposed commitments are followed up at least twice a year. Both the corporate and retail banking portfolios are subject to assessment, with default older than 62 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 commissions 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. All loans are consequently assessed with the exception of those that have been subject to individual write-downs. 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
Listed shares and equity certificates are valued at the 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 AND CERTIFICATES (LOANS)
Purchased bonds and certificates are primarily valued against a yield curve (ask) adjusted for indicative credit spreads from Nordea Markets or another recognised brokerage house. Some bonds are valued at the indicated bid price from Reuters' pricing service.

DEBT SECURITIES ISSUED
Issued certificates and bonds are valued against the yield curve (bid), adjusted for indicated spread curve 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, 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 costs 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 shows the effects on the net pension liabilities of changes in some of the assumptions (given the other parameters remain unchanged).

Impact on the net pension liabilities

	Change in an assumption	Increase in an assumption	Reduction in an assumption
Discount rate	0,50 %	- 7,00 %	8,00 %
Wage inflation	0,50 %	3,00 %	- 3,00 %
Estimated economic life	1 år	5,00 %	4,60 %

The sensitivity analysis assumes that a parameter alone changed and the remaining assumptions remain unchanged. It is therefore not taken into account that some of the parameters are correlated. This is an unlikely scenario. Normal practice is that several parameters can be changed simultaneously. The calculation of the sensitivity analysis is performed by the same method as the calculation of the gross pension liability.

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

2014	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	SpareBank 1 Regnskaps-huset Østlandet	Other	Total
Income statement							
Net interest income	420	368	210		-3	48	1 043
-of which internal items			-84		-3	87	
Net commission and other income	390	74	-20	79	126	14	663
-of which internal items			-1			1	
Net return on financial investments						573	573
Operating expenses*	247	100	75	67	118	374	981
Profit before losses by segment	**563**	**342**	**115**	**12**	**5**	**261**	**1 298**
Losses on loans and guarantees	15	37	14				66
Profit / loss per segment before tax	**548**	**305**	**101**	**12**	**5**	**261**	**1 232**
Tax			28	4	1	159	192
Profit / loss per segment after tax	**548**	**305**	**73**	**8**	**4**	**102**	**1 040**
Balance sheet							
Gross lending to customers	20 037	14 474	4 827			598	39 936
-of which internal items					39	-39	
Individual loan write-downs	-35	-85	-9				-129
Collective loan write-downs	-33	-68	-15				-116
Other assets	118	1	60	26	108	9 930	10 242
Total assets per segment	**20 087**	**14 321**	**4 863**	**26**	**108**	**10 529**	**49 934**
Deposits from and liabilities to customers	19 727	10 897				446	31 070
-of which internal items			-2	-4	-9	15	
Other liabilities and equity	360	3 424	4 863	26	108	10 083	18 864
Total equity capital and liabilities per segment	**20 087**	**14 321**	**4 863**	**26**	**108**	**10 529**	**49 934**

2013	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	SpareBank 1 Regnskaps-huset Østlandet	Other	Total
Income statement							
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 before tax	**488**	**251**	**80**	**4**	**-4**	**22**	**841**
Tax			22	1		124	147
Profit / loss per segment after tax	**488**	**251**	**58**	**3**	**-4**	**-102**	**694**
Balance sheet							
Gross lending to customers	18 804	13 490	4 381			505	37 180
-of which internal items					30	-31	
Individual loan write-downs	-43	-88	-7				-138
Collective loan write-downs	-27	-66	-13				-106
Other assets	138	3	-16	30	90	10 216	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	10 453	17 299
Total equity capital and liabilities per segment	**18 872**	**13 338**	**4 345**	**30**	**90**	**10 722**	**47 397**

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

Note 5 Capital adequacy and capital management

Parent bank Basel II 2013	Parent bank Basel III 2014		Group Basel III 2014	Group Basel II 2013
6 013	6 645	Primary capital	6 645	6 013
71	42	Endowment fund	42	71
125	109	Revaluation fund / equalisation reserve	110	125
		Other equity	827	495
		Minority interests		14
6 209	**6 796**	**Total equity carried**	**7 624**	**6 718**
		Tier 1 capital		
		Minority interests not included		
-188	-110	Deferred tax (Basel II), goodwill and other intangible assets	-197	-248
-125	-109	Unrealised value change due to reduced / increased value of liabilities (Basel II/transitional adj.)	-110	-125
-210	-230	Positive value of expected losses under the IRB approach	-271	-113
-543		Deduction for subordinated capital in other financial institutions (Basel II)		-68
		Capital adequacy reserve (Basel II)		-1 142
	-109	CET1 instruments of financial sector entites where the institution does not have a significant investment		
		CET1 instruments of financial sector entites where the institution does have a significant investment	-1 602	
		Cumulative gains and losses due to changes in own credit risk on fair valued liabilities		
	-7	Value adjustments due to the requirements for prudent valuation	-10	
	-229	Excess of deduction from AT1 items over AT1 Capital		
5 144	**6 003**	**Total common equity Tier 1 capital**	**5 434**	**5 022**
		Additional Tier 1 capital		
		Hybrid capital	162	61
	-229	AT1 instruments of financial sector entites where the institution does not have a significant investment		
		AT1 instruments of financial sector entites where the institution does have a significant investment	-2	
		Excess of deduction from T2 items over AT1 Capital		
	229	Excess of deduction from AT1 items over AT1 Capital		
0	**0**	**Total additional Tier 1 capital**	**160**	**61**
		Supplementary capital in excess of core capital		
56	39	36 per cent (45 per cent under Basel II) of unrealised gain on shares classified as available for sale	40	56
500	500	Non-perpetual additional T1 capital	783	703
-14		Deduction for expected losses on IRB, net of write-downs (Basel II)		-112
-543		Deduction for subordinated capital in other financial institutions (Basel II)		-68
		Capital adequacy reserve (Basel II)		-579
	-297	T2 instruments of financial sector entites where the institution does not have a significant investment		
		T2 instruments of financial sector entites where the institution does have a significant investment	-144	
		Excess of deduction from T2 items over AT1 Capital		
0	**242**	**Total supplementary capital**	**679**	**0**
5 143	**6 245**	**Net subordinated capital**	**6 273**	**5 083**
	4 323	Corporates - SME	4 791	
5 871	6 953	Corporates - Specialised Lending	9 019	8 079
5 498	675	Corporates - Other	855	6 253
431	682	SME exposure	723	446
2 613	5 683	Retail morgage exposure	7 738	3 529
691	591	Other retail exposure	669	765
1 666		Equity investments		1 492
16 770	**18 907**	**Risk-weighted assets credit risk IRB**	**23 795**	**20 564**
6 133	6 513	Exposures calculated using the standardised approach	9 534	8 902
		Market risk		488
	292	CVA	338	
1 932	1 923	Operational risk	3 038	2 870
-1 085		Deductions		-1 853
23 751	**27 635**	**Risk-weighted assets**	**36 705**	**30 971**
1 900	**2 211**	**Capital requirements (8 %)**	**2 936**	**2 478**

Parent bank			Group	
Basel II 2013	Basel III 2014		Basel III 2014	Basel II 2013
		Buffer requirements		
594	691	Conservation buffer (2.5 %)	918	774
713	829	Systemic risk buffer (3 %)	1 101	929
1 306	**1 520**	**Total buffer requirements for common equity (5.5 %)**	**2 019**	**1 703**
2 769	**3 239**	**Available common equity (net minimum requirement of 10 %)**	**1 764**	**1 925**
		Capital adequacy ratio		
21,7 %	**21,7 %**	Common equity Tier 1 capital ratio	**14,8 %**	**16,2 %**
21,7 %	**21,7 %**	Tier 1 Capital ratio	**15,2 %**	**16,4 %**
21,7 %	**22,6 %**	Capital adequacy ratio	**17,1 %**	**16,4 %**

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

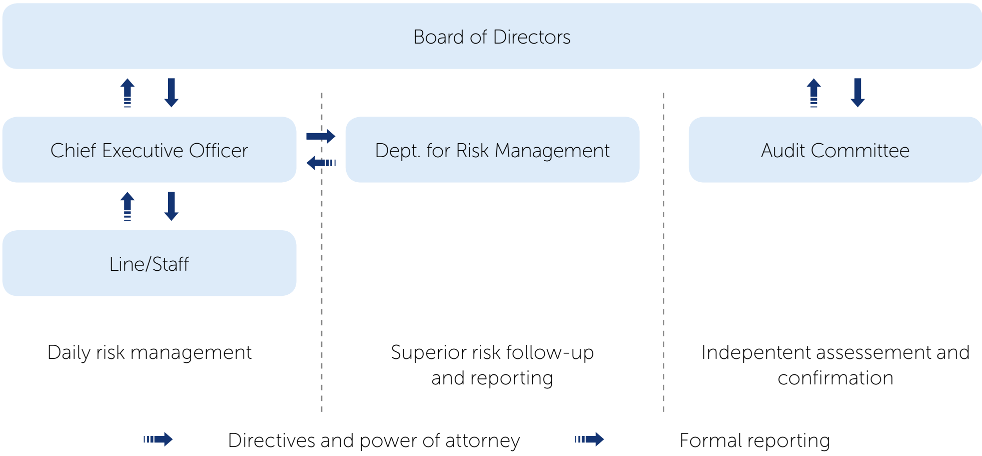
Overall responsibility and supervision
Sparebanken Hedmark's risk management shall support the Bank's strategic development and the attainment of its goals. Risk management shall also ensure financial stability and satisfactory asset management. This is to be achieved by:

• 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 and risk committee prepares matters concerning the economy, finance and risk management for consideration by the Board. The committees 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.

Concentration risk
Risk concentrations occur when financial instruments with corresponding characteristics are affected in the same way by changes in economic or other conditions. Identifying concentration risk involves exercising judgement. Sparebanken Hedmark seeks to control the concentration of risk by setting limits for various areas. In the case of credit risk, larger risk concentrations are limited via restrictions on major commitments, high risk commitments and sector exposure. The actual exposure, classified by risk groups, sector, industry and geographic area, is presented in notes 8, 13, 15 and 30. In the case of market risk, concentration risk is limited via restrictions on maximum interest rate risk, currency risk and equity exposure. The concentration of interest rate risk is presented in note 16. Currency exposure is specified in notes 7 and 17. The Group's largest investments in equity instruments are presented in note 32. The Group has not identified any significant risks other than those presented in the aforementioned notes.

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 8 billion as at 31 December 2014. At year-end, the average maturity of the Bank's funding was 3.6 years.

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 III – Pilar III) is available in a separate document on the Bank's website.

Note 7 Credit institutions – claims and liabilities

Parent bank			Group	
2013	**2014**	**Loans to and receivables from credit institutions**	**2014**	**2013**
28	37	Loans and receivables at call	35	27
4 226	4 819	Loans and receivables with agreed maturities or notice	640	672
4 254	**4 856**	**Total**	**675**	**699**
		Loans and receivables specified by major currencies		
4 182	4 819	NOK	640	627
12	11	EUR	11	12
19	1	CHF	1	19
31	17	JPY	17	31
10	5	Other	5	10
4 254	**4 856**	**Total**	**675**	**699**

2013	**2014**	**Liabilities to credit institutions**	**2014**	**2013**
18	35	Loans and deposits at call	35	16
616	632	Loans and deposits with agreed maturities or notice	630	616
634	**667**	**Total**	**665**	**632**

		Liabilities specified by major currencies		
620	641	NOK	639	618
8	1	EUR	1	8
6	25	Other	25	6
634	**667**	**Total**	**665**	**632**
2,2 %	**2,0 %**	**Average interest rate**	**2,0 %**	2,2 %

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			Group	
2013	**2014**		**2014**	**2013**
		Loans by type of receivable		
		Financial leasing	2 114	1 863
8 110	10 868	Overdraft facilities and operating credits	10 868	8 110
1 318	1 450	Building loans	1 450	1 318
23 301	22 738	Repayment loans	25 406	25 773
92	88	Accrued interest	98	116
32 822	**35 144**	**Gross loans to and receivables from customers**	**39 936**	**37 180**
224	221	Write-downs	245	244
32 598	**34 923**	**Loans to and receivables from customers**	**39 691**	**36 936**
		Loans by type of market		
19 397	20 496	Private customers	22 797	21 406
13 421	14 642	Corporate	16 958	15 628
4	6	Public sector	181	146
32 822	**35 144**	**Gross loans to and receivables from customers**	**39 936**	**37 180**
224	221	Write-downs	245	244
32 598	**34 923**	**Loans to and receivables from customers**	**39 691**	**36 936**
		Of repayment loans, loans stated at fair value through profit and loss (FVO):		
1 963	*1 782*	*– Fixed-rate loans to customers, book value*	*1 782*	*1 963*
1 955	*1 745*	*– Fixed-rate loans to customers, face value*	*1 745*	*1 955*
3	*1*	*– Loans with interest-rate guarantees, book value*	*1*	*3*
3	*1*	*Loans with interest-rate guarantees, face value*	*1*	*3*

Parent bank			Group	
2013	**2014**	**Total commitments by risk group**	**2014**	**2013**
24 394	25 639	Low risk	28 277	26 592
10 861	11 243	Medium risk	13 421	12 645
2 195	2 429	High risk	2 754	2 496
547	486	Defaults	487	548
37 997	**39 797**	**Total commitments by risk group**	**44 939**	**42 281**

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 131 million in the Retail Division and worth NOK 329 million in the Corporate Division on 31 December 2014 in the Bank, and worth NOK 211 million and NOK 353 million in the Group.

