

3. QUARTER

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2013

# Contents Q3 - 2013

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# Main figures

	30.09.13		30.09.12		31.12.12	
	Amount	%	Amount	%	Amount	%
<b>Result summary (NOK mill and % of average assets)</b>						
Net interest income	745	2,20 %	713	2,21 %	955	2,21 %
Net commissions and other (non-interest) income	413	1,22 %	317	0,98 %	435	1,00 %
Net income from financial investments	142	0,42 %	69	0,22 %	43	0,10 %
<b>Total income</b>	<b>1 300</b>	<b>3,83 %</b>	<b>1 099</b>	<b>3,41 %</b>	<b>1 433</b>	<b>3,31 %</b>
<b>Total operating expenses before losses on loans and guarantees</b>	<b>681</b>	<b>2,01 %</b>	<b>641</b>	<b>1,99 %</b>	<b>864</b>	<b>2,00 %</b>
<b>Profit before losses on loans and guarantees</b>	<b>619</b>	<b>1,83 %</b>	<b>458</b>	<b>1,42 %</b>	<b>569</b>	<b>1,31 %</b>
Losses on loans and guarantees	29	0,09 %	19	0,06 %	42	0,10 %
<b>Profit/loss before tax</b>	<b>590</b>	<b>1,74 %</b>	<b>439</b>	<b>1,36 %</b>	<b>527</b>	<b>1,22 %</b>
Tax charge	109	0,32 %	95	0,29 %	124	0,29 %
<b>Results for the accounting period</b>	<b>481</b>	<b>1,42 %</b>	<b>344</b>	<b>1,07 %</b>	<b>403</b>	<b>0,93 %</b>
<b>Profitability</b>						
Return on equity capital after tax		10,3 %		8,1 %		7,0 %
Total operating costs in relation to total income		52,4 %		58,3 %		60,3 %
<b>From the Balance Sheet</b>						
Gross loans to customers	37 261		34 801		35 455	
Gross loans to customers including loans transferred to covered bond companies*	51 583		46 746		48 091	
Deposits from customers	29 707		27 610		28 137	
Deposits from customers in relation to gross loans to customers		79,7 %		79,3 %		79,4 %
Lending growth in last 12 months including loans transferred to cover bond companies*		10,3 %		6,3 %		7,7 %
Deposit growth during the last 12 months		7,6 %		9,3 %		8,6 %
Assets	45 956		43 286		44 113	
<b>Losses and commitments in default</b>						
Losses on loans as a percentage of gross loans		0,1 %		0,1 %		0,1 %
Commitments in default as a percentage of total commitments		1,2 %		1,3 %		1,2 %
Commitments in default as a percentage of total commitments incl. loans transferred to cover bond companies*		0,9 %		1,0 %		0,9 %
Other bad and doubtful commitments as a percentage of total commitments		0,7 %		0,4 %		0,7 %
Other bad and doubtful commitments as a percentage of total commitments incl. loans transferred to cover bond companies*		0,5 %		0,3 %		0,5 %
<b>Financial strength</b>						
Capital adequacy ratio		15,3 %		13,8 %		16,9 %
Tier 1 ratio		15,3 %		13,8 %		16,9 %
Capital adequacy ratio before transitional arrangements		15,8 %		14,8 %		16,9 %
Net core capital	4 820		3 485		4 154	
Equity ratio		14,2 %		13,5 %		13,7 %

\* Cover bond companies used are SpareBank 1 Boligkreditt AS og SpareBank 1 Næringskreditt AS

# Interim Report

## 3rd Quarter 2013

### Summary

The Group's profit for Q3 2013 (last year's figure in brackets) was NOK 222 (122) million after tax. The return on equity in the quarter was 13.8 (8.5) per cent. The parent bank's net profit for Q3 was NOK 112 (64) million.

The Sparebanken Hedmark Group's net profit was NOK 481 (344) million after three quarters. The return on equity was 10.3 (8.1) per cent. The Group achieved net interest income of 2.20 (2.21) per cent of average total assets,

while operating costs as a percentage of income were 52.4 (58.3) per cent. The twelve-month growth in lending and deposits was 10.3 (6.3) per cent and 7.6 (9.3) per cent, respectively. At the end of Q3, the deposit-to-loan ratio was 79.7 (79.3) per cent. The Group's equity was NOK 6.5 (NOK 5.9) billion, which is equivalent to 14.2 (13.5) per cent of the unweighted balance sheet. The common equity Tier 1 capital ratio was 15.3 (13.8) per cent, calculated according to the transitional rules.

### Sparebanken Hedmark – Consolidated result for Q3

The Group prepares its financial statements in accordance with the IAS 34 accounting standard.

The Group consists of Sparebanken Hedmark and the consolidated, wholly owned subsidiaries EiendomsMegler 1 Hedmark Eiendom AS, SpareBank 1 Finans Østlandet AS and Vato AS, as well as SpareBank 1 Regnskapshuset Østlandet AS, with a stake of 60 per cent.

The bank owns 40.5 per cent of Bank 1 Oslo Akershus AS, 12 per cent of SpareBank 1 Gruppen AS, and 14.7 per cent of SpareBank 1 Markets AS, as well as 8 per cent of SpareBank 1 Boligkreditt AS and 3.5 per cent of SpareBank 1 Næringskreditt AS (the mortgage and commercial covered bonds companies). The profit/loss attributable to these companies is recognised in the bank's consolidated financial statements proportionate to the bank's ownership interest.

The Group's profit in Q3 was NOK 222 (122) million. The return on equity was 13.8 (8.5) per cent. Net interest income increased by NOK 24 million to NOK 266 (242) million, while net commissions and other operating income increased to NOK 153 (114) million. The total increase in income from ordinary banking operations of NOK 63 million was primarily attributable to improved margins on loans on its own balance sheet and in the mortgage companies.

The net return on financial investments was NOK 79 (-1) million in Q3. Bank 1 Oslo Akershus AS contributed NOK 46 million, while SpareBank 1 Gruppen contributed NOK 50 million in the period. The net result from other financial assets and liabilities was negative and amounted to NOK -19 (-47) million, primarily due to changes in the value of issued bond debt.

Operating costs were NOK 18 million higher in Q3 2013 than in Q3 2012. The costs amounted to 45 (58) per cent of the Group's total income in the quarter.

The Group's losses amounted to NOK 4 million in the period, compared to net income of NOK 2 million last year. Problem commitments constituted 1.9 (1.7) per cent of gross commitments at the end of the quarter.

#### Consolidated results after three quarters

The Group's NOK 481 (344) million profit after three quarters provided a return on equity of 10.3 (8.1) per cent after tax.

Total income amounted to NOK 745 (713) million. Interest income from mortgages transferred to the covered bond companies is recognised as commission in the bank's accounts. Total net interest income, including commissions from loans transferred to the mortgage companies, amounted

to NOK 892 million (NOK 784 million). This represents an increase of 13.8 per cent compared with the same period last year. The 2013 financial statements include a NOK 16 million charge for the Norwegian Banks Guarantee Fund.

The Group's lending margin after nine months, including transferred loans, was 3.05 (2.56) per cent. The deposit margin was -0.67 (-0.25) per cent. The Group's net interest margin was 2.38 (2.31) per cent.

Net commissions and other operating income increased from NOK 317 million in 2012 to NOK 413 million in 2013. Commissions from loans transferred to the mortgage companies accounted for NOK 76 million of the increase.

The bank's bond debt, bond investments and fixed-rate loans to customers are stated at fair value with value changes being booked against the operating result. The total effect of these value changes on the result after Q3 was negative at NOK -90 (-48) million. NOK 9 (10) million in currency gains resulted in a total result from "other financial assets and liabilities" of NOK -81 (-38) million.

The Group's operating costs were NOK 681 (641) million. This represents an increase of 6.2 per cent compared with the same period last year. Operating costs as a percentage of total income were 52.4 (58.3) per cent. Adjusted for the effect from value changes in liabilities and investments, the costs ratio decreased from 55.9 per cent last year to 49 per cent this year.

Losses are still low and amounted to NOK 29 (19) million. Non-performing loans constituted 1.2 (1.3) per cent of gross commitments, while other impaired commitments increased to 0.7 (0.4) per cent. Overall, the Group's problem loans constituted 1.9 (1.7) per cent of the bank's gross commitments at the end of the quarter.

