

1. QUARTER

2014

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Main figures

Result summary (NOK mill and % of average assets)	31.03.14		31.03.13		31.12.13	
	Amount	%	Amount	%	Amount	%
Net interest income	240	2,04 %	227	2,07 %	1 008	2,21 %
Net commissions and other (non-interest) income	186	1,58 %	123	1,12 %	559	1,22 %
Net income from financial investments	93	0,79 %	-34	-0,31 %	263	0,57 %
Total income	519	4,41 %	317	2,89 %	1 829	4,01 %
Total operating expenses before losses on loans and guarantees	242	2,05 %	231	2,11 %	916	2,01 %
Profit before losses on loans and guarantees	277	2,35 %	86	0,78 %	913	2,00 %
Losses on loans and guarantees	12	0,10 %	3	0,03 %	72	0,16 %
Profit/loss before tax	265	2,25 %	83	0,76 %	841	1,84 %
Tax charge	38	0,32 %	9	0,09 %	147	0,32 %
Results for the accounting period	227	1,93 %	74	0,67 %	694	1,52 %
Minority interests	1	0,01 %	1	0,01 %	-10	-0,02 %
Profitability						
Return on equity capital before tax		15,6 %		5,5 %		13,3 %
Return on equity capital after tax		13,4 %		4,9 %		11,0 %
Return on equity capital of total result after tax		19,8 %		6,8 %		11,0 %
Total operating costs in relation to total income		46,6 %		72,8 %		50,1 %
Total operating costs in relation to total income excl. income from financial investments		56,8 %		65,8 %		58,5 %
From the Balance Sheet						
Gross loans to customers	36 885		35 570		37 180	
Gross loans to customers including loans transferred to covered bond companies*	52 579		48 999		52 361	
Deposits from customers	29 948		29 155		30 097	
Deposits from customers in relation to gross loans to customers		81,2 %		82,0 %		80,9 %
Lending growth during the last 12 months		3,7 %		3,2 %		4,9 %
Lending growth in last 12 months including loans transferred to covered bond companies*		7,3 %		8,9 %		8,9 %
Deposit growth during the last 12 months		2,7 %		12,3 %		7,0 %
Assets	46 869		44 260		47 397	
Losses and commitments in default						
Losses on loans as a percentage of gross loans		0,1 %		0,0 %		0,2 %
Commitments in default as a percentage of total commitments		0,7 %		1,1 %		0,8 %
Commitments in default as a percentage of total commitments including loans transferred to covered bond companies*		0,5 %		0,8 %		0,6 %
Other bad and doubtful commitments as a percentage of total commitments		0,7 %		0,4 %		0,6 %
Other bad and doubtful commitments as a percentage of total commitments including loans transferred to covered bond companies*		0,5 %		0,3 %		0,5 %
Net commitment in default and commitments with loss provisions as a percentage of total commitments		1,1 %		1,2 %		1,1 %
Financial strength						
Capital adequacy ratio		15,5 %		15,8 %		16,4 %
Tier 1 ratio		15,1 %		15,8 %		16,2 %
Capital adequacy ratio before transitional arrangements		15,5 %		15,8 %		16,4 %
Net core capital	5 076		4 096		5 083	
Equity ratio		15,0 %		13,9 %		14,2 %

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

Interim report

Q1 2014

Summary

The Sparebanken Hedmark Group's profit after tax was NOK 227 (74) million after the first quarter (last year's figure in brackets). The return on equity was 13.4 (4.9) per cent. The Group achieved net interest income of 2.04 (2.07) per cent of average total assets. Operating costs as a percentage of income were 46.6 (72.8) per cent. The twelve-month growth figures for lending, including loans transferred to the covered bond companies, were 7.3 (8.9) per cent, while deposits grew by 2.7 (12.3) per cent. At the end of the quarter, the deposit

coverage ratio was 81.2 (82) per cent. The Group's equity amounted to 15 (13.9) per cent of the unweighted balance sheet. The core equity tier 1 ratio was 15.1 (15.8) per cent and the total capital ratio was 15.5 (15.8) per cent.

The Parent Bank's profit for the first quarter was NOK 149 (36) million after tax. The core equity tier 1 ratio was 19 (17.9) per cent.

Sparebanken Hedmark – Group

The Group prepares its quarterly accounts 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 an ownership interest of 60 per cent.

The bank owns 40.5 per cent of Bank 1 Oslo Akershus AS, 11 per cent of SpareBank 1 Gruppen AS, 14.7 per cent of SpareBank 1 Markets AS, and 8 per cent of SpareBank 1 Kredittkort AS, as well as 8.4 per cent of SpareBank 1 Boligkreditt AS and 4.1 per cent of SpareBank 1 Næringskreditt AS (the covered bond companies). The profit/loss attributable to these companies is recognised in the Bank's consolidated financial statements proportionate to the Bank's ownership interest.

Specification of the consolidated profit in NOK million (provisional):

Parent Bank's profit after tax	149
Eliminated dividends from subsidiaries and associates	- 58
Profit/loss attributable to:	
SpareBank 1 Gruppen AS	27
Bank 1 Oslo Akershus AS	85
SpareBank 1 Boligkreditt AS	4
EiendomsMegler 1 Hedmark Eiendom AS	2
SpareBank 1 Finans Østlandet AS	16
SpareBank 1 Regnskapshuset Østlandet AS	3
Other companies	-1
Consolidated profit after tax	227

The Group's return on equity after tax was 13.4 (4.9) per cent for the first quarter.

Net interest, commission and other income

Net interest income in the 1st quarter was NOK 240 (227) million. Interest income from loans transferred to the covered bond companies (SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS) is recognised as commission income in the Bank's accounts. Total net interest income, including commissions from loans transferred to the covered bond companies, amounted to NOK 303 (268) million. This corresponds to an increase of 13 per cent over the previous year.

In connection with the establishment of SpareBank 1 Kredittkort AS, the Bank has sold its credit card portfolio total-

ling NOK 306 million to this company. Previously the return on the Bank's credit card portfolio was included in net interest income. After the sale, net interest income from the credit card portfolio is recognised as commission income, based on the same principle as loans transferred to the covered bond company.

Net commission and other income increased from NOK 123 million in the first quarter of 2013 to NOK 186 million in the first quarter of 2014. This increase is attributed, inter alia, to the growth in commission income from covered bond companies of NOK 22 million, as well as commissions of NOK 5 million from the credit card company. In addition, a gain of NOK 25 million on the sale of the credit card portfolio was recognised.

The Group's lending margin, including loans transferred to the covered bond companies, was 3.11 (2.87) per cent for the first quarter. The deposit margin was minus 0.72 (-0.68) per cent. The Group's interest margin was 2.39 (2.19) per cent for the first quarter.