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

Parent bank			Group	
2013	**2014**	**Gross loans by risk group**	**2014**	**2013**
21 175	22 082	Low risk	24 565	23 364
9 157	10 496	Medium risk	12 500	11 026
1 974	2 103	High risk	2 408	2 274
516	463	Defaults	463	516
32 822	**35 144**	**Gross loans by risk group**	**39 936**	**37 180**

Parent bank			Group	
2013	**2014**	**Individual write-downs by risk group**	**2014**	**2013**
131	**120**	**Defaults (internal definition)**	**129**	**138**

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	
2013	**2014**	**Expected annual average net loss by risk group**	**2014**	**2013**
10	9	Low risk	9	10
48	44	Medium risk	46	50
53	48	High risk	61	64
31	33	Defaults	33	31
142	**134**	**Total expected annual average net loss by risk group**	**149**	**155**

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	
2013	**2014**	**Total commitments by sector and industry**	**2014**	**2013**
21 612	22 088	Private customers	24 389	23 630
137	156	Public sector	331	279
3 614	3 835	Primary industries	4 072	3 784
308	291	Paper and pulp industries	307	322
596	769	Other industry	1 035	739
1 540	1 369	Building and construction	1 876	1 936
207	220	Power and water supply	361	319
1 097	1 115	Wholesale and retail trade	1 404	1 361
171	180	Hotel and restaurants	211	179
6 327	7 405	Real estate	7 505	6 366
2 100	2 064	Commercial services	2 466	2 550
264	284	Transport and communications	953	792
24	21	Other	29	24
37 997	**39 797**	**Total commitments by sector and industry**	**44 939**	**42 281**

Parent bank			Group	
2013	**2014**	**Gross loans by sector and industry**	**2014**	**2013**
19 397	20 496	Private customers	22 797	21 406
4	6	Public sector	181	146
3 198	3 357	Primary industries	3 557	3 367
250	246	Paper and pulp industries	262	264
437	509	Other industry	739	451
931	874	Building and construction	1 317	1 326
187	190	Power and water supply	299	298
755	743	Wholesale and retail trade	1 010	1 018
153	161	Hotel and restaurants	172	161
5 837	6 988	Real estate	7 033	5 876
1 457	1 342	Commercial services	1 659	2 124
193	211	Transport and communications	880	719
24	21	Other	30	24
32 822	**35 144**	**Total gross loans by sector and industry**	**39 936**	**37 180**

Parent bank 2013	2014	Individual write-downs by sector and industry	Group 2014	2013
46	39	Private customers	44	47
3	2	Primary industries	2	3
1	1	Paper and pulp industries	1	1
7	6	Other industry	7	8
10	9	Building and construction	9	12
	1	Power and water supply	1	
20	21	Wholesale and retail trade	21	20
1	1	Hotel and restaurants	1	1
26	16	Real estate	16	26
17	24	Commercial services	25	17
		Transport and communications	1	3
131	**120**	**Total individual write-downs by sector and industry**	**129**	**138**

Parent bank 2013	2014	Expected annual average net loss by sector and industry	Group 2014	2013
50	42	Private customers	49	57
9	11	Primary industries	12	10
3	4	Paper and pulp industries	5	3
		Other industry	1	
14	8	Building and construction	10	15
1		Power and water supply		1
8	8	Wholesale and retail trade	9	9
2	2	Hotel and restaurants	2	2
38	43	Real estate	43	38
13	14	Commercial services	14	14
4	2	Transport and communications	4	6
142	**134**	**Total expected annual average net loss by sector and industry**	**149**	**155**

Parent bank 2013	2014	Gross loans by geographic area	Group 2014	2013
23 745	24 715	Hedmark County	26 201	25 470
2 081	2 670	Oppland County	3 346	2 606
2 207	2 497	Akershus County	3 386	2 931
4 599	5 087	Rest of Norway	6 828	5 983
98	86	Abroad	86	98
92	89	Accrued interest, undistributed	89	92
32 822	**35 144**	**Total gross loans by geographic area**	**39 936**	**37 180**

Parent bank 2013	2014	Loans to employees	Group 2014	2013
527	597	Loans to employees	734	774
274	273	*Of which loans in SpareBank 1 Boligkreditt AS*	338	332

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 31.12.14 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)	2014	2013
Gross receivables linked to financial leasing agreements		
- Up to 1 year	433	254
- 1 to 5 years	1 516	1 371
- More than 5 years	166	238
Total gross receivables	**2 114**	**1 863**
Not accrued income linked to financial leasing agreements	6	40
Net investments linked to financial leasing agreements	2 108	1 808
Net investments in financial leasing agreements can be analysed thus:		
- Up to 1 year	432	199
- 1 to 5 years	1 511	1 371
- More than 5 years	165	238
Total net receivables	**2 108**	**1 808**

Note 9 Classification of financial assets

Sparebanken Hedmark has signed agreements for the legal sale of loans with high collateral and security in real estate to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. According to the management agreements signed with these two companies in the Alliance, the Bank manages the loans and is responsible for the contact with the customers. The Bank receives compensation in the form of commissions for the obligations associated with managing the loans. The Bank has assessed the accounting implications of this as meaning that the majority of the risk and benefits of ownership associated with the sold loans has been transferred. This entails full derecognition. The remuneration received for the loans that have been transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS matches the book value and is assessed to match the loans fair value at the time of transfer. The Bank recognises all rights and obligations that were generated or retained upon transfer separately as assets or liabilities.

If the mortgage companies experience a loss on transferred loans, they are entitled to offset these against commissions from all banks that have transferred loans. A residual involvement associated with the sold loans therefore exists with a possible limited settlement of losses against commissions. However, the nature of this right to offset is not regarded as meaning that it changes the conclusion that the majority of the risk and benefits associated with ownership have been transferred. The Bank's maximum exposure to losses is represented by the highest amount that could be claimed covered under the agreements.

The mortgage companies can resell the loans bought from the Bank, while the Bank's right to manage customers and receive commissions remains attached. If the Bank is unable to service the customers, the right to earnings and commissions lapses. Furthermore, the Bank has an option to buy back loans under certain conditions.

SpareBank 1 Boligkreditt AS

SpareBank 1 Boligkreditt AS is owned by the banks that make up the SpareBank 1 Alliance. The Bank owned a 9.5 per cent stake as at 31 December 2014 (8.4 per cent as at 31 December 2013). SpareBank 1 Boligkreditt AS acquires loans with collateral in housing and issues covered bonds in accordance with the regulations established for this in 2007. Loans sold to SpareBank 1 Boligkreditt AS are secured by collateral in housing up to a ceiling of 75 per cent of their valuation. The sold loans are legally owned by SpareBank 1 Boligkreditt AS and Sparebanken Hedmark has, apart from the right to administer them and receive commissions, as well as the right to take over fully or partially written down loans, no right to use the loans. The Bank administers the sold loans and receives commissions based on the net return on the loans the Bank has sold less the company's costs.

Home mortgages worth a net NOK 0.8 billion were sold to SpareBank 1 Boligkreditt AS in 2014. A total of NOK 15.4 billion had been derecognised in home mortgages sold to SpareBank 1 Boligkreditt AS at the end of the financial year. The remaining involvement is as follows:

	Book value asset	Fair value asset	Book value liability	Fair value liability	Maximum exposure to loss
Remaining involvement	0	0	0	0	221 MNOK

The Bank has, together with the other owners of SpareBank 1 Boligkreditt AS, signed an agreement on the establishment of liquidity facilities for SpareBank 1 Boligkreditt AS. This entails an obligation on the part of the banks to buy SpareBank 1 Boligkreditt AS's bonds, limited to the combined value of the amount due in the next 12 months in SpareBank 1 Boligkreditt AS. In principle, each owner is liable for its share of the need, secondarily for twice the primary liability under the same agreement. The bonds can be deposited with Norges Bank and thus entail no material increase in risk for the Bank. In accordance with its internal guidelines, SpareBank 1 Boligkreditt AS retains liquidity for the amount due in the next 12 months. This is deducted when valuing the banks' liabilities. Therefore, it is only in the event that the company no longer has liquidity for the amount due in the next 12 months that the Bank will report any commitment in connection with this.

Together with the other owners of SpareBank 1 Boligkreditt AS, the Bank has also signed an agreement concerning ensuring that SpareBank 1 Boligkreditt AS has a minimum core capital ratio of 9 per cent at any given time. The shareholders must supply sufficient core capital within 3 months after receiving a written request to do so. The shareholders' obligation to supply such core capital is pro rata and not joint and must correspond to each shareholder's pro rata share of the shares in SpareBank 1 Boligkreditt AS.

SpareBank 1 Næringskreditt AS
SpareBank 1 Næringskreditt AS is owned by the banks that make up the SpareBank 1 Alliance. The Bank owned a 3.84 per cent stake as at 31 December 2014 (2.93 per cent as at 31 December 2013). SpareBank 1 Næringskreditt AS acquires loans with security in commercial real estate and issues covered bonds under the regulations for this established in 2007. Loans sold to SpareBank 1 Næringskreditt AS are secured by security in commercial real estate within 60 per cent of its valuation. Sold loans are legally owned by SpareBank 1 Næringskreditt AS and the Bank has, beyond the right to manage and receive commissions for this and the right to take over part or all of written down loans, no right to use the loans. Sparebanken Hedmark manages the sold loans and the Bank receives commissions based on the net returns on the loans the Bank has sold and the costs in the company.

No commercial loans were sold to SpareBank 1 Næringskreditt in 2014. A total of NOK 0.6 billion was derecognised in loans to SpareBank 1 Næringskreditt at the end of the financial year. The remaining involvement is as follows:

	Book value asset	Fair value asset	Book value liability	Fair value liability	Maximum exposure to loss
Remaining involvement	0	0	0	0	7 MNOK

The Bank has, together with the other owners of SpareBank 1 Næringskreditt AS, signed agreements on the establishment of liquidity facilities for SpareBank 1 Næringskreditt AS. This means that the banks have committed to purchase covered bonds in the event that SpareBank 1 Næringskreditt AS is unable to refinance its activities in the market. The purchase is limited to the total value of the amount due in the company for the next 12 months at any given time. Previous purchases under this agreement are deducted from future obligations to purchase. In principle, each owner is liable for its share of the need, secondarily for twice the primary liability under the same agreement. The bonds can be deposited with Norges Bank and thus entail no material increase in risk for the Bank. In accordance with its internal policy, SpareBank 1 Næringskreditt AS retains liquidity for the amount due in the next 12 months. This is deducted when valuing the banks' liabilities. Therefore, it is only in the event that SpareBank 1 Næringskreditt AS no longer has liquidity for the amount due in the next 12 months that the Bank will report any commitment here in relation to capital adequacy or large commitments.

Together with the other owners of SpareBank 1 Næringskreditt AS, the Bank has also signed an agreement concerning ensuring that SpareBank 1 Næringskreditt AS has a minimum core capital ratio of 9 per cent at any given time. The shareholders must supply sufficient core capital within 3 months after receiving a written request to do so. The shareholders' obligation to supply such core capital is pro rata and not joint and must correspond to each shareholder's pro rata share of the shares in SpareBank 1 Næringskreditt AS.

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 after due date.

Parent bank

2014	**Up to 30 days**	**31–60 days**	**61–90 days**	**Over 91 days**	**Total**
Loans to and receivables from customers					
- Retail market	4	2	1	8	15
- Corporate market	2	2		17	21
Total	**6**	**4**	**1**	**25**	**36**

Group

2014	**Up to 30 days**	**31–60 days**	**61–90 days**	**Over 91 days**	**Total**
Loans to and receivables from customers					
- Retail market	8	3	2	11	24
- Corporate market	9	8		23	40
Total	**17**	**11**	**2**	**34**	**64**

Parent bank

2013	**Up to 30 days**	**31–60 days**	**61–90 days**	**Over 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**	**Over 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**

Note 11 Losses on loans and guarantees

Parent bank							Group					
2013			2014				2014			2013		
RM	CM	Total	RM	CM	Total		RM	CM	Total	RM	CM	Total
3	7	**10**	-7		**-7**	Change in individual write-downs in the period	-2	-4	**-5**	2	3	**5**
3	-8	**-5**	6	2	**8**	+ Change in collective write-downs in the period	8	2	**10**	3	-7	**-4**
5	24	**29**	12	23	**35**	+ Realised losses on commitments previously written down	17	28	**46**	9	35	**44**
26	25	**51**	8	13	**21**	+ Realised losses on commitments not previously written down	10	15	**25**	27	26	**53**
-19	-5	**-24**	-4	-1	**-5**	- Recoveries on loans and guarantees previously written down	-8	-2	**-9**	-20	-6	**-26**
18	**43**	**61**	**15**	**37**	**52**	**Total losses on loans and guarantees**	**26**	**40**	**66**	**21**	**51**	**72**

2013			2014				2014			2013		
RM	CM	Total	RM	CM	Total	Individual write-downs	RM	CM	Total	RM	CM	Total
42	96	**138**	43	100	**143**	Individual write-downs to cover losses on loans and guarantees at 1 January	44	105	**149**	44	106	**150**
5	24	**29**	12	23	**35**	Realised losses in the period on loans and guarantees previously written down individually	17	28	**45**	9	35	**44**
4	15	**19**	4	19	**23**	Reversal of write-downs in previous years	17	24	**41**	5	16	**21**
	13	**13**	2	15	**17**	Increase in write-downs on commitments previously written down individually	3	16	**19**		14	**14**
10	30	**40**	6	26	**32**	Write-downs on commitments not previously written down individually	29	32	**61**	14	36	**50**
43	**100**	**143**	**35**	**99**	**134**	**Individual write-downs to cover losses on loans and guarantees at 31 December ***	**41**	**101**	**143**	**44**	**105**	**149**

*Guarantee provisions are included under "Other liabilities" in the balance sheet and at 31 December amounted to NOK 14 million. The corresponding figures in 2013 are NOK 12 million.