#### Specification of the consolidated net profit in NOK million:

Parent bank net profit	369
Dividends received from subsidiaries/associates	- 124
Profit/loss attributable to:	
SpareBank 1 Gruppen AS	97
Bank 1 Oslo Akershus AS	99
SpareBank 1 Boligkreditt AS	11
EiendomsMegler 1 Hedmark Eiendom AS	3
SpareBank 1 Finans Østlandet AS	42
SpareBank 1 Regnskapshuset Østlandet AS	1
Group eliminations	-16
<b>Consolidated net profit</b>	<b>481</b>

Gross lending to customers at the end of Q3, including loans transferred to the mortgage companies, totalled NOK 51.6 (NOK 46.7) billion. Loans totalling NOK 14 (12) billion were transferred to SpareBank 1 Boligkreditt AS and NOK 0.3 billion to SpareBank 1 Næringskreditt AS. The Group's 12-month lending growth, including transferred loans, was 10.3 (6.3) per cent. The increased lending growth is primarily attributable to greater activity within the parent bank's corporate market division.

Deposits from customers at the end of the quarter totalled NOK 29.7 (27.6) billion. Growth in deposits over the past 12 months was 7.6 (9.3) per cent. New public sector customers contributed to this high growth. Deposits as a percentage of gross loans amounted to 79.7 (79.3) per cent. The Group's high deposit coverage ratio is due to 27.7 (25.7) per cent of the bank's gross loans having been transferred to the alliance's joint mortgage and commercial covered bond companies.

Liabilities to financial institutions and securities issued at the end of Q3 totalled NOK 8.1 (8.7) billion. The average term to maturity of the bank's long-term funding was 4.3 (4.5) years. The average term to maturity for all borrowing was 3.6 (3.8) years.

Liquidity has been good throughout the quarter. At the end of the quarter, the bank could operate normally for 14 months without requiring external funding. In the opinion of the Board of Directors, the bank's liquidity risk is low.

The Group's equity was NOK 6.5 (5.9) billion, which is equivalent to 14.2 (13.5) per cent of the balance sheet. The Group's core capital adequacy ratio was 15.3 (13.8) per cent.

For a specification of the Group's results for Q3 in isolation, please refer to page 10 of the report.

## Sparebanken Hedmark – Parent Bank

### Results after three quarters

Net profit totalled NOK 369 (311) million. Banking operations, defined as net interest income plus other operating income minus operating costs and losses, achieved a pre-tax profit of NOK 368 (321) million. This corresponds to an improvement in profit of 14.6 per cent. After nine months the net interest margin, excluding currency loans to customers of around NOK 1 billion, was 2.49 per cent, which is 6 points higher than for the same period last year. Lending margins were 48 points higher and deposits margins 42 points lower than for the same period last year.

### Net income

The parent bank's net income from lending and deposit activities, including loans transferred to the mortgage companies, amounted to 763 (701) million. The parent bank's lending margin after three quarters was 3.16 (2.68) per cent. The deposit margin was negative, at -0.67 (-0.25) per cent. The interest margin for the retail market was 2.44 (2.41) per cent after three quarters, while in the corporate market it was 2.58 (2.53) per cent.

Net commissions amounted to NOK 300 (205) million. Of this, commissions on loans transferred to the mortgage companies accounted for 49 per cent or NOK 147 million (NOK 71 million). The net margin for the portfolio transferred to SpareBank 1 Boligkreditt AS was 1.45 per cent.

The net profit from financial assets and liabilities was NOK 77 (64) million. The net result from other financial assets and liabilities was negative and amounted to NOK -65 (NOK -38) million. Decreases in the market values of the bank's securities issued and fixed-rate loans to customers accounted for NOK 54 million and NOK 39 million of this, respectively. Overall, fixed income investments made a positive contribution after three quarters of NOK 3 million.

### Operating costs

Total operating costs were NOK 513 (484) million. Costs increased by 6.0 (2.8) per cent compared with the previous year. The NOK 29 million increase in operating costs was primarily due to increased payroll costs (NOK 9 million), higher SpareBank 1 Alliance costs (NOK 6 million), marketing (NOK 2 million), and increased amortisations (NOK 3 million).

At the end of the quarter, the parent bank had 462 full time equivalents, which is the same as last year.

The operating costs represent 51.7 (53.8) per cent of total income. The net loan loss provisions were NOK 20 (18) million. NOK 5 million of this came from losses in the retail market and NOK 15 million from losses in the corporate market.

### Balance sheet and financial strength

Gross lending to customers, including loans transferred to the mortgage companies, totalled NOK 47.3 (43.3) billion as per 30 September 2013.

The parent bank's lending growth in the last 12 months, including loans transferred to the mortgage companies, was 9.2 (5.2) per cent. The growth in the retail market was 7.4 (8.1) per cent and in the corporate market it was 14 (-1.4) per cent. The growth within the corporate market was due to a general increase in lending activities. The risk profile for the bank's granting of credit has not changed in 2013.

Deposits from and liabilities to customers totalled NOK 29.7 (27.6) billion as of 30 September 2013. In the last 12-month period, deposits have increased by 7.5 (8.8) per cent, divided between 4.5 (7.8) per cent in the retail market and 13.3 (10.6) per cent in the corporate market. The growth in deposits within the corporate market was to a large extent due to deposits from the public sector.

At the end of the quarter, the core capital adequacy ratio was 20.8 (15.5) per cent.

The parent bank's equity of NOK 6.1 (5.6) billion consists entirely of retained earnings and represents 13.4 (13) per cent of the balance sheet.

### Subsidiaries

After three quarters, the leasing and financing company SpareBank 1 Finans Østlandet AS had achieved a pre-tax profit of NOK 42 (22) million. The financing company's gross loans at the end of the quarter totalled NOK 4.2 (3.5) billion. Gross loans have increased by 21 per cent in the last 12 months.

SpareBank 1 Regnskapshuset Østlandet AS posted revenues of NOK 80 (78) million and achieved a net profit of NOK 0.8 (-1) million.

The real estate brokerage company EiendomsMegler 1 Hedmark Eiendom AS posted revenues of NOK 47 (42) million and achieved a net profit of NOK 3 (3) million.

### Partly owned companies

SpareBank 1 Gruppen AS (12 per cent stake) achieved a consolidated net profit of NOK 820 (491) million for the first three quarters of the year.

In the same period, Bank 1 Oslo Akershus AS (40.5 per cent stake) achieved a net profit of NOK 244 (137) million. This corresponds to a return on equity of 14.5 (10.9) per cent. At the end of Q3, the bank had NOK 40.3 (34.7) billion in gross loans, including loans transferred to SpareBank 1 Boligkreditt AS.

The common equity Tier 1 capital adequacy ratio at the end of Q3 was 13.2 (9.2) per cent, while total capital adequacy ratio was 15.6 (12.3) per cent.

#### **Rating**

In March, Moody's announced that Sparebanken Hedmarks ratings were placed on review for downgrade. This was due to the bank's increased stake (from 12 per cent to 40.5 per cent) in Bank 1 Oslo Akershus AS. On 2 July, the

ratings agency confirmed Sparebanken Hedmark's A2 rating and at the same time assigned the rating a stable outlook. The bank's individual rating (standalone financial strength rating) was also unchanged at C-.

#### **Outlook for the rest of the year**

The financial situation remains weak in many European countries. Norway expects to see a continued low unemployment rate and economic activity on a par with current levels. However, international developments could affect conditions for Norwegian business. The bank is well prepared for any setback in the Norwegian economy and has good funding, stable earnings and very good financial strength.