Net income from financial assets and liabilities

Net result from financial assets and liabilities was NOK 93 (-34) million for the first quarter. This consisted of profit from ownership interests of NOK 114 (54) million, dividends of NOK 12 (0) million and a result from other financial items of minus NOK 33 (-88) million.

Of the profit from ownership interests, the profit attributable to Bank 1 Oslo Akershus AS accounted for NOK 85.1 million. In the second quarter of 2013, Sparebanken Hedmark increased its ownership interest in Bank 1 Oslo Akershus AS from 12 to 40.5 per cent. The profit attributable to SpareBank 1 Gruppen AS totalled NOK 27 million.

The net result from other financial assets and liabilities was minus NOK 36 (-88) million, and this is attributed primarily to market value fluctuations. The Bank's securities debt, fixed-income investments and fixed-rate loans are assessed at fair value through profit and loss pursuant to IAS 39, and changes in the market value are recognised in profit and loss. The total net market value fluctuations amounted to minus NOK 39 (-94) million for the first quarter.

The Bank's ownership interest in the payment transfer company Nets AS is classified as "available for sale", and the unrealised gain or loss in relation to the market value is recognised in other comprehensive income pursuant to IAS 1. The value of the shares based on the sales agreement entered into

in March is NOK 263 million. Upon realisation the sales gain will be recognised in the "net result from financial assets and liabilities". This means that the Bank's gain on realisation will be included in the ordinary profit for the second quarter, with a corresponding reversal of the unrealised gain under other comprehensive income. The gain is estimated to be NOK 152 million.

Costs and losses

The Group's total operating costs were NOK 242 (231) million. The higher level of activity in the subsidiaries contributed to higher costs, while the parent Bank had a cost increase for the twelve-month period of NOK 4 million. The Group's operating costs accounted for 46.6 (72.8) per cent of the total income in the first quarter. Cost growth for the Group over the last twelve months was 4.3 per cent.

Losses remain low and amounted to NOK 12 (3) million, which corresponds to 0.1 (0.0) per cent of gross lending. Credit risk measured as the percentage of problem loans declined. Problem loans (non-performing and other impaired commitments) as a percentage of gross commitments, including loans transferred to covered bond companies, was 1.0 (1.1) per cent at the end of the quarter. Based on the Group's balance sheet in isolation, the percentage declined from 1.5 per cent to 1.4 per cent.

Assets and liabilities

Gross lending to customers, including loans transferred to the covered bond companies, totalled NOK 52.6 (49.0) billion. At the end of the quarter, loans totalling NOK 15.7 (13.4) billion had been transferred to the covered bond companies, and this corresponds to 29.8 (27.3) per cent of all loans. Retail customer loans transferred to the covered bond companies as a percentage of the overall retail customer loans (loans on a separate balance sheet and transferred loans) was 41.6 (39.6) per cent.

Including the transferred loans, the Group's twelve-month lending growth was 7.3 (8.9) per cent. At the end of the quarter, the Bank's customer deposits totalled NOK 29.9 (29.2) billion. The growth in deposits over the past 12 months was 2.7 (12.3) per cent. Deposits as a percentage of gross lending were 81.2 (82) per cent.

Debt to credit institutions and debt arising from securities issued was NOK 8.5 (8.0) billion. The average term to maturity of the Bank's long-term funding was 4.3 (4.8) years. The average term to maturity for all borrowing was 4.2 (3.6) years.

At the end of the quarter, the Bank had adequate funding for continued normal operations for 17 (17) months without any new external funding. This scenario assumes 7 per cent lending growth and 3.6 per cent growth in deposits. There is good interest in the Bank's bonds. In the opinion of the Board of Directors, the Bank's liquidity risk is low.

The Group's equity was NOK 7.1 (6.1) billion as at the first quarter, which is equivalent to 15 (13.9) per cent of the balance sheet. The core equity tier 1 ratio was 15.1 (15.8) per cent. The reduction in the core equity tier 1 ratio is attributed primarily to higher risk weighting for home mortgages.

For detailed specification of the first quarter results, reference is made to page 11 of the quarterly report.

Rating

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

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

Sparebanken Hedmark – Parent Bank and subsidiaries

Results and underlying banking operations

Profit after tax was NOK 149 (36) million. Profit from banking operations was NOK 123 (100) million. Profit from banking operations is defined as the result after losses less the profit from ownership interests and dividends, as well as financial assets and liabilities. The profit is adjusted for non-recurring effects. The banking operations showed an improvement of 23 per cent compared with the same period in the previous year.

Interest income and margins

Net income from lending and deposit activities, including loans transferred to the covered bond companies, increased from NOK 229 million to NOK 256 million. Loans totalling NOK 15.7 (13.4) billion had been transferred by the end of the quarter, NOK 15 billion of which was to the mortgage covered bond company and NOK 0.7 billion of which was to the commercial covered bond company. The net margin for mortgage covered bond loans transferred to the covered bond company, recognised as commissions, was 1.65 per cent.

The net interest margin on a separate balance sheet (excluding currency loans) was 2.47 (2.29) per cent for the quarter. The Parent Bank's lending margin was 3.19 (2.97) per cent. The deposit margin was minus 0.72 (-0.68) per cent.

The interest margin for the retail market was 2.34 (2.24) per cent, while in the corporate market it was 2.69 (2.41) per cent.

Net commissions and other income

Net commissions and other income amounted to NOK 137 (84) million. This improvement is attributed primarily to a gain of NOK 25 million on the sale of the credit card portfolio to SpareBank 1 Kredittkort AS and an increase of NOK 22 million in commissions from loans transferred to the covered bond companies.

Net income from financial assets and liabilities

Income from this area was NOK 36 (-57) million. Dividends from financial investments were NOK 12 (0) million. Net profit from ownership interests was NOK 57 (31) million. The net result from other financial assets and liabilities was minus NOK 33 (-88) million. The net change in the market value of investments, fixed-rate loans and funding made a negative contribution of NOK 39 (-94) million.

Operating costs and losses

Total operating costs were NOK 178 (174) million. Personnel costs and IT costs increased by NOK 4 million and NOK 3 million, respectively, while the marketing and communication costs were lower. Compared with the previous year, costs were 2.3 per cent higher. The costs accounted for 48.6 (80.9) per cent of the income. At the end of the quarter, the Parent Bank had 466 full time equivalents, compared with 463 a year ago.

The net loss on lending and guarantees was NOK 8 (1) million. Income of NOK 3 million was recognised within the retail market division and a loss of NOK 11 million was recognised within the corporate market division.

Lending

Gross lending to customers totalled NOK 32.7 (31.8) billion as at the first quarter. Including loans transferred to the covered bond companies, the lending volume was NOK 48.4 (45.3) billion.