2013			2014				2014			2013		
RM	CM	Total	RM	CM	Total	Collective write-downs	RM	CM	Total	RM	CM	Total
24	74	**98**	27	66	**93**	Collective write-downs to cover losses on loans and guarantees at 1 January	31	75	**106**	27	82	**109**
3	-8	**-5**	6	2	**8**	Collective write-downs to cover losses on loans and guarantees in the period	8	2	**10**	4	-7	**-3**
27	**66**	**93**	**33**	**68**	**101**	**Collective write-downs to cover losses on loans and guarantees at 31 December**	**39**	**77**	**116**	**31**	**75**	**106**

2013	2014	Losses by sector and industry	2014	2013
19	11	Private customers	15	21
		Public sector	1	1
-1		Primary industries		-1
1		Paper and pulp industries		1
10	8	Other industry	8	10
7	1	Building and construction	3	9
	1	Power and water supply	1	
3	9	Wholesale and retail trade	9	3
-3		Hotel and restaurants		-3
28	-1	Real estate	-1	28
2	15	Commercial services	15	2
		Transport and communications	4	4
-5	8	Collective write-downs	10	-3
61	**52**	**Losses on loans to customers**	**66**	**72**

Parent bank						Group				
2010	2011	2012	2013	2014	Defaulted (more than 90 days) and doubtful commitments	2014	2013	2012	2011	2010
344	368	382	257	263	Defaulted commitments	339	340	459	424	390
434	418	270	271	205	Other doubtful commitments	209	271	270	420	441
778	**786**	**652**	**528**	**468**	**Total defaulted and doubtful commitments**	**548**	**611**	**729**	**844**	**831**
221	216	138	143	134	Individual write-downs	143	149	150	228	236
557	**570**	**514**	**385**	**334**	**Net defaulted and doubtful commitments**	**405**	**462**	**579**	**616**	**595**
41	43	29	28	**25**	**Interest income from written-down loans charged to income**	**25**	28	29	43	41

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

Until 2014, Sparebanken Hedmark had credit card portfolio on its own balance sheet, and the historic 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.

Parent bank	Average unsecured exposure (%) 2014	Total commitment 2014	Average unsecured exposure (%) 2013	Total commitment 2013
Low risk	4,2 %	25 639	8,1 %	24 394
Medium risk	11,8 %	11 243	16,2 %	10 861
High risk	10,5 %	2 429	14,0 %	2 195
Defaulted and written down	21,9 %	486	11,0 %	547
Total	**6,9 %**	**39 797**	**8,8 %**	**37 997**

Group	Average unsecured exposure (%) 2014	Total commitment 2014	Average unsecured exposure (%) 2013	Total commitment 2013
Low risk	5,3 %	28 122	8,5 %	26 583
Medium risk	11,8 %	13 595	14,7 %	12 654
High risk	12,3 %	2 734	12,5 %	2 495
Defaulted and written down	21,9 %	487	11,0 %	548
Total	**7,9 %**	**44 939**	**10,6 %**	**42 281**

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

Note 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			Group	
2013	2014		2014	2013
		Assets		
449	642	Deposits with central banks	642	449
4 254	4 856	Loans to and receivables from credit institutions	675	699
32 822	35 144	Gross loans to and receivables from customers	39 936	37 180
-131	-120	- Individual write-downs	-129	-138
-93	-101	- Write-downs to cover groups of loans	-116	-106
32 598	34 923	Net loans to and receivables from customers	39 691	36 936
4 927	4 017	Certificates and bonds	4 017	4 927
363	531	Financial derivatives	531	363
42 591	**44 969**	**Credit risk exposure, balance sheet**	**45 557**	**43 374**
		Liabilities		
993	1 062	Contingent liabilities (guarantees provided)	942	873
4 615	4 074	Unutilised credit lines	4 061	4 321
480	459	Loans approved not disbursed	459	604
6 088	**5 595**	**Total financial guarantees**	**5 462**	**5 798**
48 678	**50 564**	**Total credit risk exposure**	**51 019**	**49 172**

Parent bank 2013	2014	Credit risk exposure on financial assets distributed by geographic area	Group 2014	2013
		Banking activities		
31 839	32 983	Hedmark	29 943	29 611
2 439	3 059	Oppland	3 777	2 981
2 587	2 861	Akershus	3 804	3 334
6 514	7 113	Rest of Norway	8 960	7 942
142	133	Abroad	133	142
-224	-221	Provisions for losses, undistributed	-245	-244
92	88	Accrued interest, undistributed	98	116
43 389	**46 016**	**Total banking activities**	**46 470**	**43 882**
		Financial market activities		
4 696	3 898	Norway	3 898	4 696
546	597	Europe	597	546
48	53	USA	53	48
5 289	**4 548**	**Total financial market activities**	**4 548**	**5 289**
48 678	**50 564**	**Total distributed by geographic area**	**51 019**	**49 172**

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		
31.12.14	**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	531	0	531	-57	0	474
Derivatives as liabilities	-330	0	-330	57	112	-161

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	9	-99

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				
2014	Notes:	Low risk	Medium risk	High risk	Defaulted or individually written down	Total
Loans to and receivables from credit institutions	7	4 856				**4 856**
Gross loans to and receivables from customers measured to amoritisert cost						
Retail market	8	14 876	3 051	616	210	**18 753**
Corporate market	8	5 637	7 117	1 427	252	**14 433**
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	1 413	279	51	1	**1 744**
Corporate market	8	157	48	9		**214**
Total gross lending		**26 939**	**10 495**	**2 103**	**463**	**40 000**
Financial investments						
Certificates and bonds	30	3 999	8	10		**4 017**
Total financial investments		**3 999**	**8**	**10**		**4 017**
Total lending-related assets		**30 937**	**10 503**	**2 113**	**463**	**44 016**

Group		Neither defaulted nor written down				
2014	Notes:	Low risk	Medium risk	High risk	Defaulted or individually written down	Total
Loans to and receivables from credit institutions	7	675				**675**
Gross loans to and receivables from customers measured to amoritisert cost						
Retail market	8	15 671	4 519	616	246	**21 052**
Corporate market	8	7 331	7 756	1 565	273	**16 925**
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	1 413	279	51	1	**1 744**
Corporate market	8	157	48	9		**214**
Total gross lending		**25 247**	**12 602**	**2 241**	**520**	**40 610**
Financial investments						
Certificates and bonds	30	3 999	8	10		**4 017**
Total financial investments		**3 999**	**8**	**10**		**4 017**
Total lending-related assets		**29 246**	**12 610**	**2 251**	**520**	**44 627**

Parent bank		Neither defaulted nor written down				
2013	Notes:	**Low risk**	**Medium risk**	**High 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 amortisert cost						
Retail market	8	14 017	2 842	632	222	**17 713**
Corporate market	8	5 599	5 984	1 280	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	1 357	275	49	3	**1 684**
Corporate market	8	202	57	12		**271**
Total gross lending		**25 429**	**9 157**	**1 974**	**516**	**37 076**
Financial investments						
Certificates and bonds	30	4 888	32	7		**4 927**
Total financial investments		**4 888**	**32**	**7**		**4 927**
Total lending-related assets		**30 317**	**9 189**	**1 981**	**516**	**42 003**

Group		Neither defaulted nor written down				
2013	Notes:	**Low risk**	**Medium risk**	**High 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 amortisert cost						
Retail market	8	14 747	4 367	637	248	**19 999**
Corporate market	8	7 056	6 330	1 489	351	**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	1 357	275	49	3	**1 684**
Corporate market	8	202	57	12		**271**
Total gross lending		**24 061**	**11 028**	**2 188**	**602**	**37 879**
Financial investments						
Certificates and bonds	30	4 888	32	7		**4 927**
Total financial investments		**4 888**	**32**	**7**		**4 927**
Total lending-related assets		**28 949**	**11 060**	**2 195**	**602**	**42 806**

Classification of financial investments into different risk groups is based on ratings from Standard Poor's, Moody's, Fitch or a recognised Norwegian brokerage house according to the conversion table shown below. No official rating from the rating agencies or shadow rating from a brokerage house is available for some issues. These amount to NOK 210 million in 2014 and consist of certificates and bonds in Norwegian local authorities and county councils (NOK 202 million), as well as a subordinated loan to SpareBank 1 Kredittkort AS (NOK 8 million). The issues to Norwegian local authorities and county councils have been classified as low risk and the subordinated loan has been classified as medium risk.

Credit quality	Rating (using S&P's system)			
Low risk	AAA	AA	A	BBB
Medium risk	BB			
High risk	B	CCC	CC	C

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	**2014**	**2013**
Certificates and bonds	-16	-30
Fixed-rate loans	-32	-39
Fixed-rate deposits		
Certificate-based loans		1
Bond loans	126	142
Other fixed-rate funding	1	1
Derivatives	-90	-92
Total interest rate risk, effect on profit after tax	**-11**	**-18**

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	**2014**	**2013**
0–1 month	1	1
1–3 months	4	2
3–6 months	-2	
6–12 months		-1
1–3 years	-12	-11
3–5 years	9	4
5–10 years	-11	-14
Total interest rate risk, effect on profit after tax	**-11**	**-18**

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	2014	2013
USD	5	3
GBP	3	1
EUR	2	7
SEK	2	4
PLN	1	1
JPY	1	
DKK	-1	2
CHF		4
Other		
Total	**14**	**22**
Effect on after-tax profit/loss and equity of a 3 % change in Fx-rates.	0	0
Effect on after-tax profit/loss and equity of a 10% change in Fx-rates.	1	2

Note 18 Liquidity risk

Parent bank

2014	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	-35	-20	-8	-104	-613	-780
Deposits from and liabilities to customers	-31 036					-31 036
Liabilities arising from issuance of securities		-74	-1 217	-7 051	-987	-9 329
Subordinated loan capital		-4	-12	-539		-556
Derivatives related to liabilities		19	49	124	31	223
Current tax liabilities			-146			-146
Other liabilities		-77	-123	-19	-362	-581
Total cash flows related to liabilities	**-31 071**	**-156**	**-1 457**	**-7 590**	**-1 930**	**-42 205**

Group

2014	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	-35	-20	-6	-104	-613	-778
Deposits from and liabilities to customers	-31 021		-49			-31 070
Liabilities arising from issuance of securities		-74	-1 217	-7 051	-987	-9 329
Subordinated loan capital		-4	-12	-539		-556
Derivatives related to liabilities		19	49	124	31	223
Current tax liabilities			-150			-150
Other liabilities		-61	-175	-19	-384	-639
Total cash flows related to liabilities	**-31 056**	**-140**	**-1 560**	**-7 590**	**-1 952**	**-42 299**

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**

Note 19 Maturity analysis of assets and liabilities

Parent bank

2014	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	748					748
Loans to and receivables from credit institutions	4 216	2	80	558		4 856
Gross loans to and receivables from customers	14 705	335	1 124	4 587	14 393	35 144
- Individual write-downs	-58	-7	-14	-12	-29	-120
- Write-downs of groups of loans				-101		-101
Net loans to and receivables from customers	14 647	328	1 110	4 474	14 364	34 923
Certificates and bonds		307	445	2 732	533	4 017
Financial derivatives		23	41	224	244	531
Shares, units and other equity interests					239	239
Investments in associates and joint ventures					2 323	2 323
Investments in subsidiaries					668	668
Property, plant and equipment				65	249	314
Goodwill and other intangible assets			8	30	72	110
Deferred tax asset				72		72
Other assets		16	55	116	73	260
Total assets	**19 611**	**675**	**1 739**	**8 271**	**18 766**	**49 061**
Liabilities						
Deposits from and liabilities to credit institutions	33	1	18		615	667
Deposits from and liabilities to customers	31 036		49			31 085
Liabilities arising from issuance of securities			1 045	6 881	1 025	8 951
Financial derivaties		66	7	102	155	330
Current tax liabilities			146			146
Other debt and liabilities recognised in the balance sheet		77	123	19	362	581
Subordinated loan capital				505		505
Total liabilities	**31 069**	**144**	**1 389**	**7 506**	**2 156**	**42 265**

Group

2014	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	748					748
Loans to and receivables from credit institutions	35	2	80	558		675
Gross loans to and receivables from customers	14 705	541	1 666	7 597	15 427	39 936
- Individual write-downs	-58	-7	-14	-21	-29	-129
- Write-downs of groups of loans				-116		-116
Net loans to and receivables from customers	14 647	534	1 652	7 460	15 398	39 691
Certificates and bonds		307	445	2 732	533	4 017
Financial derivatives		23	41	224	244	531
Shares, units and other equity interests					239	239
Investments in associates and joint ventures					3 073	3 073
Property, plant and equipment				80	256	336
Goodwill and other intangible assets			9	33	143	185
Deferred tax asset				33		33
Other assets		16	201	116	73	406
Total assets	**15 430**	**882**	**2 428**	**11 235**	**19 959**	**49 933**
Liabilities						
Deposits from and liabilities to credit institutions	33	1	16		615	665
Deposits from and liabilities to customers	31 021		49			31 070
Liabilities arising from issuance of securities			1 045	6 881	1 025	8 951
Financial derivatives		66	7	102	155	330
Current tax liabilities			150			150
Other debt and liabilities recognised in the balance sheet		61	175	19	384	639
Subordinated loan capital				505		505
Total liabilities	**31 054**	**128**	**1 442**	**7 506**	**2 179**	**42 309**