## **Board of Directors of Sparebanken Hedmark**

**Hamar, 1. November 2013**

Siri J. Strømmevold  
Board Chair

Bjørnar Håkensmoen

Erik Garaas

Espen Bjørklund Larsen

Nina C. Lier

Aud Christensen

Morten Herud

Richard Heiberg  
CEO

# Income statement (not audited)

Parent Bank			Group				
31.12.12	30.09.12	30.09.13	(NOK million)	Notes	30.09.13	30.09.12	31.12.12
1 942	1 465	1 424	Interest income		1 553	1 549	2 062
1 108	835	808	Interest expenses		808	836	1 107
<b>834</b>	<b>630</b>	<b>616</b>	<b>Net interest income</b>		<b>745</b>	<b>713</b>	<b>955</b>
295	210	304	Commission income		303	209	294
29	22	20	Commission expenses		33	33	44
21	17	16	Other operating income		143	141	185
<b>287</b>	<b>205</b>	<b>300</b>	<b>Net commission and other income</b>		<b>413</b>	<b>317</b>	<b>435</b>
7	7	18	Dividends		18	7	7
93	95	124	Net profit from ownership interests		205	100	95
-59	-38	-65	Net profit from other financial assets and liabilities		-81	-38	-59
<b>41</b>	<b>64</b>	<b>77</b>	<b>Net income from financial assets and liabilities</b>		<b>142</b>	<b>69</b>	<b>43</b>
<b>1 162</b>	<b>899</b>	<b>993</b>	<b>Total net income</b>		<b>1 300</b>	<b>1 099</b>	<b>1 433</b>
331	249	258	Personnel expenses		362	347	457
321	235	255	Other operating expenses		319	294	407
<b>652</b>	<b>484</b>	<b>513</b>	<b>Total operating expenses before losses on loans and guarantees</b>	4	<b>681</b>	<b>641</b>	<b>864</b>
<b>510</b>	<b>415</b>	<b>480</b>	<b>Profit before losses on loans and guarantees</b>		<b>619</b>	<b>458</b>	<b>569</b>
31	18	20	Losses on loans and guarantees	6	29	19	42
<b>479</b>	<b>397</b>	<b>460</b>	<b>Profit/loss before tax</b>		<b>590</b>	<b>439</b>	<b>527</b>
116	86	91	Tax charge		109	95	124
<b>363</b>	<b>311</b>	<b>369</b>	<b>Results for the accounting period</b>		<b>481</b>	<b>344</b>	<b>403</b>
			Majority interests		<b>481</b>	<b>344</b>	<b>400</b>
			Minority interests		<b>0</b>	<b>0</b>	<b>3</b>
<b>363</b>	<b>311</b>	<b>369</b>	<b>Statement of comprehensive income according to IAS 1</b>		<b>481</b>	<b>344</b>	<b>403</b>
110			Actuarial gains / losses on pensions				118
-31			Tax effect of actuarial gains / losses on pensions				-35
			Share of other comprehensive income from associates and joint ventures joint ventures		-6		
<b>79</b>	<b>0</b>	<b>0</b>	<b>Total items not reclassified through profit or loss</b>		<b>-6</b>	<b>0</b>	<b>83</b>
21	-4	41	Change in value of financial assets available for sale		41	-4	21
-3	-3	8	Financial assets available for sale transferred to profit and loss on write-down due to permanent impairment of value		8	-3	-3
5	5	-3	Financial assets available for sale transferred to profit and loss on realisation		-3	5	5
			Share of other comprehensive income from associates and joint ventures				7
<b>23</b>	<b>-2</b>	<b>45</b>	<b>Total items reclassified through profit or loss</b>		<b>45</b>	<b>-2</b>	<b>30</b>
<b>102</b>	<b>-2</b>	<b>45</b>	<b>Total profit and loss items recognised in equity</b>		<b>39</b>	<b>-2</b>	<b>113</b>
<b>465</b>	<b>309</b>	<b>414</b>	<b>Total profit / loss for the accounting year</b>		<b>520</b>	<b>342</b>	<b>516</b>
			Majority share of comprehensive income		<b>520</b>	<b>342</b>	<b>513</b>
			Minority interest of comprehensive income		<b>0</b>	<b>0</b>	<b>3</b>

# Balance sheet (not audited)

Parent bank			Group				
31.12.12	30.09.12	30.09.13	(NOK million)	Notes	30.09.13	30.09.12	31.12.12
<b>ASSETS</b>							
236	210	313	Cash and deposits with central banks		313	210	236
3 496	3 412	3 779	Loans to and receivables from credit institutions		314	357	294
31 558	31 127	32 797	Loans to and receivables from customers	5, 6	37 022	34 527	35 200
5 104	4 948	4 140	Certificates, bonds and fixed-income funds		4 140	4 948	5 104
513	465	346	Financial derivatives	7	346	465	513
341	319	357	Shares, units and other equity interests		357	319	341
1 299	1 294	2 148	Investments in associates and joint ventures		2 488	1 558	1 558
340	340	599	Investments in subsidiaries				
1		1	Assets held for sale		2		1
250	265	285	Property, plant and equipment		307	286	272
126	105	120	Goodwill and other intangible assets		201	177	199
46	89	71	Deferred tax asset		63	93	43
332	248	388	Other assets	8	403	346	352
<b>43 642</b>	<b>42 822</b>	<b>45 344</b>	<b>Total assets</b>		<b>45 956</b>	<b>43 286</b>	<b>44 113</b>
<b>LIABILITIES</b>							
834	741	631	Deposits from and liabilities to credit institutions		630	740	833
28 168	27 644	29 723	Deposits from and liabilities to customers	9	29 707	27 610	28 137
8 038	8 005	7 515	Liabilities arising from issuance of securities	10	7 515	8 005	8 038
193	173	216	Financial derivatives	7	216	173	193
114	50	136	Current tax liabilities		248	71	117
574	642	500	Other debt and liabilities recognised in the balance sheet	11	604	825	751
		502	Subordinated loan capital	10	502		
<b>37 921</b>	<b>37 255</b>	<b>39 223</b>	<b>Total liabilities</b>		<b>39 422</b>	<b>37 424</b>	<b>38 069</b>
<b>EQUITY CAPITAL</b>							
5 569	5 127	5 564	Primary capital		5 564	5 127	5 569
83	85	74	Endowment fund		74	85	83
69	44	114	Fund for unrealised gains		114	44	69
			Other equity		276	237	299
	311	369	Results for the accounting year		481	344	
			Minority interests		25	25	24
<b>5 721</b>	<b>5 567</b>	<b>6 121</b>	<b>Total equity capital</b>		<b>6 534</b>	<b>5 862</b>	<b>6 044</b>
<b>43 642</b>	<b>42 822</b>	<b>45 344</b>	<b>Total liabilities and equity capital</b>		<b>45 956</b>	<b>43 286</b>	<b>44 113</b>



# Changes in equity capital

## Parent bank

(NOK million)	Earned equity			Total equity capital
	Primary capital	Endowment fund	Fund for unrealised gains	
<b>Equity at 1 January 2012</b>	<b>5 133</b>	<b>93</b>	<b>46</b>	<b>5 272</b>
Results for the accounting year	311		0	311
Actuarial gains / losses on pensions				0
Change in value of financial assets available for sale			-2	-2
Donations distributed from profit 2011	-6			-6
Grants from endowment fund in 2012		-8		-8
<b>Equity at 30 September 2012</b>	<b>5 438</b>	<b>85</b>	<b>44</b>	<b>5 567</b>
<b>Equity at 1 January 2012</b>	<b>5 133</b>	<b>93</b>	<b>46</b>	<b>5 272</b>
Results for the accounting year	363			363
Actuarial gains / losses on pensions	79			79
Change in value of financial assets available for sale			23	23
Donations distributed from profit 2011	-6			-6
Grants from endowment fund in 2012		-10		-10
Transfer to endowment fund in 2012				0
<b>Equity at 31 December 2012</b>	<b>5 569</b>	<b>83</b>	<b>69</b>	<b>5 721</b>
<b>Equity at 1 January 2013</b>	<b>5 569</b>	<b>83</b>	<b>69</b>	<b>5 721</b>
Results for the accounting year	369			369
Actuarial gains / losses on pensions				0
Change in value of financial assets available for sale			45	45
Donations distributed from profit 2012	-6			-6
Grants from endowment fund in 2013		-9		-9
<b>Equity at 30 September 2013</b>	<b>5 932</b>	<b>74</b>	<b>114</b>	<b>6 121</b>