Lending growth over the past 12 months, including transferred loans, was 6.8 (8.1) per cent. Growth in the retail market was 6.2 (8.0) per cent, including transferred loans, while it was 8.2 (8.0) per cent in the corporate market, including transferred loans. Lending growth on a separate balance sheet was 2.2 per cent in the retail market and 3.7 per cent in the corporate market. The risk profile of the Bank's granting of credit did not change during the last quarter.

Deposits

Deposits from and liabilities to customers totalled NOK 30 (29.2) billion at the end of the quarter. In the last twelve-month period, deposits increased by 2.7 (12.2) per cent, divided between 2.1 (8.3) per cent in the retail market and 3.8 (20) per cent in the corporate market.

Capital adequacy

The core equity tier 1 ratio was 19 (17.9) per cent. The Bank's equity of NOK 6.5 (5.8) billion consists entirely of retained earnings and represents 14 (13.2) per cent of the unweighted balance sheet.

Subsidiaries and associates

The leasing and finance company SpareBank 1 Finans Østlandet AS reported a profit after tax of NOK 16 (12) million. The financing company's gross loans at the end of the quarter totalled NOK 4.2 (3.8) billion.

SpareBank 1 Regnskapshuset Østlandet AS reported revenues of NOK 37 (31) million and achieved a profit after tax of NOK 3 (2) million for the first quarter. The real estate brokerage company EiendomsMegler 1 Hedmark Eiendom AS reported revenues of NOK 17 (13) million and achieved a profit after tax of NOK 2 (0) million.

The Bank 1 Oslo Akershus AS Group (40.5 per cent ownership interest) achieved a profit after tax of NOK 210 (68) million. This corresponds to a return on equity of 32 (13.4) per cent. SpareBank 1 Gruppen AS (11 per cent ownership interest) achieved a consolidated profit after tax of NOK 248 (315) million.

Outlook for 2014

Economic activity is expected to remain approximately at its current level in Norway. Sparebanken Hedmark's primary market is the Inland Region. This region has traditionally been less exposed to cyclical fluctuations than other regions. However, international developments may affect the situation in Norway and thus the Inland Region as well. In addition, we do not see any special Norwegian circumstances that could have significant consequences for the Inland Region. With good funding, a high deposit coverage ratio, stable earnings and a high equity level, the Bank is well prepared.

Board of Directors of Sparebanken Hedmark

Hamar, 29 april 2014

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			
31.12.13	31.03.13	31.03.14	(NOK million)	Notes	31.03.14	31.03.13	31.12.13
1 908	459	465	Interest income		512	498	2 085
1 078	271	272	Interest expenses		272	271	1 077
830	188	193	Net interest income		240	227	1 008
416	89	143	Commission income		142	88	415
27	7	8	Commission expenses		12	11	45
19	2	2	Other operating income		56	46	189
409	84	137	Net commission and other income		186	123	559
21		12	Dividends		12		21
189	31	57	Net profit from ownership interests		114	54	326
-84	-88	-33	Net profit from other financial assets and liabilities		-33	-88	-84
126	-57	36	Net income from financial assets and liabilities		93	-34	263
1 364	215	366	Total net income		519	317	1 829
342	87	92	Personnel expenses		136	125	486
339	87	86	Other operating expenses		106	106	430
681	174	178	Total operating expenses before losses on loans and guarantees		242	231	916
684	41	188	Profit before losses on loans and guarantees		277	86	913
61	1	8	Losses on loans and guarantees	6	12	3	72
622	40	180	Profit/loss before tax		265	83	841
124	4	31	Tax charge		38	9	147
499	36	149	Results for the accounting period		227	74	694
			Majority interests		226	73	704
			Minority interests		1	1	-10
499	36	149	Statement of comprehensive income according to IAS 1		227	74	694
-67		-4	Actuarial gains / losses on pensions		-3		-85
18		1	Tax effect of actuarial gains / losses on pensions		1		22
			Share of other comprehensive income from associates and joint ventures		1		1
-49	0	-3	Total items not reclassified through profit or loss		-1	0	-62
56	29	110	Change in value of financial assets available for sale		110	29	56
-3			Financial assets available for sale transferred to profit and loss on write-down due to permanent impairment of value				-3
3			Financial assets available for sale transferred to profit and loss on realisation				3
			Share of other comprehensive income from associates and joint ventures				5
56	29	110	Total items reclassified through profit or loss		110	29	61
7	29	107	Total profit and loss items recognised in equity		109	29	-1
505	65	257	Total profit / loss for the accounting year		336	103	693
			Majority share of comprehensive income		335	102	703
			Minority interest of comprehensive income		1	1	-10

Balance sheet (not audited)

Parent bank				Parent bank			
31.12.13	31.03.13	31.03.14	(NOK million)	Notes	31.03.14	31.03.13	31.12.13
ASSETS							
572	540	376	Cash and deposits with central banks		376	540	572
4 254	3 650	4 507	Loans to and receivables from credit institutions		791	309	699
32 598	31 550	32 476	Loans to and receivables from customers	5, 6	36 640	35 328	36 936
4 927	4 771	4 402	Certificates, bonds and fixed-income funds		4 402	4 771	4 927
363	411	321	Financial derivatives	7	321	411	363
357	394	477	Shares, units and other equity interests		477	394	357
2 140	1 302	2 184	Investments in associates and joint ventures		2 727	1 606	2 565
407	339	585	Investments in subsidiaries				
	1		Assets held for sale		1	1	1
266	265	263	Property, plant and equipment		285	288	288
117	124	115	Goodwill and other intangible assets		191	205	177
70	72	81	Deferred tax asset		70	69	58
599	319	425	Other assets	10	588	339	455
46 669	43 738	46 212	Total assets		46 869	44 260	47 397
LIABILITIES							
634	694	662	Deposits from and liabilities to credit institutions		662	694	632
30 110	29 174	29 963	Deposits from and liabilities to customers	9	29 948	29 155	30 097
8 398	7 362	7 808	Liabilities arising from issuance of securities	10	7 808	7 362	8 398
182	175	157	Financial derivatives	7	157	175	182
131	144	86	Current tax liabilities		105	151	144
503	407	570	Other debt and liabilities recognised in the balance sheet	11	632	587	722
503		505	Subordinated loan capital	10	505		503
40 460	37 956	39 751	Total liabilities		39 817	38 124	40 679
EQUITY CAPITAL							
6 013	5 569	6 010	Primary capital		6 159	5 569	6 013
71	79	67	Endowment fund		67	79	71
125	98	235	Fund for unrealised gains		235	98	125
			Other equity		348	291	495
	36	149	Results for the accounting year		226	74	
			Minority interests		17	25	14
6 209	5 782	6 461	Total equity capital		7 052	6 136	6 718
46 669	43 738	46 212	Total liabilities and equity capital		46 869	44 260	47 397