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 and bonds		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
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 derivatives		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**	**5 999**	**2 553**	**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 and bonds		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
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	1331				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	723
Subordinated loan capital				503		503
Total liabilities	**28 783**	**2 546**	**781**	**5 999**	**2 569**	**40 678**

Note 20 Net interest income

Parent bank			**Group**	
2013	**2014**		**2014**	**2013**
		Interest income		
131	154	Interest on loans to and receivables from credit institutions	70	46
1 640	1 611	Interest on loans to and receivables from customers	1 902	1 902
109	104	Interest on certificates and bonds	104	109
28	25	Interest income from written-down loans charged to income	25	28
1 908	**1 894**	**Total interest income**	**2 101**	**2 085**
		Interest expenses		
37	36	Interest on debt to credit institutions	36	37
807	764	Interest on deposits from and liabilities to customers	759	806
203	220	Interest on securities issued	220	203
10	18	Interest on subordinated loan capital	18	10
21	21	Fees to the Banks' Guarantee Fund	21	21
		Other interest expenses and similar expenses	5	
1 078	**1 059**	**Total interest expenses**	**1 058**	**1 077**
830	**835**	**Total net interest income**	**1 043**	**1 008**

Note 21 Net commission income and other operating income

Parent bank			Group	
2013	2014		2014	2013
		Commission income		
15	14	Guarantee commissions	13	14
7	6	Securities trading	6	7
111	164	Payment transmission	163	110
66	75	Insurance services	75	66
207	228	Commission from loans transferred to cover bond companies	228	207
10	11	Other commission income	11	11
416	**497**	**Total commission income**	**496**	**415**
		Commission expenses		
20	23	Payment transmission	23	20
7	8	Other commission expenses	27	25
27	**31**	**Total commission expenses**	**50**	**45**
		Other operating income		
5	5	Operating income from real estate	2	4
		Real estate brokerage		67
		Income from accounting		102
1	1	Rental income	1	1
		Income payroll	5	
10		Gains on fixed assets		10
3	11	Other operating income	209	5
19	**16**	**Total other operating income**	**217**	**189**
409	**482**	**Total net commission income and other operating income**	**663**	**560**

Note 22 Net income from financial assets and liabilities

Parent bank			Group	
2013	**2014**		**2014**	**2013**
		Change in value of interest rate instruments		
-12	21	Bonds and certificates at fair value through profit and loss	21	-12
-9	-181	Securities at fair value through profit and loss	-181	-9
-34	28	Fixed-rate loans to customers at fair value through profit and loss	28	-34
1	0	Fixed-rate deposits from customers at fair value through profit and loss	0	1
		Change in value of derivatives		
16	-5	Net change in value of derivatives related to bonds (assets)	-5	16
-62	129	Net change in value of derivatives related to funding loans	129	-62
3	5	Guarantee liability – Eksportfinans ASA	5	3
0	1	Net change in value of other derivatives	1	0
-95	**-2**	**Total net income from financial assets and liabilities at fair value**	**-2**	**-95**
21	13	Net income from equity instruments available for sale	13	21
-3	158	Gains / losses on realisation of equity instruments available for sale	158	-3
3	0	Write-down of and reversal of previous write-down of equity instruments available for sale	0	3
21	**171**	**Total net income from equity instruments available for sale**	**171**	**21**
189	**117**	**Income from ownership interests**	**394**	**326**
11	**10**	**Net income from currency trading**	**10**	**11**
126	**296**	**Total net income from financial assets and liabilities**	**573**	**263**

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

Parent bank			Group	
2013	**2014**		**2014**	**2013**
244	261	Payroll	397	358
37	40	Employers' National Insurance contribution	58	54
43	47	Pension costs (note 24)	54	49
18	26	Social security expenses	34	25
342	**374**	**Total personnel expenses**	**543**	**486**
485	482	Average no. of employees	715	693
464	459	No. of fulltime equivalents at 31 December	673	656
486	478	No. of employees at 31 December	707	687

Payments to Group management 2014 (NOK thousands)

2014 Title/name	Salaries and other short-term benefits	Other remuneration	Accrued pension entitlements in the last 12 months	Board fees in subsidiaries etc.	Loans	Guarantees
Chief Executive Officer Richard Heiberg *)	2 823	160	1 430		2 700	
Director, Corporate Market Vegard Sæten *)	1 320	27	63		1 184	
Director, Nils Arne Nordheim - to 30.04.2014	851	9			1 992	
Director, Retail Market Kari E. Gisnås	1 369	23	234	85	1 999	
Director of Finance Tore Anstein Dobloug	1 308	30	200			
HR Director Eldar Kjendlie	1 263	23	123			
Director, Operations and IT Dag-Arne Hoberg	1 263	27	281	50	2 036	
Director, Risk Management Vidar Nordheim	1 102	30	135	55	1 724	
Bank Manager Tor Morten Nygård	1 077	30	206		3 349	
Head of Information Siv Stenseth	1 108	23	196		3 355	
Managing Director, EiendomsMegler 1 Hedmark Eiendom AS Magnus Aasen	1 023	24	135		1 949	
Managing Director, SpareBank 1 Finans Østlandet AS Hans Olav Wedvik	1 235	24	161		15 936	
Managing Director, SpareBank 1 Regnskapshuset Østlandet AS Ove Jahnsen *)	1 187	6	65			

**)Managers with defined contribution scheme. Other managers have defined benefit scheme.*

2013 Title/name	Salaries and other short-term benefits	Other remuneration	Accrued pension entitlements in the last 12 months	Board fees in subsidiaries etc.	Loans	Guarantees
Chief Executive Officer Richard Heiberg *)	2 717	130	1 516		4 200	
Director, Corporate Market Vegard Sæten - from 01.10.2013 *)	392	5	16			
Director Nils Arne Nordheim	2 031	24	255	95	2 231	
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, Consis AS Ove Jahnsen *)	1 205	6	69			

**)Managers with defined contribution scheme. Other managers have defined benefit scheme.*

Of the total lending to Group management, NOK 9 million was transferred to SpareBank 1 Boligkreditt AS in 2014 (NOK 9 million in 2013).

Remuneration to the Board and the Control Committee) 2014 (NOK thousands)

2014 Title/name	Fees	Other remuneration	Loans	Guarantees
Board:				
Chairman Siri J. Strømmevold	260	4	2 041	
Vice Chairman Bjørnar Håkensmoen	177			
Board member Aud Christensen	144			
Board member Nina Cecilie Lier	165		2 292	
Board member Erik Garaas	175			
Board member Morten Herud	146			
Board member Espen B. Larsen (employee, incl. in salary)	723	31	4 422	
Deputy Sverre Bjørnstad				
Deputy Alexander S. Lund	7			
Deputy Ola Reidar Gulli (employee, incl. in salary)	572	25	1779	
Control Committee:				
Chairman Vidar Brobakken	136			
Vice chairman Mikael Løken	62			
Bodil Helene Andersen	47			
Ingunn Gråbergsveen	53			
Jan Erik Myrvold	69			
Gro Svarstad to 27.04.2014	16			
Valborg Berthelsen to 27.04.2014	16			
Deputy Marit Johnsrud			2 970	
Deputy Anne Kristin Sandnes				
Deputy Svein Nymoen			2 307	
Deputy Anne Grete Melbye				
Deputy Gry Torgals			1 218	

2013 Title/name	Fees	Other remuneration	Loans	Guarantees
Board:				
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 Jan Wibe	107			
Board member Grethe G. Fossum	103			
Board member Espen B. Larsen (employee, incl. in salary)	129		4 434	
Deputy Sverre Bjørnstad				
Deputy Morten Herud	15			
Deputy Ola Reidar Gulli (employee, incl. in salary)	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	
Varamedlem Bodil Helene Andersen			891	
Varamedlem Gunn S. Hvamstad			1 064	

Of the total lending to the Board and the Control Committee, NOK 2 million was transferred to SpareBank 1 Boligkreditt AS in 2014 (NOK 3 million in 2013)

Remuneration to the Board of Representatives (NOK thousands)	**2014**	**2013**
Chairman Jonny Holen, 2013	6	24
Chairman Pål Jan Stokke, 2014		
Other members	2–50	2–46

All of the above-mentioned remuneration for executive personnel and elected officers, apart from loans and guarantees, are liable to employers' National Insurance contributions.

Remuneration in accordance with the 'Regulation on Remuneration Arrangements in Financial Institutions, Investment Firms and Management Companies'
Sparebanken Hedmark's remuneration for executive personnel complies with the rules and guidelines laid down in the 'Regulation on Remuneration Arrangements in Financial Institutions, Investment Firms and Management Companies'.

Executive personnel and others covered by the regulation's definition receive remuneration in the form of a fixed salary. They are members of the Bank's ordinary pension schemes. The chief executive has an agreement on possible early retirement from the age of 62. If the company decides to exercise the option of early retirement, the company will pay an annual early retirement pension that amounts to 70 per cent of the applicable fixed salary on the retirement date. Should the chief executive wish to retire between the ages of 62 to 67, the company will pay an annual early retirement pension that amounts to 60 per cent of the applicable fixed salary on the retirement date. Early retirement pensions that are being paid, including previous adjustment supplements, are adjusted upwards on 1 May each year by the percentage-wise increase in the National Insurance Scheme's basic amount (G). From age 67 to 77, a service pension equivalent to 5.47 times the National Insurance Scheme's basic amount (G) has been agreed in addition to the company's ordinary defined contribution scheme, in which the ceiling for pensionable income is 12 G. No schemes involving variable pay elements or other special administrative schemes have been established for this group of employees.

The company has no form of bonus scheme or any obligations concerning considering bonuses for the chief executive or chairman of the board.

There are no incentive schemes in the company or obligations concerning share value based remuneration for the benefit of employees or elected officers.

The pay conditions are assessed via annual processes at the end of the year and any changes normally come into effect on 1 January the following year. The assessments are based on the Bank's pay policy and described processes. The chief executive's assessments and proposals on limits and conditions for changes for the members of the Bank's executive management team are presented to the Remuneration Committee before any decision is made by the chief executive.

The Remuneration Committee also receives a briefing on the assessments that have been made concerning the pay conditions of the managing directors of the Bank's subsidiaries.

The chief executive's terms are set by the Board following recommendations from the Remuneration Committee.

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	290	322
Pensioners	269	275

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

Assumptions 31 December	01/01/15	01/01/14	01/01/13
Discount rate	2,30 %	4,00 %	3,90 %
Expected return on assets	2,30 %	4,00 %	3,90 %
Expected future wage development	2,50 %	3,75 %	3,50 %
Expected adjustment of the basic amount (G)	2,50 %	3,50 %	3,25 %
Expected pension adjustment	2,50 %	3,50 %	3,25 %
Employers' National Insurance contribution	14,10 %	14,10 %	14,10 %
Expected voluntary retirement	2,00 %	2,00 %	2,00 %
Expected contractual early retirement from 62 years	0,00 %	0,00 %	0,00 %
Disability table applied	IR02	IR02	IR02
Mortality table applied	K2013 BE	K2013 BE	Reinforced 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 2014 has been discounted on the basis of the assumptions that apply on 1 January 2015, whereas the annual cost for 2014 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 2013	Parent bank 2014		Group 2014	Group 2013
19	21	Present value of pension accruals for the year	26	22
25	29	Interest cost of pension liability	30	26
-17	-18	- Return on pension assets	-18	-17
1		Adminstrative cost		1
4	3	Accrued employer contributions	3	4
32	**35**	**Net pension cost**	**41**	**36**

Actual return on pension assets:

3,6%	**3,2 %**		**3,2 %**	3,6 %

UNSECURED PENSION SCHEME

Parent bank 2013	Parent bank 2014		Group 2014	Group 2013
2	2	Present value of pension accruals for the year	2	2
1	1	Interest cost of pension liability	1	1
4	5	Defined-contribution pension charged to profit and loss	5	5
3	4	Effect of new AFP scheme charged to profit and loss	4	3
1	1	Accrued employer contributions	1	1
11	**13**	**Net pension cost**	**13**	**12**

TOTAL SECURED AND UNSECURED SCHEMES

Parent bank 2013	Parent bank 2014		Group 2014	Group 2013
21	23	Present value of pension accruals for the year	28	24
26	30	Interest cost of pension liability	31	27
-17	-18	- Return on pension assets	-18	-17
1		Adminstrative cost		1
4	5	Defined-contribution pension charged to profit and loss	6	5
3	4	Effect of new AFP scheme charged to profit and loss	4	3
5	4	Accrued employer contributions	4	5
43	**47**	**Net pension cost**	**54**	**49**

Pension liability

SECURED SCHEME

Parent bank 2013	Parent bank 2014		Group 2014	Group 2013
705	791	Gross liabilities at 1 January	825	731
20	20	Pension accruals for the year	25	23
25	28	Interest on pension liability	30	26
-17	-20	Benefits paid	-20	-17
-5	-3	Employers' National Insurance contribution on pension premium paid in	-3	-5
63	54	Actuarial differences included in equity	56	67
791	**869**	**Gross liability at 31 December**	**912**	**825**
524	558	Pension assets at 1 January	578	541
40	24	Paid into the scheme	28	44
-5	-2	Employers' National Insurance contribution on pension premium paid in	-2	-5
19	18	Expected return on pension assets	18	19
		Adminstrative cost	0	
-17	-20	Benefits paid	-20	-17
-3	5	Actuarial gains and losses included in equity	4	-4
558	**583**	**Pension assets at 31 December**	**605**	**578**
26	33	Employers' National Insurance contribution liability at 1 January	35	29
-5	-3	Employers' National Insurance contribution on pension premium paid in	-3	-6
8	6	Employers' National Insurance contribution on actuarial differences	6	8
4	4	Employers' National Insurance contribution on the pension cost for the year	4	4
33	**40**	**Employers' National Insurance contribution liability at 31 December**	**42**	**35**
207	266	Net pension liability secured scheme at 1 January	282	219
266	326	Net pension liability secured scheme at 31 December	349	282

Premium transfers in 2015 are estimated to NOK 43 million for the parent bank and NOK 47 million for the Group.