## Group

(NOK million)	Earned equity					Total equity capital
	Primary capital	Endowment fund	Fund for unrealised gains	Other equity	Minority interests	
<b>Equity at 1 January 2012</b>	<b>5 133</b>	<b>93</b>	<b>46</b>	<b>262</b>	<b>0</b>	<b>5 534</b>
OB correction: Correction of previous years' errors				-2		-2
<b>Adjusted equity at 1 January 2012</b>	<b>5 133</b>	<b>93</b>	<b>46</b>	<b>260</b>	<b>0</b>	<b>5 532</b>
Results for the accounting year	311			33		342
Actuarial gains / losses on pensions						0
Change in value of financial assets available for sale			-2			-2
Change in the group composition					25	25
Adjusted equity associates				-23		-23
Donations distributed from profit 2011	-6					-6
Grants from endowment fund in 2012		-8				-8
<b>Equity at 30 September 2012</b>	<b>5 438</b>	<b>85</b>	<b>44</b>	<b>270</b>	<b>25</b>	<b>5 862</b>
<b>Equity at 1 January 2012</b>	<b>5 133</b>	<b>93</b>	<b>46</b>	<b>262</b>	<b>0</b>	<b>5 534</b>
OB correction: Correction of previous years' errors				-11		-11
<b>Adjusted equity at 1 January 2012</b>	<b>5 133</b>	<b>93</b>	<b>46</b>	<b>251</b>	<b>0</b>	<b>5 523</b>
Results for the accounting year	363			37	3	403
Actuarial gains / losses on pensions	79			11		90
Change in value of financial assets available for sale			23			23
Change in the group composition					21	21
Donations distributed from profit 2011	-6					-6
Grants from endowment fund in 2012		-10				-10
Transfer to endowment fund in 2012						0
<b>Equity at 31 December 2012</b>	<b>5 569</b>	<b>83</b>	<b>69</b>	<b>299</b>	<b>24</b>	<b>6 044</b>
<b>Equity at 1 January 2013</b>	<b>5 569</b>	<b>83</b>	<b>69</b>	<b>299</b>	<b>24</b>	<b>6 044</b>
OB correction: Correction of previous years' errors				-6		-6
<b>Adjusted equity at 1 January 2013</b>	<b>5 569</b>	<b>83</b>	<b>69</b>	<b>293</b>	<b>24</b>	<b>6 038</b>
Results for the accounting year	369			112		481
Actuarial gains / losses on pensions						0
Change in value of financial assets available for sale			45			45
Adjusted equity associates				-16		-16
Donations distributed from profit 2012	-6					-6
Grants from endowment fund in 2013		-9				-9
<b>Equity at 30 September 2013</b>	<b>5 933</b>	<b>74</b>	<b>114</b>	<b>389</b>	<b>24</b>	<b>6 534</b>

# Results from the quarterly accounts

(Isolated figures in NOK million)

## Group

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<i>(Isolated figures in NOK million)</i>	2013	2013	2013	2012	2012	2012	2012	2011	2011
Interest income	535	520	498	513	515	510	524	542	518
Interest expenses	269	268	271	271	273	280	283	296	274
<b>Net interest income</b>	<b>266</b>	<b>252</b>	<b>227</b>	<b>242</b>	<b>242</b>	<b>230</b>	<b>241</b>	<b>246</b>	<b>244</b>
Commission income	116	99	88	85	75	73	61	55	55
Commission expenses	12	10	11	11	12	10	11	11	12
Other operating income	49	48	46	44	51	45	45	66	18
<b>Net commission and other income</b>	<b>153</b>	<b>137</b>	<b>123</b>	<b>118</b>	<b>114</b>	<b>108</b>	<b>95</b>	<b>110</b>	<b>61</b>
Dividends		18				7			2
Net profit from ownership interests	98	53	54	-5	46	10	44	30	5
Net profit from other financial assets and liabilities	-19	26	-88	-21	-47	38	-29	-2	66
<b>Net income from financial assets and liabilities</b>	<b>79</b>	<b>97</b>	<b>-34</b>	<b>-26</b>	<b>-1</b>	<b>55</b>	<b>15</b>	<b>28</b>	<b>73</b>
<b>Total net income</b>	<b>498</b>	<b>486</b>	<b>316</b>	<b>334</b>	<b>355</b>	<b>393</b>	<b>351</b>	<b>384</b>	<b>378</b>
Personnel expenses	122	115	125	110	114	112	121	152	106
Other operating expenses	101	112	106	113	91	101	102	124	80
<b>Total operating expenses before losses on loans and guarantees</b>	<b>223</b>	<b>227</b>	<b>231</b>	<b>223</b>	<b>205</b>	<b>213</b>	<b>223</b>	<b>276</b>	<b>186</b>
<b>Profit before losses on loans and guarantees</b>	<b>275</b>	<b>259</b>	<b>85</b>	<b>111</b>	<b>150</b>	<b>180</b>	<b>128</b>	<b>108</b>	<b>192</b>
Losses on loans and guarantees	4	22	3	23	-2	23	-2	26	12
<b>Profit/loss before tax</b>	<b>271</b>	<b>237</b>	<b>82</b>	<b>88</b>	<b>152</b>	<b>157</b>	<b>130</b>	<b>82</b>	<b>180</b>
Tax charge	49	51	9	29	30	40	25	16	59
<b>Results for the accounting period</b>	<b>222</b>	<b>186</b>	<b>73</b>	<b>59</b>	<b>122</b>	<b>117</b>	<b>105</b>	<b>66</b>	<b>121</b>

# Cash flow statement

Parent bank				Group		
31.12.12	30.09.12	30.09.13	(NOK million)	30.09.13	30.09.12	31.12.12
12 800	9 946	9 132	This year's downpayment on repayment loans etc. to customers	10 339	10 900	14 129
			Change in advance rent leasing	20	8	16
-11 569	-8 797	-8 001	Newly discounted repayment loans etc. to customers for the year	-9 812	-10 196	-13 599
210	146	-24	Change in balances of foreign currency lending	-24	147	210
-1 757	-935	-2 384	Change in balances of credits	-2 384	-935	-1 757
1 533	1 149	1 160	Interest and commission income on lending	1 353	1 312	1 757
3	2	23	Included in previous years' realised losses on lending	24	4	6
			Net cash flow relating to bankruptcies			
-1			Net cash flow from assets held for sale	-1		-1
<b>1 219</b>	<b>1 511</b>	<b>-94</b>	<b>Cash flow from lending operations (A)</b>	<b>-485</b>	<b>1 240</b>	<b>761</b>
2 288	1 083	346	Change in balances of deposits from customers at call	360	1 085	2 291
-164	79	770	Change in balances of deposits from customers with agreed maturity dates	770	80	-164
-783	-146	-169	Interest payments to customers	-167	-143	-778
<b>1 341</b>	<b>1 016</b>	<b>947</b>	<b>Cash flow from deposit operations (B)</b>	<b>963</b>	<b>1 022</b>	<b>1 348</b>
187	323	931	Net cash flow from securities held short term	931	323	187
-67	-62	84	Cash flow linked to exchange rate gains / losses on securities held short term	84	-62	-67
145	106	76	Interest received on bonds and certificates	76	106	145
			Share dividends received from securities held short term			
<b>265</b>	<b>367</b>	<b>1 091</b>	<b>Cash flow from investments in securities (C)</b>	<b>1 091</b>	<b>367</b>	<b>265</b>
-269	-421	-300	Change in receivables from credit institutions with agreed maturity dates	-171	-14	287
114	89	68	Interest received on deposits in credit institutions	68	88	114
<b>-155</b>	<b>-332</b>	<b>-232</b>	<b>Cash flow from deposits in credit institutions (D)</b>	<b>-103</b>	<b>74</b>	<b>401</b>
408	286	400	Other income	527	403	578
-795	-482	-536	Operating expenses payable	-720	-643	-1 029
-56	-147	-137	Tax payments	-140	-153	-58
-16	-14	-15	Donations	-15	-14	-16
			Group contributions			
-67	-43	43	Net cash flow from change in other assets	49	-28	28
-28	-42	-100	Net cash flow from change in accruals	-182	-137	-158
112	42	-40	Net cash flow from change in other liabilities	-19	50	130
<b>-472</b>	<b>-430</b>	<b>-385</b>	<b>Remaining cash flow from current operations (E)</b>	<b>-500</b>	<b>-522</b>	<b>-525</b>
<b>2 198</b>	<b>2 132</b>	<b>1 327</b>	<b>CASH FLOW FROM OPERATIONS (A+B+C+D+E=F)</b>	<b>966</b>	<b>2 181</b>	<b>2 251</b>
-2 160	-2 252	-202	Change in deposits from credit institutions	-60	-2 254	-2 163
1 383	1 382	1 497	Receipts arising from issuance of securities	1 497	1 382	1 383
-579	-578	-1 173	Payments arising from redemption of securities issued	-1 173	-578	-579
-601	-569	-291	Buy-back of own securities	-291	-569	-601
-271	-198	-149	Interest payments on financing	-149	-198	-272
<b>-2 228</b>	<b>-2 215</b>	<b>-318</b>	<b>Cash flow from financing activities (G)</b>	<b>-176</b>	<b>-2 217</b>	<b>-2 230</b>
-55	-40	-68	Investments in fixed assets and intangible assets	-74	-44	-62
21	19	25	Sales of fixed assets and intangible assets at sales price	25	19	21
-215	-212	-832	Purchase of long-term securities	-832	-212	-215
9	9	40	Sale of long-term securities	40	9	9
108	108	142	Share dividends from securities held long term	115	75	75
<b>-132</b>	<b>-116</b>	<b>-693</b>	<b>Cash flow from investments (H)</b>	<b>-726</b>	<b>-153</b>	<b>-171</b>
16	18	3	Liquidity effect of acquisition and sale of ownership interests (I)	-5	8	4
		-260	Payments arising from placement in subsidiaries (L)			
<b>-146</b>	<b>-181</b>	<b>59</b>	<b>CHANGE IN CASH AND CASH EQUIVALENTS (F+G+H+I+L)</b>	<b>59</b>	<b>-181</b>	<b>-146</b>
407	407	261	Cash and cash equivalents at 1 January	261	407	407
<b>261</b>	<b>226</b>	<b>320</b>	<b>Cash and cash equivalents at 30 September</b>	<b>320</b>	<b>226</b>	<b>261</b>
			Cash and cash equivalents at comprise:			
236	210	313	Cash and deposits with central banks	313	210	236
25	16	7	Deposits etc. at call with banks	7	16	25
<b>261</b>	<b>226</b>	<b>320</b>	<b>Cash and cash equivalents at 30 September</b>	<b>320</b>	<b>226</b>	<b>261</b>