Changes in equity capital

Parent bank

(NOK million)	Earned equity			Total equity capital
	Primary capital	Endowment fund	Fund for unrealised gains	
Equity at 1 January 2013	5 569	83	69	5 721
Results for the accounting year	36			36
Actuarial gains / losses on pensions				0
Change in value of financial assets available for sale			29	29
Donations distributed from profit 2012				0
Grants from endowment fund in 2013		-4		-4
Equity at 31 March 2013	5 605	79	98	5 782
Equity at 1 January 2013	5 569	83	69	5 721
Results for the accounting year	499			499
Actuarial gains / losses on pensions	-49			-49
Change in value of financial assets available for sale			56	56
Donations distributed from profit 2012	-6			-6
Grants from endowment fund in 2013		-12		-12
Equity at 31 December 2013				0
Egenkapital per 31.12.2013	6 013	71	125	6 209
Equity at 1 January 2014	6 013	71	125	6 209
Results for the accounting year	149			149
Actuarial gains / losses on pensions	-3			-3
Change in value of financial assets available for sale			110	110
Donations distributed from profit 2013				0
Grants from endowment fund in 2014		-4		-4
Equity at 31 March 2013				
Equity at 31 March 2014	6 159	67	235	6 461

Group

(NOK million)	Earned equity					Total equity capital
	Primary capital	Endowment fund	Fund for unrealised gains	Other equity	Minority interests	
Equity at 1 January 2013	5 569	83	69	292	24	6 037
Results for the accounting year	36			37	1	74
Actuarial gains / losses on pensions						0
Change in value of financial assets available for sale			29			29
Change in the group composition						0
Donations distributed from profit 2012						0
Grants from endowment fund in 2013		-4				-4
Equity at 31 March 2013	5 605	79	98	329	25	6 136
Equity at 1 January 2013	5 569	83	69	299	24	6 044
OB correction: Correction of previous years' errors				-6		-6
Adjusted equity at 1 January 2013	5 569	83	69	293	24	6 038
Results for the accounting year	499			205	-10	694
Actuarial gains / losses on pensions	-49			-14		-63
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss				1		1
Change in value of financial assets available for sale			56			56
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss				4		4
Adjusted equity in associated companies and joint ventures				2		2
Change in the group composition				4		4
Donations distributed from profit 2012	-6					-6
Grants from endowment fund in 2013		-12				-12
Equity at 31 December 2013	6 013	71	125	495	14	6 718
Equity at 1 January 2014	6 013	71	125	495	14	6 718
OB correction: Correction of previous years' errors				-1		-1
Adjusted equity at 1 January 2014	6 013	71	125	494	14	6 717
Results for the accounting year	149			77	1	227
Actuarial gains / losses on pensions	-3			1		-2
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			110			110
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss						0
Adjusted equity in associated companies and joint ventures				1		1
Change in the group composition				-1	2	1
Donations distributed from profit 2013						0
Grants from endowment fund in 2014		-4				-4
Equity at 31 March 2014	6 160	67	235	573	17	7 052

Cash flow statement

Parent bank				Group		
31.12.13	31.03.13	31.03.14	(NOK million)	31.03.14	31.03.13	31.12.13
12 681	2 544	2 120	This year's downpayment on repayment loans etc. to customers	2 551	2 944	14 492
			Change in advance rent leasing	2	3	28
-10 612	-1 965	-2 082	Newly discounted repayment loans etc. to customers for the year	-2 590	-2 510	-13 130
-23	16	-2	Change in balances of foreign currency lending	-2	16	-23
-3 174	-578	77	Change in balances of credits	77	-578	-3 173
1 567	359	376	Interest and commission income on lending	460	420	1 829
25	1	4	Included in previous years' realised losses on lending	4	1	27
			Net cash flow relating to bankruptcies			
1			Net cash flow from assets held for sale			
465	377	493	Cash flow from lending operations (A)	502	297	50
1 246	1 064	-601	Change in balances of deposits from customers at call	-597	1 073	1 260
710	-205	302	Change in balances of deposits from customers with agreed maturity dates	302	-205	710
-821	-58	-47	Interest payments to customers	-47	-54	-817
1 135	801	-346	Cash flow from deposit operations (B)	-342	815	1 153
153	318	519	Net cash flow from securities held short term	519	318	153
66	-16	1	Cash flow linked to exchange rate gains / losses on securities held short term	1	-16	66
103	25	12	Interest received on bonds and certificates	12	24	103
			Share dividends received from securities held short term			
322	327	532	Cash flow from investments in securities (C)	532	326	322
-755	-128	-215	Change in receivables from credit institutions with agreed maturity dates	-54	12	-403
93	24	26	Interest received on deposits in credit institutions	26	24	93
-662	-104	-189	Cash flow from deposits in credit institutions (D)	-28	36	-310
551	116	160	Other income	214	157	721
-644	-174	-181	Operating expenses payable	-251	-231	-897
-113	-51	-86	Tax payments	-87	-52	-116
-17	-4	-4	Donations	-4	-4	-17
-135	28	116	Net cash flow from change in other assets	-17	27	28
-203	-12	80	Net cash flow from change in accruals	57	-37	-315
-112	-120	41	Net cash flow from change in other liabilities	-83	-115	-72
-673	-217	125	Remaining cash flow from current operations (E)	-173	-255	-668
587	1 184	616	CASH FLOW FROM OPERATIONS (A+B+C+D+E=F)	492	1 218	547
-200	-139	29	Change in deposits from credit institutions	49	-135	-203
2 497		750	Receipts arising from issuance of securities	750	0	2 498
-1 173	-614	-1 088	Payments arising from redemption of securities issued	-1 088	-614	-1 173
-454	-43	-277	Buy-back of own securities	-277	-43	-454
-219	-37	-24	Interest payments on financing	-24	-37	-219
451	-833	-609	Cash flow from financing activities (G)	-589	-830	449
-70	-25	-4	Investments in fixed assets and intangible assets	-5	-26	-77
11	3		Sales of fixed assets and intangible assets at sales price		3	11
-882	-27	-64	Purchase of long-term securities	-64	-27	-882
178		10	Sale of long-term securities	10		178
145	27	70	Share dividends from securities held long term	12		115
-618	-22	12	Cash flow from investments (H)	-48	-50	-655
3	1		Liquidity effect of acquisition and sale of ownership interests (I)	-16	-8	-3
-85		-178	Liquidity effect from placements in subsidiaries (L)	2		
338	330	-159	CHANGE IN CASH AND CASH EQUIVALENTS (F+G+H+I+L)	-159	330	338
261	261	599	Cash and cash equivalents at 1 January	599	261	261
599	591	440	Cash and cash equivalents at 31 March	440	591	599
			Cash and cash equivalents at 31 March comprise:			
572	540	376	Cash and deposits with central banks	376	540	572
27	51	63	Deposits etc. at call with banks	63	51	27
599	591	440	Cash and cash equivalents at 31 March	440	591	599