UNSECURED PENSION SCHEME

Parent bank 2013	Parent bank 2014		Group 2014	Group 2013
36	32	Gross liabilities at 1 January	32	36
2	2	Pension accruals for the year	2	2
1	1	Interest on pension liability	1	1
-8	-6	Benefits paid	-6	-8
1	2	Actuarial differences included in equity	2	1
32	**30**	**Gross liability at 31 December**	**30**	**32**
5	5	Employers' National Insurance contribution liability at 1 January	5	5
-1	-1	Employers' National Insurance contribution on paid benefits	-1	-1
		Employers' National Insurance contribution on actuarial differences		
		Employers' National Insurance contribution on the pension cost for the year		
5	**5**	**Employers' National Insurance contribution liability at 31 December**	**5**	**5**
41	37	Net pension liability unsecured scheme at 1 January	37	41
37	35	Net pension liability unsecured scheme at 31 December	35	37

TOTAL SECURED AND UNSECURED SCHEMES

Parent bank 2013	Parent bank 2014		Group 2014	Group 2013
248	303	Net pension liability at 1 January	319	261
303	362	Net pension liability at 31 December	384	319

ACTUARIAL GAINS AND LOSS (CHANGES IN ESTIMATES)

Parent bank 2013	Parent bank 2014		Group 2014	Group 2013
-67	-51	Actuarial gains and losses and pre-tax losses in equity capital for the period	-87	-68
144	194	Cumulative actuarial gains and losses and pre-tax losses in equity capital	225	138

Parent bank	2014	2013	2012	2011	2010
Present value of pension liability	944	861	773	885	767
Fair value of pension assets	583	558	524	490	472
Deficit / surplus	**362**	**303**	**249**	**395**	**295**
Experience adjustments to pension liabilities	63	73	-129	90	-7
Experience adjustments to pension assets	6	-3	-18	-23	5

Group	2014	2013	2012	2011	2010
Present value of pension liability	989	897	801	925	791
Fair value of pension assets	605	578	541	507	482
Deficit / surplus	**384**	**319**	**260**	**418**	**309**
Experience adjustments to pension liabilities	65	78	-148	93	-9
Experience adjustments to pension assets	5	-5	-24	-24	2

Composition of the Group's pension assets	2014	2013
Fixed income funds	55,4 %	32,9 %
Shares	5,8 %	2,9 %
Short-term bonds	14,4 %	31,2 %
Certificates/bonds	5,7 %	16,2 %
Money market	17,7 %	14,9 %
Other	1,0 %	1,8 %

Note 25 Other operating expenses

Parent bank			Group	
2013	2014		2014	2013
42	44	External services	48	45
39	45	External data processing	46	40
40	43	Marketing	69	65
24	22	Postage, courier, telephone, computer lines	26	29
75	76	IT equipment, software	79	79
33	33	Depreciation (notes 33 and 34)	41	39
11	13	Rent *	29	28
18	16	Operating expenses property	16	18
12	22	Wealth tax	22	12
45	38	Other operating expenses	62	75
339	**353**	**Total other operating expenses**	**438**	**430**
		Auditor's fee (NOK thousands)		
945	1 885	Statutory audit	3 169	1 733
		Other attestation services		50
76		Other services	111	389
1 021	**1 885**	**Total, including VAT**	**3 280**	**2 172**

* Specification of rent (NOK thousands):

Parent bank		Group
2014		2014
9	Rent of premises	15
	Machine hire	8
1	Electricity and fuel – rented premises	2
2	Other operating expenses – rented premises	4
13	**Total rent**	**29**

Note 26 Taxes

Parent bank 2013	Parent bank 2014		Group 2014	Group 2013
622	835	Profit before taxes	1 232	841
-192	-262	+/- permanent differences *	-519	-328
	-40	+/- group contribution	-40	
104	54	+/- changes in temporary differences	-60	70
-67	-51	+/- tax effect recorded directly against equity	-53	-73
467	**536**	**Tax base / taxable income for the year**	**560**	**511**
131	146	Of which is tax payable 27 % (28 %)	150	143
1	-1	Tax at source	28	1
-24		Change in deferred tax	0	-14
-2	-1	Excess/insufficient tax allocation in previous years	(1)	-2
18	15	- of which change not recorded in income statement	15	18
124	**159**	**Total tax charge**	**192**	**146**
		Explanation of why the tax charge for the year is not 27 % of the year's profit before tax		
174	225	27% tax on profit before tax	332	235
-52	-67	27% of permanent differences*	-140	-92
1	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	1
3		Reduction in the tax rate for deferred tax assets from 28% to 27%		2
124	**159**	**Estimated tax charge**	**192**	**146**
20 %	**19 %**	**Effective tax rate (%)**	**16 %**	**17 %**
		Deferred tax assets		
-98	-131	Deferred tax assets that reverse in more than 12 months	-138	-113
-2	-2	Deferred tax assets that reverse within 12 months	-15	-2
-100	**-132**	**Total deferred tax assets**	**-153**	**-115**
29	60	Deferred tax that reverse in more than 12 months	121	55
		Deferred tax that reverse within 12 months		2
29	**60**	**Total deferred tax**	**121**	**57**
-70	**-72**	**Net deferred tax/deferred tax asset**	**-33**	**-58**
		Specification of temporary differences		
16	12	Gains and loss account	12	16
-303	-362	Pension liabilities	-384	-320
40	99	Operating equipment	324	191
	40	Group contribution	40	
	-71	Differences in finacial items	-71	
-12	15	Other temporary differences	14	-58
		Carry forward tax loss	-54	-45
-260	**-267**	**Total temporary differences**	**-120**	**-215**
27 %	27 %	Tax rate applied	27 %	27 %

*) 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 2014, the wealth tax is calculated to be NOK 22 mill (2013 NOK 12 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.

2014

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit and loss				
– Derivatives		529	3	531
– Bonds and certificates		4 017		4 017
– Fixed-rate loans to customers		1 793		1 793
– Loans with interest-rate guarantees to customers			1	1
Financial assets available for sale				
– Equity instruments	131		108	239
Total assets	**131**	**6 339**	**112**	**6 581**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at fair value through profit and loss				
– Derivatives		330		330
– Securities issued		8 951		8 951
– Subordinated loan capital		505		505
– Fixed-rate deposits from customers		50		50
Total liabilities	**0**	**9 835**	**0**	**9 835**

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
– Fixed-rate loans to customers		1 976		1 976
– loans with interest-rate guarantees to customers			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 from customers		76		76
– Term deposits from customers			51	51
Total liabilities	**0**	**9 159**	**51**	**9 210**

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, 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.

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:

2014	Loans with interest-rate guarantees	Equity instruments	Derivatives	Market-linked certificates of deposit (BMA)	Total
Opening balance	3	256	3	-51	**210**
Investments in the period		16			**16**
Sales / redemption in the period	-2	-271	-5	51	**-226**
Gains / losses recognised through profit and loss		157	5		**163**
Gains / losses recognised directly against comprehensive income		-51			**-51**
Closing balance	1	108	3	0	**112**
Gains / losses for the period included in the profit for assets owned on the balance sheet day		-1	5		**4**

2013	Loans with interest-rate guarantees	Equity instruments	Derivatives	Market-linked certificates 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**

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 2014 have reduced the fair value of the Bank's receivables by an estimated NOK 12 million. For fixed-rate deposits from customers the same effect is insignificant.
This estimate represents the difference between the book value of the loans and the calculated fair value of agreed cash flows on the balance sheet day discounted by the balance sheet day's yield curve and applicable risk premium at the start of the year. The corresponding effect is insignificant for fixed-rate deposits from customers.

Note 28 Classification of financial instruments

Parent bank 2014	Financial investments at fair value through profit and loss: Held for trading	Financial investments at fair value through profit and loss: 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				748	748
Loans to and receivables from credit institutions				4 856	4 856
Gross loans to and receivables from customers		1 782		33 362	35 144
- Individual write-downs				-120	-120
- Write-downs of groups of loans				-101	-101
Net loans to and receivables from customers	0	1 782	0	33 141	34 923
Certificates and bonds		4 017			4 017
Financial derivatives	531				531
Shares, units and other equity interests			239		239
Total assets	**531**	**5 799**	**239**	**38 744**	**45 313**
Liabilities					
Deposits from and liabilities to credit institutions				667	667
Deposits from and liabilities to customers		49		31 036	31 085
Liabilities arising from issuance of securities		8 951			8 951
Financial derivatives	330				330
Subordinated loan capital		505			505
Total liabilities	**330**	**9 504**	**0**	**31 703**	**41 537**

Group 2014	Financial investments at fair value through profit and loss: Held for trading	Financial investments at fair value through profit and loss: 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				748	748
Loans to and receivables from credit institutions				675	675
Gross loans to and receivables from customers		1 782		38 154	39 936
- Individual write-downs				-129	-129
- Write-downs of groups of loans				-116	-116
Net loans to and receivables from customers	0	1 782	0	37 909	39 691
Certificates and bonds		4 017			4 017
Financial derivatives	531				531
Shares, units and other equity interests			239		239
Total assets	**531**	**5 799**	**239**	**39 322**	**45 901**
Liabilities					
Deposits from and liabilities to credit institutions				665	665
Deposits from and liabilities to customers		49		31 021	31 070
Liabilities arising from issuance of securities		8 951			8 951
Financial derivatives	330				330
Subordinated loan capital		505			505
Total liabilities	**330**	**9 504**	**0**	**31 686**	**41 520**

Parent bank 2013	Financial investments at fair value through profit and loss: Held for trading	Financial investments at fair value through profit and loss: 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 and bonds		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 2013	Financial investments at fair value through profit and loss: Held for trading	Financial investments at fair value through profit and loss: 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 and bonds		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**	**30 603**	**39 812**

Note 29 Information about fair value

Parent bank	Book value 2014	Fair value 2014	Level in the valuation hierarchy	Book value 2014	Fair value 2014	Level in the valuation hierarchy
ASSETS						
Loans to and receivables from credit institutions	4 856	4 856	2	4 254	4 254	2
Net loans to and receivables from customers						
RM	20 428	20 428	3	19 324	19 324	3
CM	14 495	14 495	3	13 274	13 274	3
Securities	4 255	4 255	1,2,3	5 283	5 283	1,2,3
Derivatives	531	531	2	363	363	2
Total financial assets	**44 565**	**44 565**		**42 498**	**42 498**	
LIABILITIES						
Liabilities to credit institutions	667	667	2	634	634	2
Deposits from and liabilities to customers	31 085	31 085	3	30 110	30 110	3
Liabilities arising from issuance of securities	8 951	8 951	2	8 398	8 398	2
Derivatives	330	330	2	182	182	2
Subordinated loan capital	505	505	2	503	503	2
Total financial liabilities	**41 537**	**41 537**		**39 827**	**39 827**	

Group	Book value 2014	Fair value 2014	Level in the valuation hierarchy	Book value 2014	Fair value 2014	Level in the valuation hierarchy
ASSETS						
Loans to and receivables from credit institutions	675	675	2	699	699	2
Net loans to and receivables from customers						
RM	22 717	22 717	3	21 328	21 328	3
CM	16 975	16 975	3	15 608	15 608	3
Securities	4 256	4 256	1,2,3	5 283	5 283	1,2,3
Derivatives	531	531	2	363	363	2
Total financial assets	**45 154**	**45 154**		**43 281**	**43 281**	
LIABILITIES						
Liabilities to credit institutions	665	665	2	632	632	2
Deposits from and liabilities to customers	31 070	31 070	3	30 097	30 097	3
Liabilities arising from issuance of securities	8 951	8 951	2	8 398	8 398	2
Derivatives	330	330	2	182	182	2
Subordinated loan capital	505	505	2	503	503	2
Total financial liabilities	**41 521**	**41 521**		**39 812**	**39 812**	

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 and bonds by sector of issuers	**2014**	**2013**
Government		
– *nominal value*	150	150
– *fair value*	160	157
Other public sector issuers		
– *nominal value*	505	1 098
– *fair value*	527	1 111
Financial institutions		
– *nominal value*	3 084	3 018
– *fair value*	3 161	3 098
Non-financial institutions		
– *nominal value*	172	566
– *fair value*	169	560
Total fixed-income papers, nominal value	**3 911**	**4 832**
Total fixed-income papers at fair value	**4 017**	**4 927**

Fair value is presented including accrued interest (dirty price). Accrued interest amounts to NOK 27 million i 2014 (NOK 43 million in 2013).

See note 15 for a more detailed specification of risk linked to fixed-income funds.