# Notes to the accounts

## Note 1: Accounting principles

The financial statements for Sparebanken Hedmark comprise the period 01.01-30.09.2013. The financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, currently valid IFRS standards and IFRIC interpretations. The consolidated financial statements have been prepared according to IFRS rules and regulations since 1 January 2007.

The financial statements in this interim report have been prepared using the same principles and calculation methods as used in the most recent annual financial statements. The interim financial statements do not contain all of the information required for complete annual financial statements, and should be read in conjunction with the annual financial statements for 2012.

The reporting currency is Norwegian kroner (NOK), which is also the functional currency of all of the Group's units. All figures are stated in millions of NOK unless otherwise stated.

The Group has in this interim report applied the same accounting policies and calculation methods as those applied in the last annual financial statements, with the following exceptions:

### **IAS 1 Presentation of Financial Statements**

From the 1st quarter the statement of other operating income and costs states items that have been reclassified through profit and loss and items that have not been reclassified through profit and loss separately.

### **IAS 19 R Employee Benefits**

The Group has applied IAS 19R Employee Benefits from 1 January 2013. This has not resulted in any changes in the calculation of the bank's pension liabilities.

Estimate deviations have been recognised in the statement of other operating income and costs since the introduction of IFRS in 2007. The calculation of the pension costs was slightly affected by the implementation of the revised standard. Previously, the return on pension assets was calculated using a long-term expected return on pension assets. Due to the application of IAS 19R, the period's net pension costs are now calculated by applying the discount rate for the liabilities at the start of the period to the net liabilities. The net interest cost therefore consists of the interest on the liabilities and the return on the assets, both calculated using the discount rate. 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. The pension costs for 2012 (closed scheme) calculated according to the previous policy amounted to NOK 29 million. Due to the revised policy for calculating pension costs, the recognised pension costs increased to NOK 39 million. The comparable figures in result have not been restated since the change was considered immaterial. The capital adequacy ratio and other key figures have not been restated for earlier periods either.

### **IFRS 7 Netting of financial instruments**

The Group has implemented the amendment to IFRS 7 which entails expanded information in the notes relating to the net recognition of financial instruments and netting arrangements linked to financial instruments. See note 13.

### **IFRS 13 Measurement of fair value**

The Group has implemented IFRS 13 relating to fair value measurements of financial instruments. The information in the notes is largely based on the corresponding notes in the last annual financial statements. See note 14.

## Note 2: Changes in the group composition

### **2013**

Sparebanken Hedmark 01.01.2013 sold its stake in Consis AS to Conecto AS. Conecto AS is wholly owned company of SpareBank 1 Gruppen AS and is owned indirectly 12 percent of Sparebanken Hedmark still.

Sparebanken Hedmark increased its stake from 12 per cent to 40.5 per cent in Bank1 Oslo Akershus AS for the acquisition of shares from the other owners of the bank. The transaction was completed with effect from 01.02.2013

Sparebanken Hedmark in the third quarter acquired 14,7 per cent of SpareBank1 Markets AS. The bank previously owned 12 percent of SpareBank1 Markets AS through its ownership of SpareBank1 Gruppen AS. It made a final purchase price allocation in accordance with IFRS 3 which cost 21,7 million NOK, is allocated to the fair value of assets and liabilities. Recent interest has continued to continuity. The difference between the identifiable net assets and the cost of increased ownership, one million, in accordance with IAS 28, recognized that income in the third quarter.

### **2012**

Sparebanken Hedmark sold 40 per cent of the shares in the accounting chain Consis AS to SpareBank 1 SMN Regnskap AS on 2 January 2012. Consis AS spun off its ownership interest of 74.5 per cent in Consis Credit AS with effect from 2 January 2012. The ownership interest was taken over by Sparebanken Hedmark from the same date.

In march 2012 Sparebanken Hedmark sold all the shares in Engerdal Høvleribbygg AS and the company is not incorporated in the consolidated accounts for 2012 SpareBank 1 Kundesenter AS was created in June 2012. Sparebanken Hedmark owns 10 percent of the company along with the other banks in the SpareBank 1 Alliance. The company is defined as a joint venture. Sparebanken Hedmarks shareholding in Fageråsen Invest AS of 36 percent was sold in september. Sparebanken Hedmark has during the fourth quarter acquired shares in SpareBank 1 Verdipapirservice AS and SpareBank 1 Kredittkort AS. The companies are defined as a joint venture.

## Note 3: 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.

### Group

Income statement	30.09.13						
	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	SpareBan1 Regnskaps-huset Østlandet	Other	Total
Net interest income	307	245	131		-1	63	745
-of which internal items			-64		-1	65	
Net commission and other income	240	47	-14	47	80	224	624
-of which internal items			-1			1	
Net return on financial investments						-69	-69
Operating expenses*	184	75	49	43	78	252	681
<b>Profit before losses by segment:</b>	<b>363</b>	<b>217</b>	<b>68</b>	<b>4</b>	<b>1</b>	<b>-34</b>	<b>619</b>
Losses on loans and guarantees	5	15	9				29
<b>Profit / loss per segment</b>	<b>358</b>	<b>202</b>	<b>59</b>	<b>4</b>	<b>1</b>	<b>-34</b>	<b>590</b>
<b>Balance sheet</b>							
Lending to customers	18 703	13 776	4 276			506	37 261
-of which internal items							
Individual loan write-downs	-40	-94	-7				-141
Collective loan write-downs	-24	-61	-13				-98
Other assets	107	1	-27	31	89	8 733	8 934
<b>Total assets per segment</b>	<b>18 746</b>	<b>13 622</b>	<b>4 229</b>	<b>31</b>	<b>89</b>	<b>9 239</b>	<b>45 956</b>
Deposits from and liabilities to customers	18 672	10 732				303	29 707
-of which internal items							
Other liabilities and equity	74	2 890	4 229	31	89	8 936	16 249
<b>Total equity and liabilities per segment</b>	<b>18 746</b>	<b>13 622</b>	<b>4 229</b>	<b>31</b>	<b>89</b>	<b>9 239</b>	<b>45 956</b>