Results from the quarterly accounts

Group

	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<i>(Isolated figures in NOK million)</i>	2014	2013	2013	2013	2013	2012	2012	2012	2012
Interest income	512	532	535	520	498	513	515	510	524
Interest expenses	272	269	269	268	271	271	273	280	283
Net interest income	240	263	266	252	227	242	242	230	241
Commission income	142	112	116	99	88	85	75	73	61
Commission expenses	12	12	12	10	11	11	12	10	11
Other operating income	56	46	49	48	46	44	51	45	45
Net commission and other income	186	146	153	137	123	118	114	108	95
Dividends	12	3		18				7	
Net profit from ownership interests	114	121	98	53	54	-5	46	10	44
Net profit from other financial assets and liabilities	-33	-3	-19	26	-88	-21	-47	38	-29
Net income from financial assets and liabilities	93	121	79	97	-34	-26	-1	55	15
Total net income	519	529	498	486	316	334	355	393	351
Personnel expenses	136	124	122	115	125	110	114	112	121
Other operating expenses	106	111	101	112	106	113	91	101	102
Total operating expenses before losses on loans and guarantees	242	235	223	227	231	223	205	213	223
Profit before losses on loans and guarantees	277	294	275	259	85	111	150	180	128
Losses on loans and guarantees	12	43	4	22	3	23	-2	23	-2
Profit/loss before tax	265	251	271	237	82	88	152	157	130
Tax charge	38	38	49	51	9	29	30	40	25
Results for the accounting period	227	213	222	186	74	59	122	117	105

Notes to the accounts

Note 1 Accounting principles

The financial statements for Sparebanken Hedmark comprise the period 01.01-31.03.2014. 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 2013.

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.

Note 2 Changes in the group composition

2014

Sparebanken Hedmark sold its shares in SpareBank 1 Verdipapirservise AS (8.9 percent) and SpareBank 1 Kundsenter AS (9.7 percent) to Alliansesamarbeidet SpareBank 1 DA. The companies are still owned indirectly by Sparebanken Hedmark through Alliansesamarbeidet (11.30 percent).

2013

Sparebanken Hedmark sold its stake in Consis Credit AS to Conecto AS 01.01.2013. Conecto AS is a wholly owned subsidiary of SpareBank 1 Gruppen AS, thus 12 percent (11 percent from 18.12.2013) of Consis Credit AS is still indirectly owned by Sparebanken Hedmark.

Sparebanken Hedmark increased its stake from 12 percent to 40.5 percent in Sparebank 1 Oslo Akershus AS through acquisition of shares from the other shareholders in the bank. The transaction was completed with effect from 02.01.2013

Sparebanken Hedmark acquired in the third quarter 14.7 percent of SpareBank1 Markets AS. Sparebanken Hedmark previously owned 12 percent of SpareBank1 Markets AS through its ownership in SpareBank1 Gruppen AS. Final purchase price allocation is made in accordance with IFRS 3 where 21.7 NOK million, is allocated to the fair value of assets and liabilities. The previously indirectly owned 12 percent has kept its book value. The difference between the identifiable net assets and the cost of increased ownership, one NOK million, is in accordance with IAS 28 recognized as income in the third quarter.

Sparebanken Hedmark sold 18.12.2013 one percent of the shares in SpareBank 1 Gruppen AS to Bank 1 Oslo Akershus AS, thus Sparebanken Hedmark's ownership in SpareBank 1 Gruppen AS is reduced from 12 percent to 11 percent.

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	31.03.14						
	Income statement	Corporate banking	SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	Consis	Other	Total
Income statement							
Net interest income	95	86	48			11	240
-of which internal items			-21			21	
Net commission and other income	114	18	-5	17	37	5	186
-of which internal items							
Net return on financial investments						93	93
Operating expenses*	61	25	18	14	34	90	242
Profit before losses by segment:	148	79	25	3	3	19	277
Losses on loans and guarantees	-3	11	4				12
Profit / loss per segment	151	68	21	3	3	19	265
Balance sheet							
Lending to customers	18 425	13 711	4 222			527	36 885
-of which internal items					40	-40	
Individual loan write-downs	-41	-87	-9				-137
Collective loan write-downs	-24	-71	-13				-108
Other assets	102	2	107	33	111	9 874	10 229
Total assets per segment	18 462	13 555	4 307	33	111	10 401	46 869
Deposits from and liabilities to customers	18 653	11 007					29 660
-of which internal items		-6		6	3	-3	
Other liabilities and equity	-191	2 548	4 307	33	111	10 401	17 209
Total equity and liabilities per segment	18 462	13 555	4 307	33	111	10 401	46 869

Group

31.03.13

Income statement	Income statement	Corporate banking	SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	Consis	Other	Total
Net interest income	91	71	39			26	227
-of which internal items			-22			22	
Net commission and other income	68	14	-4	13	31		123
-of which internal items							
Net return on financial investments						-33	-33
Operating expenses*	62	25	16	13	28	86	231
Profit before losses by segment:	98	60	20	0	2	-93	86
Losses on loans and guarantees	1		2				3
Profit / loss per segment	97	60	17	0	2	-93	83
Balance sheet							
Lending to customers	18 063	13 223	3 833			450	35 570
-of which internal items					33	-33	
Individual loan write-downs	-42	-81	-14				-137
Collective loan write-downs	-23	-70	-12				-105
Other assets	123	52	-21	27	98	8 653	8 932
Total assets per segment	18 120	13 125	3 787	27	98	9 103	44 260
Deposits from and liabilities to customers	18 225	10 606				324	29 155
-of which internal items		-6		6	7	-7	
Other liabilities and equity	-105	2 519	3 787	27	98	8 779	15 105
Total equity and liabilities per segment	18 120	13 125	3 787	27	98	9 103	44 260