Note 31 Financial derivatives

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

Assessment at fair value through profit and loss		**2014**	
Currency instruments	**Contract sum**	**Fair value Assets**	**Fair value Liabilities**
Currency forward contracts	881	18	11
Currency swaps	1 386	14	57
Total currency instruments	2 267	32	67
Interest rate instruments			
Interest rate swaps (including currency swaps)	8 763	486	263
Forward Rate Agreements (FRA)	150	10	
Total interest rate instruments	8 913	497	263
Other derivatives			
Guarantee liability in respect of Eksportfinans ASA	66	3	0
Total currency and interest rate instruments			
Total currency instruments	**2 267**	**32**	**67**
Total interest rate instruments	**8 913**	**497**	**263**
Total other derivatives	**66**	**3**	**0**
Total	**11 247**	**531**	**330**

Assessment at fair value through profit and loss		**2013**	
Currency instruments	**Contract sum**	**Fair value Assets**	**Fair value 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**

Note 32 Shares, units and other equity interests

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

	2014	2013
Available for sale (AFS)	**239**	**357**
– *Listed*	131	101
– *Unlisted*	108	256
Total shares and units	**239**	**357**

Listed companies	Classification	Ownership (%)	No. of shares	Cost of acquisition (NOK thousands)	Market value/ book value (NOK thousands)
Visa Inc.	TFS	0,0 %	13 710	5 891	26 875
Total listed shares				**5 891**	**26 875**
Totens Sparebank	TFS	23,5 %	1 440 530	94 782	103 718
Total listed equity certificates				**94 782**	**103 718**
Total listed shares and equity certificates				**100 673**	**130 593**

Unlisted companies					
Eiendomskreditt AS	TFS	1,1 %	32 510	3 446	3 836
Eksportfinans ASA	TFS	1,3 %	3 499	52 127	72 097
Norgesinvestor IV AS	TFS	1,7 %	79 000	7 308	7 347
Norgesinvesto Proto AS	TFS	16,9 %	150 000	15 000	14 906
Other	TFS			19 299	10 070
Total unlisted shares and units				**97 180**	**108 256**
Total shares, units and equity certificates				**197 853**	**238 849**

Note 33 Goodwill and other intangible assets

Parent bank 2013	Parent bank 2014		Group 2014	Group 2013
		Goodwill		
22	22	Acquisition cost at 1 January	99	93
		Acquisitions / disposals	16	6
22	22	Acquisition cost at 31 December	115	99
		Accumulated write-downs at 1 January	20	
		Current year's write-downs		20
		Accumulated write-downs at 31 December	20	20
22	**22**	**Goodwill incorporated in the balance sheet at 31 December**	**95**	**79**

Parent Bank
Goodwill was recognised in the balance sheet of the Parent Bank due to the acquisition of the Hamar branch of in Bank 1 Oslo Akershus AS in 2006.

On acquisition of the portfolio from Bank 1 Oslo Akershus AS in 2006, the names of the customers who were transferred to Sparebanken Hedmark were noted to enable them to be identified at a later 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, in principle an estimate is made of the net cash flows expected to arise from the portfolio by determining its earnings from loans and deposits, and the costs and revenues derived from mutual funds and insurance products. Furthermore, an estimate is made of expected losses on the portfolio. The cash flow is calculated over 20 years and 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 connected to the portfolio acquired from Bank 1 Oslo Akershus AS exceeds the carrying value of goodwill.

Group
The Group's goodwill consists, in addition to the goodwill from the takeover of Bank 1 Oslo Akershus AS, of a small goodwill item in EiendomsMegler 1 Hedmark Eiendom AS, as well as a larger goodwill item in the subsidiary SpareBank 1 Regnskapshuset Østlandet AS.
All of the items arose in connection with previous acquisitions in companies, the latest in 2014 through the acquisition of Regnskap Lønn AS and Dataregnskap AS. There is also a goodwill item linked to the Bank's acquisition of SpareBank 1 Regnskapshuset Østlandet AS in April 2011. The residual value of this item is NOK 4 million.

The value of goodwill in subsidiaries, associated companies and joint ventures has been tested as at 31 December 2014. Given the equity and expected future earnings of the companies, goodwill was not written down in the consolidated profit for 2014.

Parent bank 2013	Parent bank 2014		Group 2014	Group 2013
		Other intangible assets		
130	130	Acquisition cost at 1 January	133	133
		Acquisitions		
		Disposals		
130	130	Acquisition cost at 31 December	133	133
26	35	Accumulated depreciation at 1 January	35	27
		Disposals accumulated depreciation		
8	8	Current year's depreciation	8	8
35	43	Accumulated depreciation at 31 December	43	35
95	**87**	**Other intangible assets at 31 December**	**90**	**98**

Other intangible assets consist primarily of NOK 47 million related to the acquisition of the customer portfolio of Bank 1 Oslo Akershus AS's Hamar office in 2006, NOK 21 million related to the acquisition of the customer portfolio from Sparebank1 Ringerike Hadeland in October 2011, as well as NOK 18 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 2013	Parent bank 2014		Group 2014	Group 2013
117	**109**	**Total intangible assets at 31 December**	**185**	**177**

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
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**
350	228	578	Acquisition cost at 1 January 2014	414	278	692
62	20	81	Acquisitions	62	25	86
8	28	36	Disposals	8	28	36
404	219	622	Acquisition cost at 31 December 2014	468	274	742
145	167	312	Accumulated depreciation and write-downs at 1 January 2014	201	203	404
10	16	26	Current year's depreciation	10	23	33
			Current year's write-downs			
6	25	31	Current year's disposal	6	25	31
149	157	307	Accumulated depreciation and write-downs at 31 December 2014	205	201	406
254	**61**	**315**	**Book value at 31 December 2014**	**263**	**73**	**336**
		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 2014 was NOK 158 million. The corresponding figures for 2013 are NOK 171 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 2014.

Investment properties (NOK thousands)

Parent bank: Value 01/01/14	Acqu./ depr.	Value 31/12/14	Rent	Rented on 31/12/14		Group: Value 01/01/14	Acqu./ depr.	Value 31/12/14	Rent	Rented on 31/12/14
6 827	-105	6 722	436	100 %	Brugata 7–Brumunddal	6 827	-105	6 722	223	66 %
6 827	**-105**	**6 722**	**436**		**Total**	**6 827**	**-105**	**6 722**	**223**	
		9 036			Fair value			9 036		

Parent bank: Value 01/01/14	Acqu./ depr.	Value 31/12/14	Rent	Rented on 31/12/14		Group: Value 01/01/14	Acqu./ depr.	Value 31/12/14	Rent	Rented on 31/12/14
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		

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

Note 35 Other assets

Parent bank 2013	Parent bank 2014		Group 2014	Group 2013
43	73	Capital payments into pension fund	73	43
298	19	Accrued income, not yet received	19	298
32	23	Prepaid costs, not yet incurred	15	32
226	144	Other assets	299	82
599	**260**	**Other assets**	**406**	**455**

Note 36 Deposits from and liabilities to customers

Parent bank 2013	Parent bank 2014	Deposits from and liabilities to customers	Group 2014	Group 2013
28 777	31 035	Deposits from and liabilities to customers at call	31 021	28 767
1 330	49	Deposits from and liabilities to customers with agreed maturity dates	49	1 330
3	1	Accrued interest		
30 110	**31 085**	**Total deposits from and liabilities to customers**	**31 070**	**30 097**
		Of total deposits, deposits stated at fair value through profit and loss (FVO):		
74	49	*Fixed-rate deposits, book value*	49	74
74	49	*Fixed-rate deposits, nominal value*	49	74
50		*Term deposits, book value*		50
50		*Term deposits, nominal value*		50

2013	2014	Deposits by sector and industry	2014	2013
18 744	19 047	Private customers	19 047	18 744
3 966	3 666	Public sector	3 666	3 966
831	927	Primary industries	927	831
135	101	Paper and pulp industries	101	135
410	514	Other industry	514	410
616	671	Building and construction	671	616
108	118	Power and water supply	118	108
666	665	Wholesale and retail trade	665	666
84	95	Hotel and restaurants	95	84
1 688	1 565	Real estate	1 565	1 688
2 602	3 452	Commercial services	3 437	2 589
254	258	Transport and communications	258	254
6	6	Other operations	6	6
30 110	**31 085**	**Total deposits by sector and industry**	**31 070**	**30 097**

2013	2014	Deposits by geographic area	2014	2013
26 043	26 012	Hedmark County	25 997	26 033
541	691	Oppland County	691	541
954	1 259	Akershus County	1 259	954
2 211	2 748	Rest of Norway	2 748	2 211
358	375	Abroad	375	358
3		Accrued interest, undistributed		
30 110	**31 085**	**Total deposits by geographic area**	**31 070**	**30 097**

Note 37 Liabilities arising from issuance of securities

All figures are identical for the parent bank and the Group.	2014	2013
Certificate-based debt		
- *nominal value*		300
- *fair value*		304
Bond debt		
- *nominal value*	8 410	7 718
- *fair value*	8 951	8 094
Subordinated loan capital		
- *nominal value*	500	500
- *fair value*	505	503
Total liabilities arising from issuance of securities, nominal value	**8 910**	**8 518**
Total liabilities arising from issuance of securities, fair value	**9 455**	**8 901**
Average interest rate on certificate-based debt	1,9 %	2,3 %
Average interest rate on bond debt	2,8 %	2,8 %
Average interest rate on subordinated loan capital	3,6 %	3,5 %

Liabilities from issuance of securities by maturity date	2014	2013
2014		1 388
2015	1 012	1 205
2016	1 468	1 745
2017	1 900	1 000
2018	2 480	1 580
2019	1 150	700
2020	300	300
2022	200	200
2023	400	400
Total liabilities from issuance of securities, nominal value	**8 910**	**8 518**

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

Certificate-based debt, nominal value	31.12.14	Issued	Due/redeemed	Other changes	31.12.13
Bond debt, nominal value	0		-300		300
Subordinated loan capital, nominal value	8 410	2 050	-1 250	-108	7 718
Accrued interest	500				500
Adjustments	131			-33	164
Total debt raised through issuance of securities, fair value	415			196	219
Total debt raised through issuance of securities, fair value	**9 455**	**2 050**	**-1 550**	**54**	**8 901**

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**	**13**	**8 038**

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 2014 has in isolation increased the fair value of the Bank's debt securities by an estimated NOK 46 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 2013, possibly with initial recognition of debt that was issued in 2014. All other factors remain the same.

In comparison, the reduced trading spreads in 2013 resulted in a increase of the fair value of the debt securities by an estimated NOK 36 million.

As at 31 December 2014 an accumulated unrealised loss, including hedging derivatives, of NOK 172 million was recognised relating to the assessment of the Bank's debt securities at fair value.

Note 38 Other debt and liabilities

Parent bank 2013	2014	Other debt and liabilities recognised in the balance sheet	Group 2014	2013
303	362	Pension liabilities (note 24)	384	319
12	14	Guarantee provisions	14	12
8	9	Banker's drafts	9	8
41	37	Accounts payable	42	44
139	159	Other	190	339
503	**581**	**Total other debt and liabilities recognised in the balance sheet**	**639**	**722**
		Guarantee commitments etc. (amounts guaranteed)		
563	627	Payment guarantees	507	443
385	385	Contract guarantees	385	385
5	5	Guarantees for taxes	5	5
40	45	Other guarantees	45	40
993	**1 062**	**Total guarantees**	**942**	**873**
		Other liabilities - not on the balance sheet		
4 615	4 074	Unutilised credit lines	4 061	4 321
480	459	Loans approved (not discounted)	459	604
18		Other liabilities		18
5 113	**4 533**	**Total other liabilities**	**4 520**	**4 943**
6 609	**6 176**	**Total liabilities**	**6 101**	**6 538**

Securities	Total	Assets pledged as security	Securities	Total
2 575	2 575	Assets pledged as security in 2014*	2 575	2 575
		Related liabilities 2014		
2 681	2 681	Assets pledged as security in 2013*	2 681	2 681
		Related liabilities 2013		

* 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	Type of business	Date of acquisition	Business office [2], headquarters	Percentace ownership [1]
Investments in subsidiaries				
Shares owned by the parent bank				
EiendomsMegler 1 Hedmark Eiendom AS	Real estate	1988	Hamar, Norway	100,00 %
SpareBank 1 Finans Østlandet AS	Financing	1995	Hamar, Norway	100,00 %
SpareBank 1 Regnskapshuset Østlandet AS	Accounting	2011	Hamar, Norway	100,00 %
Vato AS	Rental of real estate	1981	Hamar, Norway	100,00 %
Investments in associated companies				
Bank 1 Oslo Akershus AS	Banking	2010	Oslo, Norway	40,50 %
SpareBank 1 Boligkreditt AS	Coverd bond company	2007	Stavanger, Norway	9,50 %
SpareBank1 Næringskreditt AS	Coverd bond company	2012	Stavanger, Norway	3,84 %
SpareBank 1 Kredittkort AS	Credit card	2012	Trondheim, Norway	7,99 %
SpareBank 1 Markets AS	Investment firm	2013	Oslo, Norway	16,80 %
KOMM-IN AS	Consulting	2013	Raufoss, Norway	23,10 %
Investments in joint ventures				
Torggt 22 AS	Rental of real estate	2001	Hamar, Norway	50,00 %
SpareBank 1 Gruppen AS	Financial holding company	2006	Tromsø, Norway	11,00 %
SpareBank 1 Utvikling DA	Develp and coordinate cooperation in SpareBank 1 Alliansen	2006	Oslo, Norway	11,30 %
Oslo Eiendom Holding AS	Rental of real estate	2013	Lena, Norway	50,00 %

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

[2] Registered office and head quarters are the same for all companies exept SpareBank 1 Gruppen AS whose headquarters is placed in Oslo.