Income statement	30.09.12						
	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	Consis	Other	Total
Net interest income	301	198	85		-1	130	713
-of which internal items		4	-81	-4	-2	83	
Net commission and other income	152	39	-12	42	78	126	425
-of which internal items			-1			-1	
Net return on financial investments						-38	-38
Operating expenses*	184	65	41	38	78	236	642
<b>Profit before losses by segment:</b>	<b>269</b>	<b>172</b>	<b>32</b>	<b>4</b>	<b>-1</b>	<b>-18</b>	<b>458</b>
Losses on loans and guarantees	3	15	1				19
<b>Profit / loss per segment</b>	<b>266</b>	<b>157</b>	<b>31</b>	<b>4</b>	<b>-1</b>	<b>-18</b>	<b>439</b>
<b>Balance sheet</b>							
Lending to customers	18 263	12 337	3 442			759	34 801
-of which internal items							
Individual loan write-downs	-42	-107	-13				-162
Collective loan write-downs	-29	-74	-9				-112
Other assets	113	1	69	32	93	8 451	8 759
<b>Total assets per segment</b>	<b>18 305</b>	<b>12 157</b>	<b>3 489</b>	<b>32</b>	<b>93</b>	<b>9 210</b>	<b>43 286</b>
Deposits from and liabilities to customers	17 816	9 471				323	27 610
-of which internal items							
Other liabilities and equity	489	2 686	3 489	32	93	8 887	15 676
<b>Total equity and liabilities per segment</b>	<b>18 305</b>	<b>12 157</b>	<b>3 489</b>	<b>32</b>	<b>93</b>	<b>9 210</b>	<b>43 286</b>

31.12.12

Income statement	Retail banking		Corporate banking		SpareBank 1 Finans Østlandet	Eiendoms- Megler 1 Hedmark Eiendom	Consis	Other	Total	Totall
	Net interest income	401	271	123				-2	162	955
-of which internal items		-4	-104	4			-2	106		
Net commission and other income	217	54	-16	59	101	5		15	435	
-of which internal items			-1					1		
Net return on financial investments								43	43	
Operating expenses*)	246	92	59	54	97	3		313	864	
<b>Profit before losses by segment:</b>	<b>372</b>	<b>233</b>	<b>48</b>	<b>5</b>	<b>2</b>	<b>2</b>		<b>-93</b>	<b>569</b>	
Losses on loans and guarantees	5	26	11						42	
<b>Profit / loss per segment</b>	<b>367</b>	<b>207</b>	<b>37</b>	<b>5</b>	<b>2</b>	<b>2</b>		<b>-93</b>	<b>527</b>	
<b>Balance sheet</b>										
Lending to customers	18 500	12 763	3 690					503	35 456	
-of which internal items						31		-31		
Individual loan write-downs	-42	-91	-12					-1	-146	
Collective loan write-downs	-24	-74	-11						-109	
Other assets	127	52	12	29	94			8 598	8 912	
<b>Total assets per segment</b>	<b>18 561</b>	<b>12 650</b>	<b>3 679</b>	<b>29</b>	<b>94</b>			<b>9 100</b>	<b>44 113</b>	
Deposits from and liabilities to customers	17 929	9 875						333	28 137	
-of which internal items		10		-10	-16			16		
Other liabilities and equity	632	2 775	3 679	29	94	4		8 763	15 976	
<b>Total equity and liabilities per segment</b>	<b>18 561</b>	<b>12 650</b>	<b>3 679</b>	<b>29</b>	<b>94</b>	<b>4</b>		<b>9 096</b>	<b>44 113</b>	

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

## Note 4: Operating expenses

Parent Bank			Group			
31.12.12	30.09.12	30.09.13		30.09.13	30.09.12	31.12.12
331	249	258	Total personnel expenses	362	347	457
229	167	178	Administration expenses	209	193	271
29	21	24	Depreciation	29	27	36
9	7	8	Rent	20	18	26
20	13	14	Wealth tax	14	13	20
34	27	31	Other operating expenses	47	43	54
<b>652</b>	<b>484</b>	<b>513</b>	<b>Total operating expenses</b>	<b>681</b>	<b>641</b>	<b>864</b>

## Note 5: Loans to and receivables from customers

Parent bank				Group		
31.12.12	30.09.12	30.09.13		30.09.13	30.09.12	31.12.12
			<b>Loans by type of receivable</b>			
			Financial leasing	1 969	1 489	1 682
5 360	4 713	7 476	Overdraft facilities and operating credits	7 476	4 713	5 360
900	722	1 159	Building loans	1 159	722	900
25 434	25 845	24 283	Repayment loans	26 534	27 755	27 395
95	100	99	Accrued interest	123	122	118
<b>31 790</b>	<b>31 380</b>	<b>33 017</b>	<b>Gross loans to and receivables from customers</b>	<b>37 261</b>	<b>34 801</b>	<b>35 455</b>
232	253	220	Write-downs	239	274	255
<b>31 558</b>	<b>31 127</b>	<b>32 797</b>	<b>Loans to and receivables from customers</b>	<b>37 022</b>	<b>34 527</b>	<b>35 200</b>
			<b>Loans by type of market</b>			
19 065	18 781	19 311	Private customers	21 291	20 434	20 773
12 949	12 598	13 696	Corporate	15 831	14 255	14 569
2	1	10	Public sector	139	112	113
<b>31 790</b>	<b>31 380</b>	<b>33 017</b>	<b>Gross loans to and receivables from customers</b>	<b>37 261</b>	<b>34 801</b>	<b>35 455</b>
232	253	220	Write-downs	239	274	255
<b>31 558</b>	<b>31 127</b>	<b>32 797</b>	<b>Loans to and receivables from customers</b>	<b>37 022</b>	<b>34 527</b>	<b>35 200</b>

Parent bank				Group		
31.12.12	30.09.12	30.09.13		30.09.13	30.09.12	31.12.12
20 870	20 524	21 517	Private customers	23 506	22 185	22 586
140	1	185	Public sector	315	113	252
3 414	3 494	3 598	Primary industries	3 790	3 669	3 589
319	329	321	Paper and pulp industries	340	346	336
571	704	604	Other industry	749	830	708
1 202	1 194	1 563	Building and construction	1 991	1 545	1 574
170	130	208	Power and water supply	330	202	244
1 063	1 060	1 107	Wholesale and retail trade	1 370	1 328	1 335
186	193	172	Hotel and restaurants	182	198	191
6 060	5 542	6 520	Real estate	6 565	5 577	6 096
1 807	2 020	1 849	Commercial services	2 171	2 262	2 145
271	260	354	Transport and communications	898	630	695
17	164	14	Other	40	164	17
<b>36 090</b>	<b>35 615</b>	<b>38 013</b>	<b>Total commitments by sector and industry</b>	<b>42 248</b>	<b>39 049</b>	<b>39 768</b>

Parent bank				Group		
31.12.12	30.09.12	30.09.13		30.09.13	30.09.12	31.12.12
19 065	18 781	19 311	Private customers	21 291	20 434	20 773
2	1	10	Public sector	139	112	113
3 044	3 095	3 163	Primary industries	3 379	3 270	3 218
267	269	261	Paper and pulp industries	280	286	284
437	473	415	Other industry	561	599	573
787	780	963	Building and construction	1 390	1 130	1 158
148	88	177	Power and water supply	298	160	222
736	709	775	Wholesale and retail trade	1 037	976	1 008
181	178	155	Hotel and restaurants	165	183	186
5 454	4 995	6 021	Real estate	6 066	5 030	5 490
1 453	1 770	1 558	Commercial services	1 879	2 011	1 791
201	198	194	Transport and communications	736	567	624
16	43	14	Other	40	43	16
<b>31 790</b>	<b>31 380</b>	<b>33 017</b>	<b>Total gross loans by sector and industry</b>	<b>37 261</b>	<b>34 801</b>	<b>35 455</b>

Parent bank				Group		
31.12.12	30.09.12	30.09.13		30.09.13	30.09.12	31.12.12
46	45	43	Private customers	44	51	52
4	4	4	Primary industries	4	7	7
1	1	1	Paper and pulp industries	1	1	1
4	5	4	Other industry	5	5	4
10	10	11	Building and construction	12	10	10
18	19	18	Wholesale and retail trade	18	20	19
10	10	1	Hotel and restaurants	1	10	10
26	36	37	Real estate	37	36	26
15	18	15	Commercial services	15	18	16
1	2	1	Transport and communications	4	3	1
<b>134</b>	<b>150</b>	<b>135</b>	<b>Total individual write-downs by sector and industry</b>	<b>141</b>	<b>162</b>	<b>146</b>