Group

31.12.13

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

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

Note 4 Capital adequacy

Parent Bank				Group		
31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
6 013	5 569	6 010	Primary capital	6 160	5 569	6 013
71	79	67	Endowment fund	67	79	71
125	98	235	Revaluation fund / equalisation reserve	235	98	125
	36	149	Results for the accounting period	226	74	
			Other equity	348	291	495
			Minority interests	17	25	14
6 209	5 782	6 461	Total equity carried	7 052	6 136	6 718
			Tier 1 capital			
	-36		Results for the accounting year not included	-27	-51	
			Unrealised value change due to reduced / increased value of liabilities			
-188	-196	-196	Deferred tax, goodwill and other intangible assets	-256	-274	-248
-125	-98	-235	Net unrealised gains on shares available for sale	-235	-98	-125
-210	-168	-279	50 % deduction for expected losses on IRB, net of write-downs	-156	-167	-113
-543	-1 136	-618	Deduction for subordinated capital in other financial institutions	-131	-486	-68
			Capital adequacy reserve	-1 314	-964	-1 142
			Additional tier 1 capital	142		61
5 143	4 148	5 133	Total tier 1 capital	5 076	4 096	5 083
			Supplementary capital			
56	44	106	45 per cent of unrealised gain on shares classified as available for sale	105	44	56
500		500	Non-perpetual additional tier 1 capital	703		703
-14			Deduction for expected losses on IRB, net of write-downs	-156		-112
-543	-44	-606	Deduction for subordinated capital in other financial institutions	-131	-44	-68
			Capital adequacy reserve	-521		-579
0	0	0	Total supplementary capital	0	0	0
5 143	4 148	5 133	Net subordinated capital	5 076	4 096	5 083
5 871	6 260	6 448	Involvement with specialized enterprises	6 448	6 260	8 079
5 498	4 874	5 462	Other corporate exposures	6 141	4 874	6 253
431	381	778	SME exposure	824	381	446
2 613	2 441	5 228	Retail mortgage exposure	7 095	2 441	3 529
691	461	621	Other retail exposure	686	461	765
1 666	2 801	2 150	Equity investments	2 003	2 646	1 492
16 770	17 218	20 688	Risk-weighted assets credit risk IRB	23 196	17 064	20 564
6 133	5 165	5 664	Exposures calculated using the standardised approach	8 495	7 680	8 902
			Market risk	131		488
			Transitional arrangements			
1 932	2 031	1 923	Operational risk	3 038	2 606	2 870
-1 085	-1 180	-1 224	Deductions	-2 109	-1 506	-1 853
23 751	23 234	27 050	Risk-weighted assets	32 752	25 843	30 971
			Capital adequacy ratio			
21,7 %	17,9 %	19,0 %	Capital adequacy ratio	15,5 %	15,8 %	16,4 %
21,7 %	17,9 %	19,0 %	Core equity tier 1 ratio	15,1 %	15,8 %	16,2 %
21,7 %	17,9 %	19,0 %	Capital adequacy ratio before transitional arrangements	15,5 %	15,8 %	16,4 %

Sparebanken Hedmark had limited audit per 31.03.2014. Given this is the result for the accounting year included in the capital adequacy calculation.

Note 5 Loans to and receivables from customers

Parent Bank				Group		
31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
			Loans by type of receivable			
			Financial leasing	1 842	1 734	2 019
8 110	5 792	7 929	Overdraft facilities and operating credits	7 929	5 792	8 110
1 318	1 032	1 426	Building loans	1 426	1 031	1 318
23 301	24 832	23 249	Repayment loans	25 584	26 880	25 617
92	110	96	Accrued interest	105	133	116
32 822	31 766	32 700	Gross loans to and receivables from customers	36 885	35 570	37 180
224	216	223	Write-downs	245	242	244
32 598	31 550	32 476	Loans to and receivables from customers	36 640	35 328	36 936
			Loans by type of market			
19 397	18 625	19 058	Private customers	21 100	20 419	21 406
13 421	13 136	13 634	Corporate	15 630	15 024	15 628
4	5	8	Public sector	154	126	146
32 822	31 766	32 700	Gross loans to and receivables from customers	36 885	35 570	37 180
224	216	223	Write-downs	245	242	244
32 598	31 550	32 476	Loans to and receivables from customers	36 640	35 329	36 936

Parent Bank				Group		
31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
21 612	20 592	20 399	Private customers	22 441	22 395	23 630
137	5	183	Public sector	329	126	279
3 614	3 469	3 632	Primary industries	3 848	3 645	3 784
308	321	309	Paper and pulp industries	335	341	322
596	584	626	Other industry	810	721	739
1 540	1 292	1 683	Building and construction	2 130	1 669	1 936
207	181	210	Power and water supply	356	253	319
1 097	1 075	1 102	Wholesale and retail trade	1 409	1 341	1 361
171	169	171	Hotel and restaurants	187	174	179
6 327	6 625	6 783	Real estate	6 869	6 662	6 366
2 100	1 867	2 264	Commercial services	2 621	2 202	2 550
264	267	272	Transport and communications	829	737	792
24		20	Other	28		24
37 998	36 447	37 654	Total commitments by sector and industry	42 192	40 266	42 281

Parent Bank				Group		
31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
19 397	18 625	19 058	Private customers	21 100	20 419	21 406
4	5	8	Public sector	154	126	146
3 198	3 007	3 113	Primary industries	3 240	3 183	3 367
250	280	250	Paper and pulp industries	267	300	264
437	437	485	Other industry	644	573	451
931	832	1 013	Building and construction	1 410	1 207	1 326
187	152	185	Power and water supply	300	224	298
755	804	781	Wholesale and retail trade	1 043	1 069	1 018
153	154	153	Hotel and restaurants	161	159	161
5 837	5 980	6 088	Real estate	6 127	6 017	5 876
1 457	1 295	1 347	Commercial services	1 663	1 629	1 786
193	195	199	Transport and communications	756	663	1 057
24		20	Other	20		24
32 822	31 766	32 700	Total gross loans by sector and industry	36 885	35 569	37 180

Parent bank				Group		
31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
46	45	44	Private customers	47	48	47
3	4	3	Primary industries	3	5	3
1	2	1	Paper and pulp industries	1	2	1
7	4	13	Other industry	14	4	8
10	10	10	Building and construction	12	18	12
			Power and water supply			
20	17	19	Wholesale and retail trade	19	17	20
1	1	1	Hotel and restaurants	1	1	1
26	26	22	Real estate	22	26	26
17	13	15	Commercial services	15	13	17
	1		Transport and communications	3	3	3
131	123	128	Total individual write-downs by sector and industry	137	137	138

Note 6 Losses on loans and guarantees

Parent bank				Group		
31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
10	-11	-3	Change in individual write-downs in the period	-1	-10	5
-5	-5	2	Change in collective write-downs in the period	2	-5	-3
29	10	8	Realised losses on commitments previously written down	9	10	44
51	7	5	Realised losses on commitments not previously written down	5	8	53
24		4	Recoveries on loans and guarantees previously written down	4		26
61	1	8	Total losses on loans and guarantees	12	3	72