Shares in subsidiaries parent bank

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

2014	The company's share capital	No. of shares	Assets *)	Short-term debt	Long-term debt	Total income	Total expenses	company profit	Book value
SpareBank 1 Finans Østlandet AS	600,0	600 000	4 938	71	4 192	190	75	73	600
Total investments in credit institutions			**4 938**	**71**	**4 192**	**190**	**75**	**73**	**600**
EiendomsMegler 1 Hedmark Eiendom AS	0,5	500	26	26		79	67	8	8
SpareBank 1 Regnskapshuset Østlandet AS	13,8	1 250 000	108	29	41	124	118	4	51
Vato AS	0,6	352	11	1		2	1	1	9
Total investments in other subsidiaries			**145**	**56**	**41**	**205**	**186**	**13**	**68**
Total investments in Group companies parent bank			**5 083**	**127**	**4 233**	**395**	**261**	**86**	**668**

2013	The company's share capital	No. of shares	Assets *)	Short-term debt	Long-term debt	Total income	Total expenses	company profit	Book value
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**

*) 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 2013	Parent bank 2014		Group 2014	Group 2013
1 299	2 140	Book value at 1 January	2 565	1 558
841	183	Acquisitions/disposals	264	868
		Write-downs		
		Changes in equity	-14	2
		Share of the profit	393	261
		Dividend paid	-135	-124
2 140	**2 323**	**Book value at 31 December**	**3 073**	**2 565**

Inntekter fra investeringer i datterselskaper, tilknyttede selskaper og felleskontrollert virksomhet

Parent bank 2013	Parent bank 2014		Group 2014	Group 2013
82	19	Dividend SpareBank 1 Gruppen AS		
	27	Dividend Bank 1 Oslo Akershus AS		
12	25	Dividend SpareBank 1 Boligkreditt AS		
3	4	Dividend EM 1 Hedmark Eiendom AS		
27	58	Dividend SB 1 Finans Østlandet AS		
	2	Dividend from others		
		Share of the profit SpareBank 1 Gruppen AS	202	132
		Share of the profit Bank 1 Oslo Akershus AS	183	133
		Share of the profit SpareBank 1 Boligkreditt AS	19	17
		Share of the profit from others	-11	-2
-17	-17	Impairment		-20
82	-1	Gains/losses on realisation of ownership investments		66
189	**117**	**Total income**	**394**	**326**

The Group's stake in associates companies

2014	SpareBank 1 Gruppen AS	SpareBank 1 Banksamarbeidet DA	Torggt 22 AS	Oslo Eiendom Holding AS	Total associates companies
Ownership i per cent	11,00 %	11,30 %	50,00 %	50,00 %	
Number of shares	215 204		8 000	15 000	
Current assets	4 337	2	1	2	
Fixed assets	1 758	96	20		
Total assets	**6 095**	**98**	**21**	**2**	
Short-term liabilities	628	40	1		
Long-term liabilities	4 654	46	6		
Equity capital	813	12	14	2	
Total equity capital and liabilities	**6 095**	**98**	**21**	**2**	
Income	1 389	76	2		
Operating expenses	1 124	75	1		
Profit/loss before tax	265	1	1		
Tax	62				
Result for the accounting year	**203**	**1**	**1**		
Comprehensive income	**-5**				
Book value Parent Bank	**492**	**13**	**8**	**2**	**515**
Book value Group	**883**	**13**	**14**	**2**	**912**

2013	SpareBank 1 Gruppen AS	SpareBank 1 Banksamarbeidet DA	Torggt 22 AS	Oslo Eiendom Holding AS	Total associates companies
Ownership i per cent	11,00 %	11,30 %	50,00 %	50,00 %	
Number of shares	215 204		8 000	15 000	
Current assets	3 930	5			
Fixed assets	1 653	58	20		
Total assets	**5 583**	**63**	**20**		
Short-term liabilities	416	14	1		
Long-term liabilities	4 529	38	6		
Equity capital	638	11	13		
Total equity capital and liabilities	**5 583**	**63**	**20**		
Income	1 374	78	2		
Operating expenses	1 210	79	1		
Profit/loss before tax	164	-1	1		
Tax	43				
Result for the accounting year	**121**	**-1**	**1**		
Comprehensive income	**9**				
Book value Parent Bank	**492**	**13**	**8**	**2**	**515**
Book value Group	**709**	**13**	**13**	**2**	**737**

The Group's stake in joint ventures

2014	Bank 1 Oslo Akershus AS	SpareBank 1 Boligkreditt AS	SpareBank 1 Næringskreditt AS	SpareBank 1 Kredittkort AS	SpareBank 1 Markets AS	Other joint ventures companies	Total joint ventures
Ownership i per cent	40,50 %	9,50 %	3,84 %	7,99 %	16,80 %		
Number of shares	1 854 126	5 237 544	560 000	204 922	110 033		
Current assets	13 875	21 621	697	381	74		
Fixed assets	533				21		
Total assets	**14 407**	**21 621**	**697**	**381**	**95**		
Short-term liabilities	9 221	2 702	2	7	64		
Long-term liabilities	3 999	18 114	620	312			
Equity capital	1 187	805	75	62	31		
Total equity capital and liabilities	**14 407**	**21 621**	**697**	**381**	**95**		
Income	503	30	7	17	18		
Operating expenses	284	3		16	46		
Profit/loss before tax	219	27	7	1	-28		
Tax	36	7	2		-9		
Result for the accounting year	**183**	**20**	**5**	**1**	**-19**		
Comprehensive income	**-9**						
Book value Parent Bank	**857**	**786**	**70**	**64**	**24**	**7**	**1 808**
Book value Group	**1 187**	**805**	**75**	**62**	**24**	**8**	**2 161**

2013	Bank 1 Oslo Akershus AS	SpareBank 1 Boligkreditt AS	SpareBank 1 Næringskreditt AS	SpareBank 1 Kredittkort AS	SpareBank 1 Markets AS	Other joint ventures companies	Total joint ventures
Ownership i per cent	40,50 %	8,37 %	2,93 %	7,99 %	14,70 %		
Number of shares	1 854 126	4 442 411	400 000	55 486	8 821		
Current assets	471	17 256	462	17	89		
Fixed assets	12 372				11		
Total assets	**12 843**	**17 256**	**462**	**17**	**100**		
Short-term liabilities	8 100	1 234	1	1	73		
Long-term liabilities	3 707	15 329	410	1			
Equity capital	1 036	693	51	15	27		
Total equity capital and liabilities	**12 843**	**17 256**	**462**	**17**	**100**		
Income	456	28	2	1	7		
Operating expenses	247	4		3	9		
Profit/loss before tax	209	24	2	-2	-2		
Tax	76	7	1	-1	-1		
Result for the accounting year	**133**	**17**	**1**	**-1**	**-1**		
Comprehensive income	**-15**						
Book value Parent Bank	**857**	**667**	**50**	**17**	**22**	**12**	**1 625**
Book value Group	**1 036**	**693**	**51**	**15**	**26**	**7**	**1 828**

Contingent liabilities related to investments in joint ventures and associates are disclosed in note 38

Note 40 Acquisition of businesses/business combinations

SPAREBANK 1 REGNSKAPSHUSET ØSTLANDET AS

Sparebanken Hedmark bought back 40 per cent of the shares in the accounting chain SpareBank 1 Regnskapshuset Østlandet AS from SpareBank 1 SMN Regnskap AS on 23 December 2014.

The SpareBank 1 Alliance's market strategy for the SMB market includes a greater focus on advice services. It is envisaged that Regnskapshuset will play a key role in this. The acquisition helps to ensure that from a regional perspective one is freer to develop the partnership between the accounting chain and the corporate market in Sparebanken Hedmark, and to facilitate greater growth for the Group in Eastern Norway.

The takeover entailed a correction directly against the equity in the Sparebanken Hedmark Group of NOK 11.4 million in the fourth quarter of 2014.

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

Acquisition analysis	
Remuneration 23 December 2014	**28,5**
The book value of identifiable assets and liabilities as a result of the acquisition	
Intangible assets	77,2
Property, plant and equipment	2,3
Current assets	19,3
Bank deposits, cash, etc.	9,3
Long-term debt to credit institutions	-37,3
Pension liabilities	-1,8
Current debt to credit institutions	-1,2
Other current liabilities	-29,3
Total identifiable net assets	**38,5**
Of this 40% constitutes	15,4
Minority's share of previous Group goodwill amounts to:	1,7
Minority's share then amounts to:	**17,1**
Correction of equity upon buy back:	**11,4**

SpareBank 1 Regnskapshuset Østlandet AS has been fully consolidated into the consolidated financial statements the entire time it has been owned by the Bank, and the bought back stake of 40 per cent is thus shown in the consolidated financial statements as the minority's share of the result and equity.

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

2014	Loans	Bonds and sub-ordinated loans	Deposits	Interest income	Interest expences	Commission income	Other operating income	Operating expences	Guarantees
SpareBank 1 Finans Østlandet AS	4 180		2	84		1	2		120
EiendomsMegler 1 Hedmark Eiendom AS			4	4			2		
Other subsidiaries	39		15	3					
Total subsidiaries	**4 219**	**0**	**21**	**90**	**0**	**1**	**5**	**0**	**120**

2013	Loans	Bonds and sub-ordinated loans	Deposits	Interest 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**

Associated companies and joint ventures

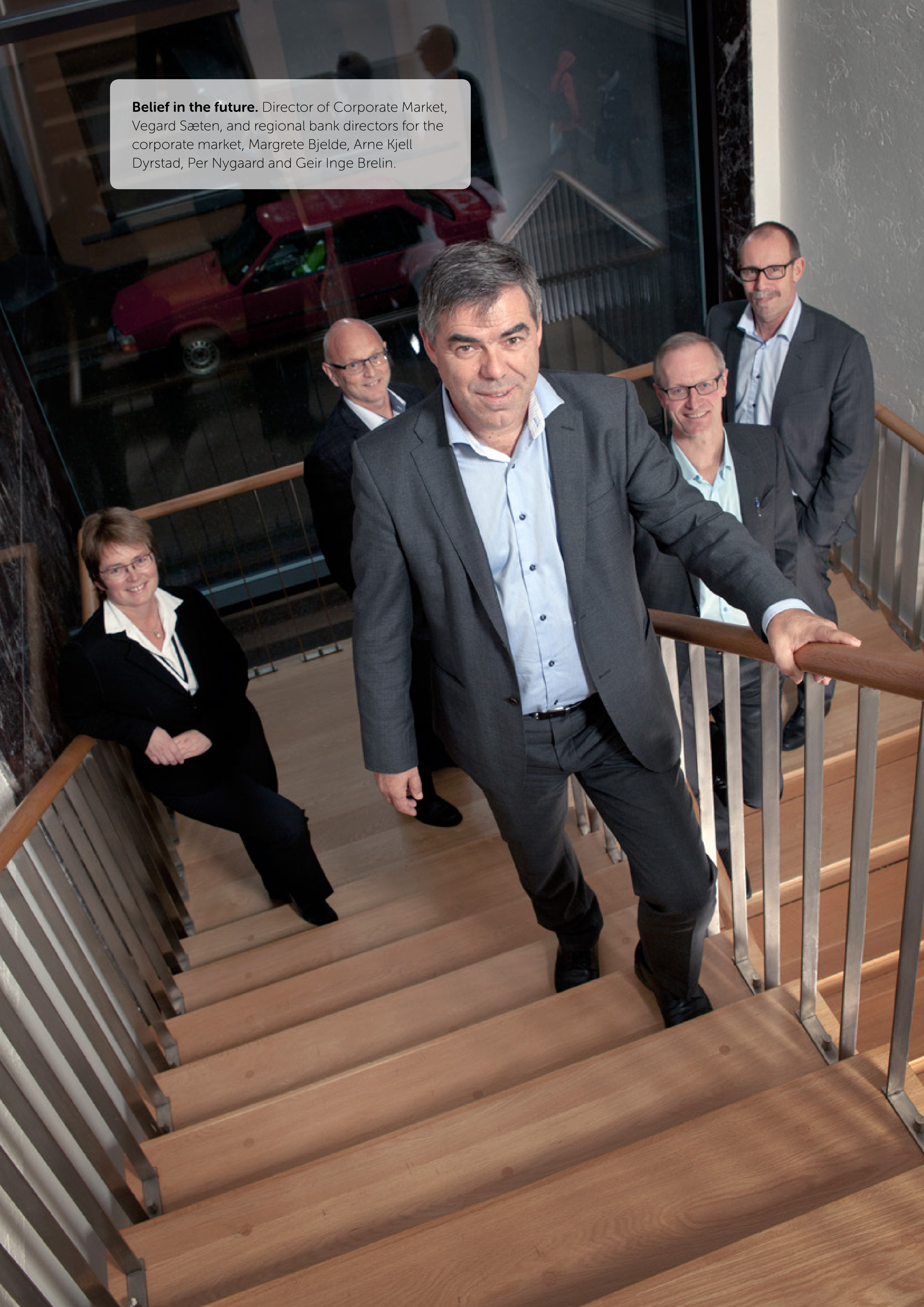
2014	Loans	Bonds and sub-ordinated loans	Deposits	Interest income	Interest expences	Commission income	Other operating income	Operating expences	Guarantees
Bank 1 Oslo Akershus AS									
SpareBank 1 Boligkreditt AS		502		12		221			
SpareBank 1 Næringskreditt AS		150		4		7			
SpareBank 1 Gruppen AS	313			10		75			
SpareBank 1 Kredittkort AS	325	8		7		60			
Other associated companies and joint ventures									
Total associated companies and joint ventures	**638**	**660**	**0**	**34**	**0**	**363**	**0**	**0**	**0**

2013	Loans	Bonds and sub-ordinated loans	Deposits	Interest 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**

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

Note 42 Dividends from subsidiaries

Dividends	**2014**	**2013**
Dividends received from:		
EiendomsMegler 1 Hedmark Eiendom AS	4	3
SpareBank 1 Finans Østlandet AS	58	27
Vato AS	1	1
Total dividends	**63**	**31**



Belief in the future. Director of Corporate Market, Vegard Sæten, and regional bank directors for the corporate market, Margrete Bjelde, Arne Kjell Dyrstad, Per Nygaard and Geir Inge Brelin.