## Note 6: Losses on loans and guarantees

Parent Bank				Group		
31.12.12	30.09.12	30.09.13		30.09.13	30.09.12	31.12.12
-70	-57	3	Change in individual write-downs in the period	-4	-57	-70
-5	1	-13	Change in collective write-downs in the period	-11	1	-3
90	65	22	Realised losses on commitments previously written down	36	68	101
19	11	31	Realised losses on commitments not previously written down	32	11	20
3	2	23	Recoveries on loans and guarantees previously written down	24	4	6
<b>31</b>	<b>18</b>	<b>20</b>	<b>Total losses on loans and guarantees</b>	<b>29</b>	<b>19</b>	<b>42</b>

Parent Bank				Group		
31.12.12	30.09.12	30.09.13		30.09.13	30.09.12	31.12.12
216	216	138	Individual write-downs to cover losses on loans and guarantees at 1 January	150	228	228
90	65	22	Realised losses in the period on loans and guarantees previously written down individually	36	68	100
49	41	10	Reversal of write-downs in previous years	11	47	56
37	31	4	Increase in write-downs on commitments previously written down individually	5	32	37
24	14	29	Write-downs on commitments not previously written down individually	37	22	41
<b>138</b>	<b>155</b>	<b>139</b>	<b>Individual write-downs to cover losses on loans and guarantees at the end of period *)</b>	<b>145</b>	<b>167</b>	<b>150</b>

\*) Guarantee provisions are included under Other liabilities in the balance sheet, see Note 11.

Parent Bank				Group		
31.12.12	30.09.12	30.09.13		30.09.13	30.09.12	31.12.12
102	102	98	Collective write-downs to cover losses on loans and guarantees at 1 January	109	112	112
-4	1	-13	Collective write-downs to cover losses on loans and guarantees in the period	-11	1	-3
<b>98</b>	<b>103</b>	<b>85</b>	<b>Collective write-downs to cover losses on loans and guarantees</b>	<b>98</b>	<b>113</b>	<b>109</b>

Parent Bank				Group		
31.12.12	30.09.12	30.09.13		30.09.13	30.09.12	31.12.12
382	401	387	Defaulted commitments	453	489	459
270	172	266	Other doubtful commitments	266	174	270
<b>652</b>	<b>573</b>	<b>653</b>	<b>Total defaulted and doubtful commitments</b>	<b>719</b>	<b>663</b>	<b>729</b>
138	155	139	Individual write-downs on loans and guarantees	145	167	150
<b>514</b>	<b>418</b>	<b>514</b>	<b>Net defaulted and doubtful commitments</b>	<b>573</b>	<b>496</b>	<b>578</b>



## Note 7: Financial derivatives

### Parent Bank and Group

At fair market value through p & l account

30.09.2013

	Contract sum	Fair market value	
		Assets	Liabilities
<b>Foreign exchange instruments</b>			
Forward exchange contracts	969	25	17
Currency swap contracts	2 471	1	33
Total foreign exchange instruments	3 440	26	50
<b>Interest rate instruments</b>			
Interest rate swaps (inc. int. rate & currency)	9 081	299	166
Other interest rate contracts	150	20	
Total interest rate instruments	9 231	319	166
<b>Other financial derivatives</b>			
Guarantee liability - Eksportfinans ASA	66	0	0
<b>Total curr.- and int. rate instruments</b>			
<b>Total currency instruments</b>	<b>3 440</b>	<b>26</b>	<b>50</b>
<b>Total interest rate instruments</b>	<b>9 231</b>	<b>319</b>	<b>166</b>
<b>Total other financial derivatives</b>	<b>66</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>12 737</b>	<b>346</b>	<b>216</b>

At fair market value through p & l account

30.09.2012

	Contract sum	Fair market value	
		Assets	Liabilities
<b>Foreign exchange instruments</b>			
Forward exchange contracts	826	8	8
Currency swap contracts	1 942	19	3
Total foreign exchange instruments	2 768	27	11
<b>Interest rate instruments</b>			
Interest rate swaps (inc. int. rate & currency)	9 799	407	162
Other interest rate contracts	430	25	
Total interest rate instruments	10 229	432	162
<b>Other financial derivatives</b>			
Guarantee liability - Eksportfinans ASA	66	6	0
<b>Total curr. and int. rate instruments</b>			
<b>Total currency instruments</b>	<b>2 768</b>	<b>27</b>	<b>11</b>
<b>Total interest rate instruments</b>	<b>10 229</b>	<b>432</b>	<b>162</b>
<b>Total other financial instruments</b>	<b>66</b>	<b>6</b>	<b>0</b>
<b>Total</b>	<b>13 064</b>	<b>465</b>	<b>173</b>

At fair market value through p & l account

31.12.2012

	Contract sum	Fair market value	
		Assets	Liabilities
<b>Foreign exchange instruments</b>			
Forward exchange contracts	856	20	19
Currency swap contracts	974	19	2
Total foreign exchange instruments	1 830	38	21
<b>Interest rate instruments</b>			
Interest rate swaps (inc. int. rate & currency)	9 847	451	172
Other interest rate contracts	430	13	
Total interest rate instruments	10 277	464	172
<b>Other financial derivatives</b>			
Guarantee liability - Eksportfinans ASA	66	11	0
<b>Total curr. and int. rate instruments</b>			
<b>Total currency instruments</b>	<b>1 830</b>	<b>38</b>	<b>21</b>
<b>Total interest rate instruments</b>	<b>10 277</b>	<b>464</b>	<b>172</b>
<b>Total other financial instruments</b>	<b>66</b>	<b>11</b>	<b>0</b>
<b>Total</b>	<b>12 173</b>	<b>513</b>	<b>193</b>

## Note 8: Other assets

Parent Bank				Group		
31.12.12	30.09.12	30.09.13		30.09.13	30.09.12	31.12.12
28	28	28	Capital payments into pension fund	28	28	28
161	133	257	Accrued income, not yet received	258	134	161
32	5	29	Prepaid costs, not yet incurred	29	5	32
111	82	74	Other assets	88	179	131
<b>332</b>	<b>248</b>	<b>388</b>	<b>Other assets</b>	<b>403</b>	<b>346</b>	<b>352</b>

## Note 9: Deposits from and liabilities to customers

Parent Bank				Group		
31.12.12	30.09.12	30.09.13		30.09.13	30.09.12	31.12.12
18 133	18 026	18 949	Private customers	18 949	18 026	18 133
2 843	2 871	3 943	Public sector	3 943	2 871	2 843
796	817	855	Primary industries	855	817	796
119	124	122	Paper and pulp industries	122	124	119
405	374	317	Other industry	317	374	405
598	457	537	Building and construction	537	457	598
116	156	244	Power and water supply	244	156	116
720	691	652	Wholesale and retail trade	652	691	720
89	88	85	Hotel and restaurants	85	88	89
1 536	1 484	1 454	Real estate	1 454	1 484	1 536
2 604	2 318	2 336	Commercial services	2 320	2 284	2 573
203	207	221	Transport and communications	221	207	203
7	31	8	Other operations	8	31	7
<b>28 168</b>	<b>27 644</b>	<b>29 723</b>	<b>Total deposits by sector and industry</b>	<b>29 707</b>	<b>27 610</b>	<b>28 137</b>

## Note 10: Securities-related debt

### Parent Bank and Group

Changes in liabilities from issuance of securities	30.09.13	Issued	Due /redeemed	Other changes	31.12.12
Certificate-based debt, nominal value	300	300	-300		300
Bond debt, nominal value	6 879	700	-1 350	183	7 346
Non- Perpetual additional Tier 2 capital, nominal value	500	500			0
Accrued interest	131			-52	183
Adjustments	207			-2	209
<b>Total debt raised through issuance of securities, fair value</b>	<b>8 017</b>	<b>1 500</b>	<b>-1 650</b>	<b>129</b>	<b>8 038</b>

Changes in liabilities from issuance of securities	30.09.12	Issued	Due /redeemed	Other changes	31.12.11
Certificate-based debt, nominal value	300	300	-300		300
Bond debt, nominal value	7 377	1 075	-1 000	154	7 148
Accrued interest	145			-35	180
Adjustments	183			213	-30
<b>Total debt raised through issuance of securities, fair value</b>	<b>8 005</b>	<b>1 375</b>	<b>-1 300</b>	<b>332</b>	<b>7 598</b>