Parent bank				Group		
31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
138	138	143	Individual write-downs to cover losses on loans and guarantees at 1 January	150	150	150
29	10	7	Realised losses in the period on loans and guarantees previously written down individually	8	10	44
19	4	6	Reversal of write-downs in previous years	6	5	21
13	2	4	Increase in write-downs on commitments previously written down individually	4	2	14
40	1	7	Write-downs on commitments not previously written down individually	10	3	50
143	127	141	Individual write-downs to cover losses on loans and guarantees at the end of period *)	150	141	150

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

Parent bank				Group		
31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
98	98	93	Collective write-downs to cover losses on loans and guarantees at 1 January	106	109	109
-5	-5	2	Collective write-downs to cover losses on loans and guarantees in the period	2	-4	-3
93	93	95	Collective write-downs to cover losses on loans and guarantees	108	105	106

Parent bank				Group		
31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
257	375	250	Defaulted commitments	313	450	340
271	167	282	Other doubtful commitments	284	167	271
528	542	532	Total defaulted and doubtful commitments	597	617	611
143	127	141	Individual write-downs on loans and guarantees	150	141	150
385	415	391	Net defaulted and doubtful commitments	447	476	461

Note 7 Financial derivatives

Parent Bank and Group

At fair market value through p & l account

	31.03.2014		
	Contract sum	Fair market value	
		Assets	Liabilities
Foreign exchange instruments			
Forward exchange contracts	657	13	7
Currency swap contracts	2 059	15	3
Total foreign exchange instruments	2 716	28	10
Interest rate instruments			
Interest rate swaps (inc. int. rate & currency)	8 715	279	147
Other interest rate contracts	150	14	
Total interest rate instruments	8 865	293	147
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	66	0	0
Total curr.- and int. rate instruments			
Total currency instruments	2 716	28	10
Total interest rate instruments	8 865	293	147
Total other financial derivatives	66	0	0
Total	11 647	321	157

At fair market value through p & l account

31.03.2013

	Contract sum	Fair market value	
		Assets	Liabilities
	Foreign exchange instruments		
Forward exchange contracts	945	19	17
Currency swap contracts	1 256	8	8
Total foreign exchange instruments	2 201	27	25
Interest rate instruments			
Interest rate swaps (inc. int. rate & currency)	8 875	369	150
Other interest rate contracts	150	15	
Total interest rate instruments	9 025	384	150
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	66	0	0
Total curr. and int. rate instruments			
Total currency instruments	2 201	27	25
Total interest rate instruments	9 025	384	150
Total other financial instruments	66	0	0
Total	11 292	411	175

At fair market value through p & l account

31.12.2013

	Contract sum	Fair market value	
		Assets	Liabilities
	Foreign exchange instruments		
Forward exchange contracts	672	25	15
Currency swap contracts	1 369	14	4
Total foreign exchange instruments	2 041	38	19
Interest rate instruments			
Interest rate swaps (inc. int. rate & currency)	9 468	310	163
Other interest rate contracts	150	11	
Total interest rate instruments	9 618	322	163
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	66	3	0
Total curr. and int. rate instruments			
Total currency instruments	2 041	38	19
Total interest rate instruments	9 618	322	163
Total other financial instruments	66	3	0
Total	11 725	363	182

Note 8 Determination of fair value of financial instruments

In connection with implementation of IFRS 13, interim financial statements are required to present fair value measurements 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 31.03.2014

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Derivatives		321		321
- Bonds and certificates		4 402		4 402
- Fixed-rate loans		1 943		1 943
- Loans with interest-rate guarantees			3	3
Financial assets available for sale				
- Equity instruments	105		372	477
Total assets	105	6 667	374	7 146
Liabilities				
Financial liabilities at fair value through profit and loss				
- Derivatives		157		157
- Securities issued		7 808		7 808
- Subordinated loan capital		505		505
- Fixed-rate deposits		47		47
- Term deposits				0
Total liabilities	0	8 517	0	8 517

Per 31.03.2013

	Nivå 1	Nivå 2	Nivå 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Derivatives		411		411
- Bonds and certificates		4 771		4 771
- Fixed-rate loans		1 935		1 935
- Loans with interest-rate guarantees			3	3
Financial assets available for sale				
- Equity instruments	87	12	295	394
Total assets	87	7 129	298	7 514
Liabilities				
Financial liabilities at fair value through profit and loss				
- Derivatives		175		175
- Securities issued		7 362		7 362
- Fixed-rate deposits		218		218
- Term deposits			153	153
Total liabilities	0	7 755	153	7 908

Per 31.12.2013

	Nivå 1	Nivå 2	Nivå 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Derivatives		360	3	363
- Bonds and certificates		4 927		4 927
- Fixed-rate loans		1 976		1 976
- Loans with interest-rate guarantees			3	3
Financial assets available for sale				
- Equity instruments	101		256	357
Total assets	101	7 262	261	7 624
Liabilities				
Financial liabilities at fair value through profit and loss				
- Derivatives		182		182
- Securities issued		8 398		8 398
- Subordinated loan capital		503		503
- Fixed-rate deposits		76		76
- Term deposits			51	51
Total liabilities	0	9 159	51	9 210

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:

	Loans with interest-rate guarantees	Equity instruments	Derivatives	Market-linked certificates of deposit (BMA)	Sum
31.12.13-31.03.14					
Opening balance	3	256	3	-51	210
Investments in the period		15			15
Sales / redemption in the period			-5	51	46
Gains / losses recognised through profit and loss			2		2
Gains / losses recognised directly against comprehensive income		101			101
Closing balance	3	372	0	0	374
Gains / losses for the period included in the profit for assets owned on the balance sheet day			2		2

	Loans with interest-rate guarantees	Equity instruments	Derivatives	Market-linked certificates of deposit (BMA)	Sum
31.12.12-31.03.13					
Opening balance	4	251	11	-206	59
Investments in the period		25		-50	-25
Sales / redemption in the period	-1		-11	103	91
Gains / losses recognised through profit and loss					0
Gains / losses recognised directly against comprehensive income		19			19
Closing balance	3	295	0	-153	144
Gains / losses for the period included in the profit for assets owned on the balance sheet day					0

	Loans with interest-rate guarantees	Equity instruments	Derivatives	Market-linked certificates of deposit (BMA)	Sum
31.12.12-31.12.13					
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.

Note 9 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 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. Additionally the Bank has entered into supplementary agreements on provision 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.