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 2014 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, 5. March 2015

Siri J. Strømmevold
Chairman

Bjørnar Håkensmoen

Erik Garaas

Espen Bjørklund Larsen

Nina C. Lier

Aud Christensen

Morten Herud

Richard Heiberg
Chief Executive Officer

REPORT FOR 2014 TO THE

SUPERVISORY BOARD OF SPAREBANKEN HEDMARK

In accordance with the Financial Institutions Act, Savings Banks Act and its own instructions and working plan, the Control Committee has overseen the Bank's activities in 2014.

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

In its activities, the Committee has particularly focused on assessing larger commitments, risk, plans and the regulatory framework. The Committee has continuously monitored overdraft and arrears lists for the Bank's employees, employees of subsidiaries and elected officers.

The Committee has received a report from the Bank's internal audit on selected areas of the Bank's activities in accordance with the set 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, there has been a special emphasis on risk management and credit issues, as well as compliance with legislation and regulations.

The Bank's executive personnel have met in committee according to plan and provided information about major management issues and individual matters.

The Director of Risk Management has presented risk reports and matters of material importance.

The Committee has particularly focused on commitments exposed to potential loss and commitments with a high credit risk. The Committee has received reports on such commitments from the Director of Corporate Market and from the credit management department.

The Committee has focused on the Bank's funding management and finance strategy. The Committee has monitored the Bank's equity certificate processes. A joint meeting has been held with the Bank's Board.

In its review of the proposed annual financial statements for the Parent Bank, Directors' Report and Independent Auditor's Report the Committee paid particular attention to reviewing the annual financial statements in light of the regulations on recording losses and write-downs for losses. The external auditor met the Committee and presented the audit plan. No circumstances of significance for the Bank's financial strength and operations have been revealed that require reporting to the Bank's Supervisory Board or the Financial Supervisory Authority of Norway.

In the opinion of the Committee, the 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 2014.

Hamar, 13 March 2015, Control

Committee of Sparebanken Hedmark

Vidar Brobakken

MikaeL Løken

Ingunn GråbergSveen

Jan Erik Myrvold

Bodil Andersen

pwc

To the Supervisory board ("Forstanderskapet") 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 2014, income statement, 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 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

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Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and the going concern assumption 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.

Oslo, 5 March 2015
PricewaterhouseCoopers AS

Magne Sem
State Authorised Public Accountant (Norway)

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

Subsidiaries

SpareBank 1 Finans Østlandet AS

Demand for SpareBank 1 Finans Østlandet AS's products continued to grow well in 2014. New sales totalled NOK 2 693 million, an increase of NOK 356 million. The company achieved a historic milestone in 2014 with a profit before tax of NOK 101 million.

The result was affected by good growth in both loans and leasing, as well as stable costs development. The company continued to grow in accordance with the adopted strategy. Total assets increased by 17 per cent and totalled NOK 4 938 million. The company's credit losses have been satisfactorily low in recent years. The loss costs for 2014 were 0.3 per cent of the average gross lending. The board 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 55 employees, including temporary employees. The business is experiencing a higher level of activity in both the retail and corporate markets. The profitability of some transport and building companies is not satisfactory. Combined with little capacity to withstand tough times, the situation could become challenging for some companies.

About SpareBank 1 Finans Østlandet AS

SpareBank 1 Finans Østlandet is a wholly owned subsidiary of Sparebanken Hedmark and its head office is in Hamar. The company also has branches 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

2014 was the best year ever for EiendomsMegler 1 Hedmark Eiendom AS. Its operating profit was NOK 11.4 million, a year-on-year improvement of more than NOK 7 million.

The big improvement in the result was due to higher turnover; no less than 17 per cent growth without any increase in staffing. The number of properties sold rose from 1 376 to 1 593. The company has improved the quality and efficiency of its work processes by introducing continuous improvements. More customers have been served and at the same time they have experienced better quality. This has made the company more profitable and competitive.

The company has strengthened its presence in the county with the establishment of a branch in Moelv. In 2014, EiendomsMegler 1 had an average of 46 full time equivalents. Profit after tax totalled NOK 8.4 million. The company is expecting further growth and aims to strengthen its position as the largest real estate agent in the Interior 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, Moelv and Tynset, as well as Årnes in Akershus.

For more information, see www.eiendomsmegler1.no/hedmark.

SpareBank 1 Regnskapshuset Østlandet AS

SpareBank 1 Regnskapshuset Østlandet AS demonstrated good progress with respect to its turnover and result in 2014. Operating income increased from NOK 103 million in 2013 to NOK 127 million in 2014. The profit after tax amounted to NOK 4 million, a year-on-year improvement of NOK 10 million.

The company acquired three branches in 2014 and now also has a presence in Kongsvinger, Jessheim and Oslo. The company continues to aim for growth and expects to develop well going forward.

Its main market areas will continue to be Hedmark, Oppland, Akershus and Oslo, and the company aims to strengthen its position in this market.

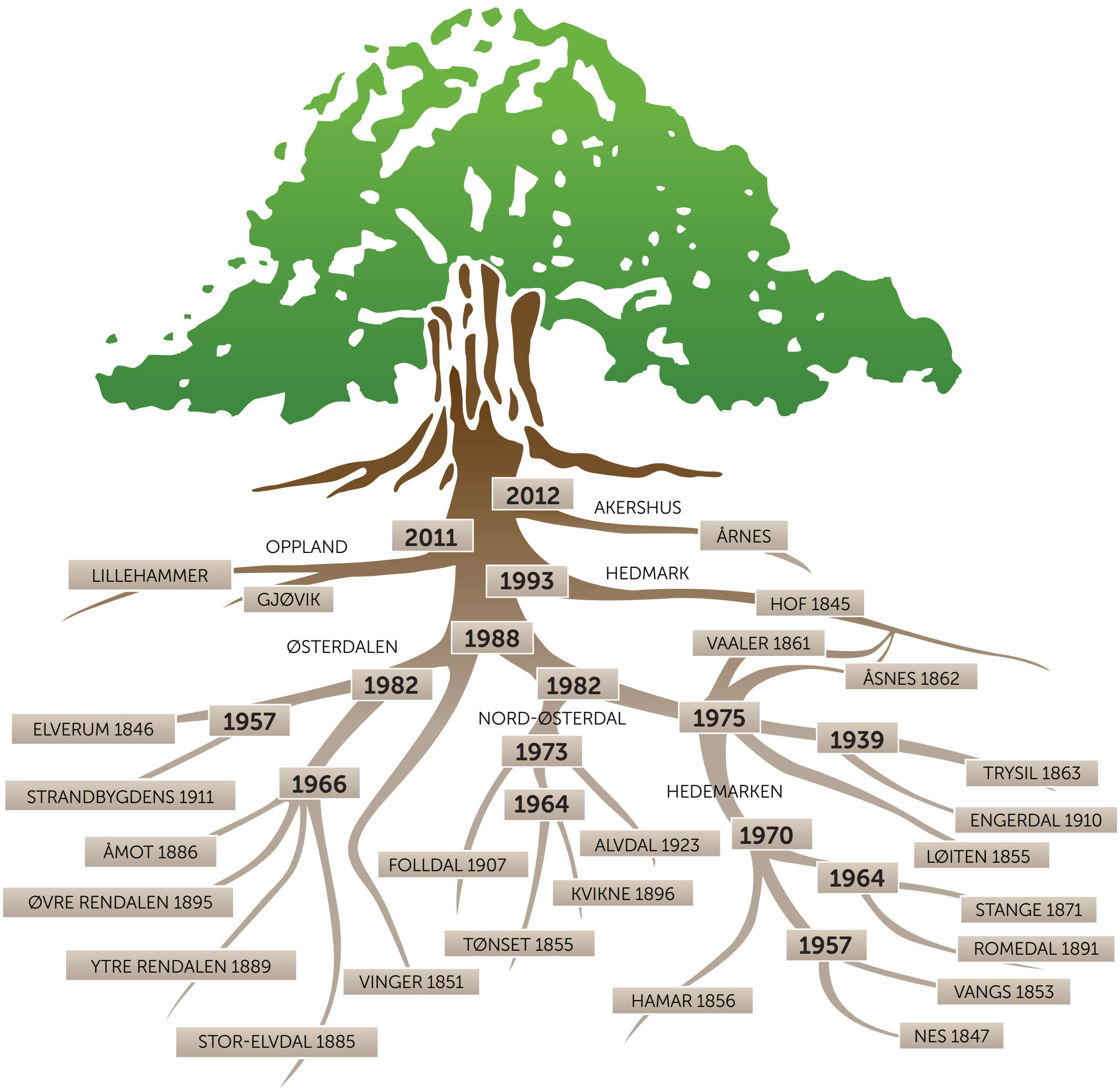
About SpareBank 1 Regnskapshuset Østlandet AS

SpareBank 1 Regnskapshuset Østlandet AS provides accounting, payroll and consulting services. The company is a wholly owned company of Sparebanken Hedmark and had 14 branches at year-end 2014 in Eastern Norway and Rogaland. The company serves the SMB market within production, retail and farming in Norway and had 137 employees at year-end 2014.

For more information, see www.sb1r.no.

Highest level of education in the Interior Region.
When entrepreneur Trude Emaus moved to Lillehammer so she could go skiing, she also helped to ensure the city's status as the highest educated in the Interior Region. Last year the business and administration postgraduate started working as an entrepreneur consultant. In 2014, she established an bookkeeping firm with her son Markus.
SOURCE: Sparebanken Hedmark's Economic Barometer.

Rooted in Hedmark



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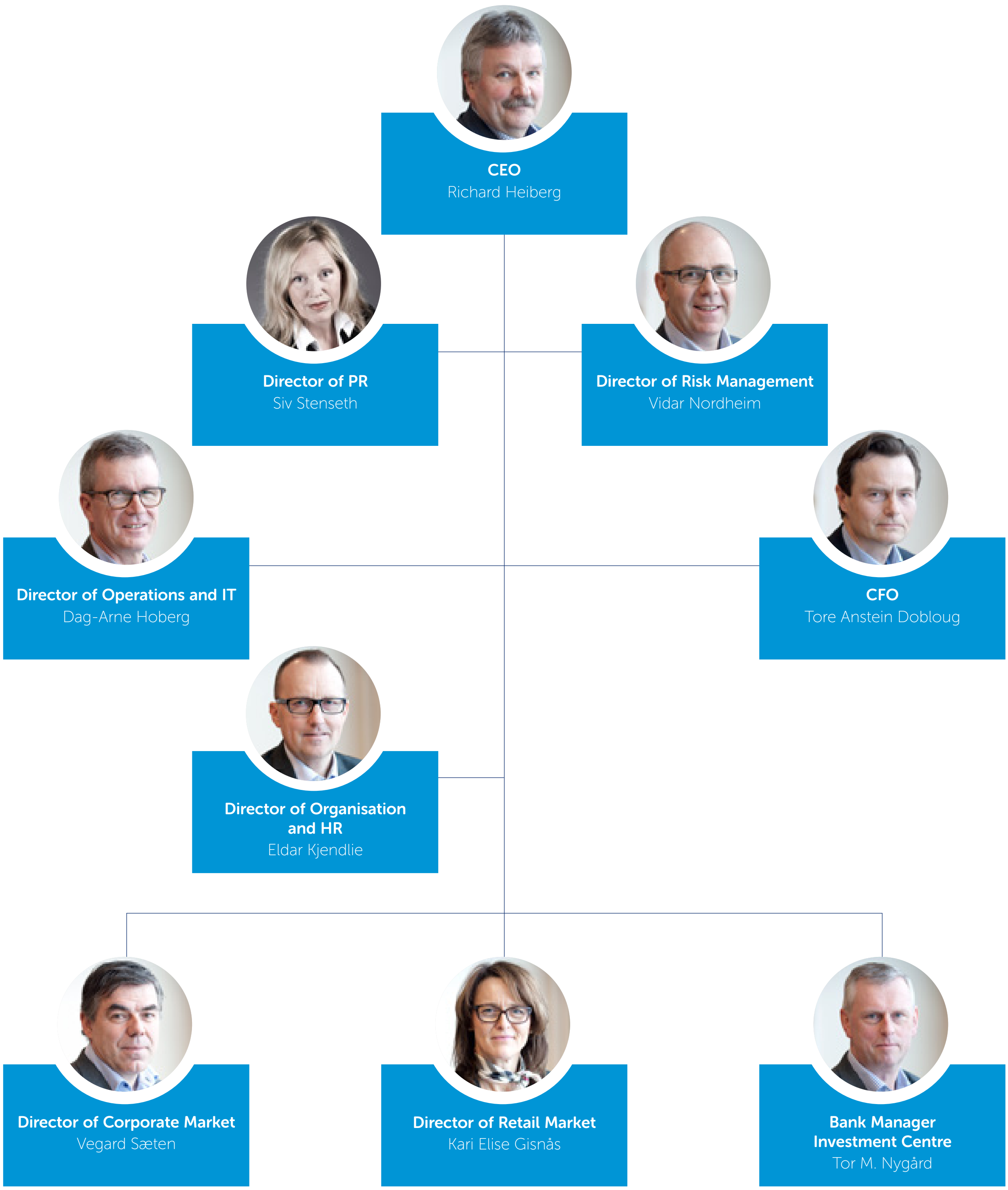
Online bank
sparebanken-hedmark.no

Company administration
Strandgata 15, Postboks 203, N-2302 Hamar
Organisation number: 920 426 530

Corporate Management 2014



Creating together

Sparebanken Hedmark is a mainstay of the region. By lending to private individuals and businesses and managing customer deposits, the Bank helps people build, live and work in Hedmark. The Bank's vision, '***creating together***', makes the point that the Bank's results are achieved in partnership with our customers.