Changes in liabilities from issuance of securities	31.12.12	Issued	Due /redeemed	Other changes	31.12.11
Certificate-based debt, nominal value	300	300	-300		300
Bond debt, nominal value	7 346	1 075	-1 000	123	7 148
Accrued interest	183			3	180
Adjustments	209			239	-30
<b>Total debt raised through issuance of securities, fair value</b>	<b>8 038</b>	<b>1 375</b>	<b>-1 300</b>	<b>365</b>	<b>7 598</b>

## Note 11: Other debt and liabilities

Parent Bank				Group		
31.12.12	30.09.12	30.09.13		30.09.13	30.09.12	31.12.12
249	402	245	Pension liabilities	252	423	261
4	5	4	Guarantee provisions	4	6	4
9	7	5	Banker's drafts	5	7	9
42	12	29	Accounts payable	33	19	48
270	216	217	Other	310	370	429
<b>574</b>	<b>642</b>	<b>500</b>	<b>Total other debt and liabilities recognised in the balance sheet</b>	<b>604</b>	<b>825</b>	<b>751</b>

## Note 12: Capital adequacy

Parent Bank				Group		
31.12.12	30.09.12	30.09.13		30.09.13	30.09.12	31.12.12
5 569	5 127	5 564	Primary capital	5 564	5 127	5 569
83	85	74	Endowment fund	74	85	83
69	44	114	Revaluation fund / equalisation reserve	114	44	69
	311	369	Results for the accounting period	481	344	
			Other equity	276	237	299
			Minority interests	25	25	24
<b>5 721</b>	<b>5 567</b>	<b>6 121</b>	<b>Total equity carried</b>	<b>6 534</b>	<b>5 862</b>	<b>6 044</b>
			Group companies not consolidated for capital adequacy purpose		-262	
			<b>Tier 1 capital</b>			
	-311	-111	Results for the accounting year not included	-222	-344	
	-106		Unrealised value change due to reduced / increased value of liabilities		-106	
-171	-194	-191	Deferred tax, goodwill and other intangible assets	-280	-270	-242
-69	-44	-114	Net unrealised gains on shares available for sale	-114	-44	-69
-167	-137	-195	Deduction for expected losses on IRB, net of write-downs	-122	-137	-167
-1 129	-1 173	-526	Deduction for subordinated capital in other financial institutions	-54	-525	-487
			Deduction in capital adequacy reserve	-983	-689	-925
			Additional Tier 1 capital	61		
<b>4 185</b>	<b>3 602</b>	<b>4 984</b>	<b>Total tier 1 capital</b>	<b>4 820</b>	<b>3 485</b>	<b>4 154</b>
			<b>Supplementary capital</b>			
31	20	51	45 per cent of unrealised gain on shares classified as available for sale	51	20	31
			Perpetual additional Tier 2 capital			
		500	Non-perpetual additional Tier 2 capital	703		
		-25	Deduction for expected losses on IRB, net of write-downs	-122		
-31	-20	-526	Deduction for subordinated capital in other financial institutions	-54	-20	-31
			Deduction in capital adequacy reserve	-578		
<b>0</b>	<b>0</b>	<b>0</b>	<b>Total supplementary capital</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>4 185</b>	<b>3 602</b>	<b>4 984</b>	<b>Net subordinated capital</b>	<b>4 820</b>	<b>3 485</b>	<b>4 154</b>
5 775	4 950	5 870	Involvement with specialized enterprises	8 128	4 950	5 775
5 063	5 599	5 185	Other corporate exposures	5 874	5 599	5 063
363	373	444	SME exposure	460	373	363
2 456	2 341	2 494	Retail mortgage exposure	3 380	2 341	2 456
479	483	611	Other retail exposure	697	483	479
2 604	1 555	1 729	Equity investments	1 925	1 354	2 436
<b>16 739</b>	<b>15 301</b>	<b>16 332</b>	<b>Risk-weighted assets credit risk IRB</b>	<b>20 464</b>	<b>15 100</b>	<b>16 571</b>
4 797	5 101	5 763	Exposures calculated using the standardised approach	8 169	7 228	6 927
			Market risk	618		
	1 755	952	Transitional arrangements	1 159	1 618	
2 286	2 286	1 932	Operational risk	2 870	2 491	2 491
-1 160	-1 193	-1 028	Deductions	-1 681	-1 245	-1 467
<b>22 662</b>	<b>23 251</b>	<b>23 951</b>	<b>Risk-weighted assets</b>	<b>31 598</b>	<b>25 192</b>	<b>24 522</b>
			<b>Capital adequacy ratio</b>			
<b>18,5 %</b>	<b>15,5 %</b>	<b>20,8 %</b>	Capital adequacy ratio	<b>15,3 %</b>	<b>13,8 %</b>	<b>16,9 %</b>
<b>18,5 %</b>	<b>15,5 %</b>	<b>20,8 %</b>	Tier 1 ratio	<b>15,3 %</b>	<b>13,8 %</b>	<b>16,9 %</b>
<b>18,5 %</b>	<b>16,8 %</b>	<b>21,7 %</b>	Capital adequacy ratio before transitional arrangements	<b>15,8 %</b>	<b>14,8 %</b>	<b>16,9 %</b>

## Note 13: 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 statements.

Sparebanken Hedmark has to 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 provisjon of collateral (CSA) with the most central counterparties. The Bank only enters into agreements with cash as collateral.

Period	Type of financial instrument	Amounts which can only be netted upon bankruptcy or default (MNOK)
30.09.13	Derivatives	45
31.12.12	Derivatives	54
30.09.12	Derivatives	39

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

## Note 14: Determination of fair value of financial instruments

In connection with implementation of IFRS 13, interim financial statements are required to present fair value measurmets per level with the following division into levels for fair value measurement:

- 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.

### Per 30.09.2013

Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
- Derivatives		345	0	345
- Bonds and certificates		4 132		4 132
- Fixed-rate loans		1 951		1 951
- Loans with interest-rate guarantees			3	3
Financial assets available for sale				
- Equity instruments	90		267	357
<b>Total assets</b>	<b>90</b>	<b>6 429</b>	<b>270</b>	<b>6 788</b>
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit and loss				
- Derivatives		216		216
- Securities issued		8 017		8 017
- Fixed-rate deposits		115		115
- Term deposits			51	51
<b>Total liabilities</b>	<b>0</b>	<b>8 349</b>	<b>51</b>	<b>8 399</b>

### Per 31.12.2012

Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
- Derivatives		502	11	513
- Bonds and certificates		5 053		5 053
- Fixed-rate loans		1 809		1 809
- Loans with interest-rate guarantees			4	4
Financial assets available for sale				
- Equity instruments	78	12	251	341
<b>Total assets</b>	<b>78</b>	<b>7 376</b>	<b>265</b>	<b>7 720</b>
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit and loss				
- Derivatives		193		193
- Securities issued		8 038		8 038
- Fixed-rate deposits		429		429
- Term deposits			206	206
<b>Total liabilities</b>	<b>0</b>	<b>8 660</b>	<b>206</b>	<b>8 866</b>

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

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

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

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

- Fair value of interest rate swaps is calculated as the present value of the estimated future cash flow based on observable yield curves.
- Fair value forward contracts in a foreign currency is determined by looking at the present value of the difference between the agreed forward exchange rate and the foreign exchange rate on balance sheet day.
- Fair value of bonds and certificates (assets and liabilities) is calculated as the present value of the estimated future cash flow based on observable yield curves, including an indicated credit spread on issuers from a recognised broker a reputable brokerage firms or Reuters pricing service.
- Fair value of fixed-rate deposits and loans is calculated as the present value of the estimated future cash flow based on an observable swap yield curve, plus an implicit mark-up calculated 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:

<b>31.12.12-30.09.13</b>	<b>Loans with interest-rate guarantees</b>	<b>Equity instruments</b>	<b>Derivatives</b>	<b>Market-linked certificates of deposit (BMA)</b>	<b>Sum</b>
Opening balance	4	251	11	-206	<b>59</b>
Investments in the period		-7		-51	<b>-58</b>
Sales / redemption in the period	-1	-5	-11	205	<b>188</b>
Gains / losses recognised through profit and loss	0	-8	1	1	<b>-6</b>
Gains / losses recognised directly against comprehensive income		36			<b>36</b>
<b>Closing balance</b>	<b>3</b>	<b>267</b>	<b>0</b>	<b>-51</b>	<b>219</b>
Gains / losses for the period included in the profit for assets owned on the balance sheet day	0	-8	1	0	<b>-7</b>

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.



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