	Gross financial assets/(liabilities)	Recognised on a net basis	Net financial assets/(liabilities) on the balance sheet	Amounts not presented on the balance sheet on a net basis		Net amount
				Financial instruments	Cash collateral given/(received)	
31.03.2014						
Derivatives as assets	321	0	321	-56	0	265
Derivatives as liabilities	-157	0	-157	56	69	-32
31.03.2013						
Derivatives as assets	411	0	411	-17	0	394
Derivatives as liabilities	-175	0	-175	17	46	-112
31.12.2013						
Derivatives as assets	363	0	363	-74	0	289
Derivatives as liabilities	-182	0	-182	74	16	-92

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

Note 10 Other assets

Parent Bank				Group		
31.12.13	31.03.13	31.03.14		31.03.13	31.03.13	31.12.13
43	28	43	Capital payments into pension fund	43	28	43
298	181	222	Accrued income, not yet received	223	182	298
32	31	39	Prepaid costs, not yet incurred	39	31	32
226	79	121	Other assets	283	98	82
599	319	425	Other assets	588	339	455

Note 11 Deposits from and liabilities to customers

Parent Bank				Group		
31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
18 744	18 482	18 898	Private customers	18 898	18 482	18 744
3 966	3 636	3 975	Public sector	3 975	3 636	3 966
831	907	945	Primary industries	945	907	831
135	107	111	Paper and pulp industries	111	107	135
410	305	383	Other industry	383	305	410
616	517	566	Building and construction	566	517	616
108	293	209	Power and water supply	209	293	108
666	717	620	Wholesale and retail trade	620	717	666
84	83	80	Hotel and restaurants	80	83	84
1 688	1 431	1 583	Real estate	1 583	1 431	1 688
2 601	2 518	2 350	Commercial services	2 335	2 499	2 588
254	178	238	Transport and communications	238	178	254
6		5	Other operations	5		6
30 110	29 174	29 963	Total deposits by sector and industry	29 948	29 155	30 097

Note 12 Securities-related debt

Parent Bank and Group

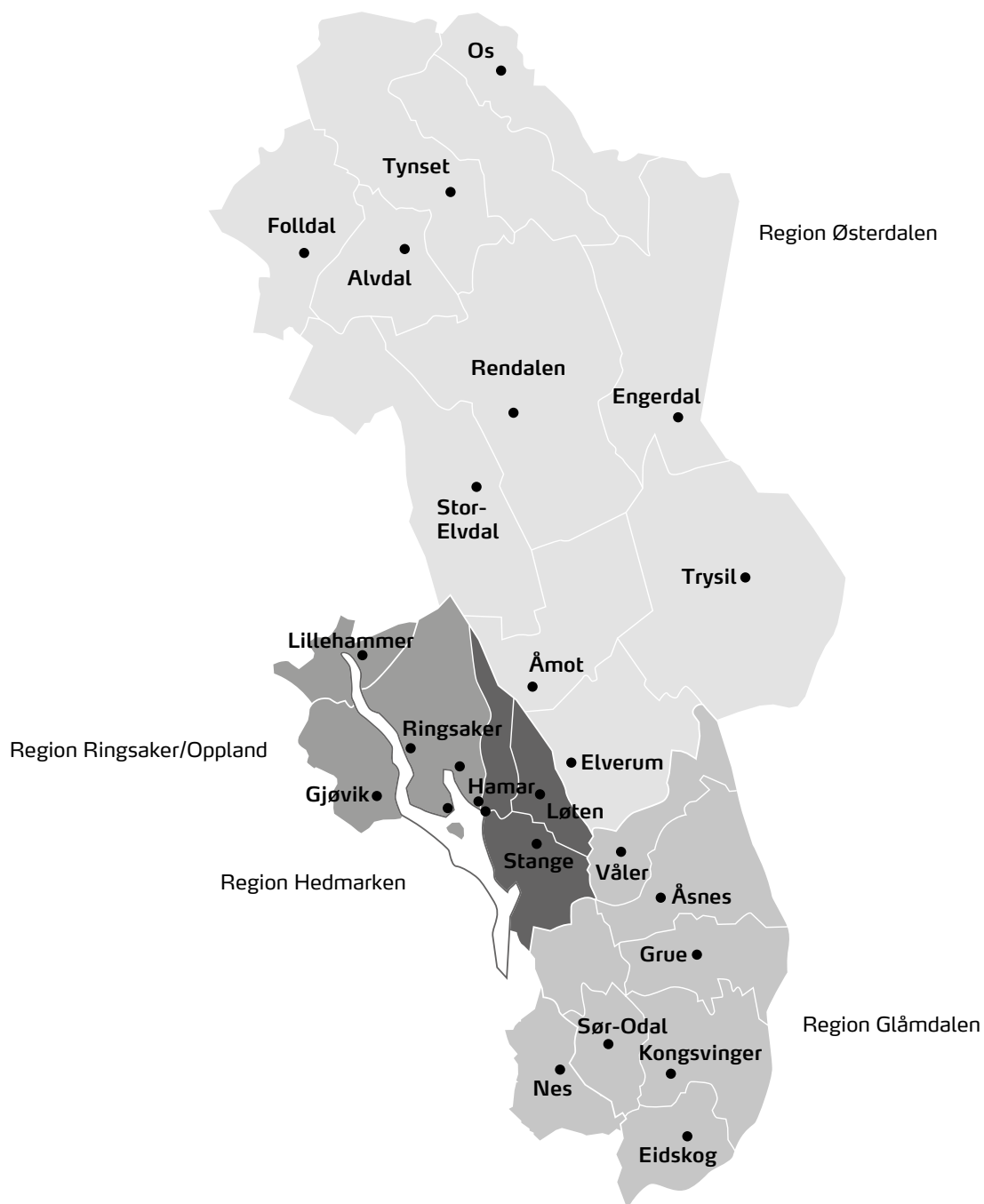
Changes in liabilities from issuance of securities	31.03.14	Issued	Due / redeemed	Other changes	31.12.13
Certificate-based debt, nominal value	300				300
Bond debt, nominal value	7 103	750	-1 250	-115	7 718
Non- Perpetual additional Tier 2 capital, nominal value	500				500
Accrued interest	138			-26	164
Adjustments	273			54	219
Total debt raised through issuance of securities, fair value	8 313	750	-1 250	-88	8 901

Changes in liabilities from issuance of securities	31.03.13	Issued	Due / redeemed	Other changes	31.12.12
Certificate-based debt, nominal value	259			-41	300
Bond debt, nominal value	6 729		-646	29	7 346
Accrued interest	128			-55	183
Adjustments	246			37	209
Total debt raised through issuance of securities, fair value	7 362	0	-646	-30	8 038

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
Non- Perpetual additional Tier 2 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

Note 13 Other debt and liabilities

Parent Bank				Group		
31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
303	257	316	Pension liabilities	334	268	319
12	4	12	Guarantee provisions	12	4	12
8	6	6	Banker's drafts	6	6	8
41	30	52	Accounts payable	56	34	44
139	110	184	Other	224	275	339
503	407	570	Total other debt and liabilities recognised in the balance sheet	632	587	722



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