

Q4

2014

# Contents Q4 - 2014

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# Main figures

Result summary (NOK mill and % of average assets)	Q4 2014		Q4 2013	
	Amount	%	Amount	%
Net interest income	1 043	2,08 %	1 008	2,21 %
Net commissions and other (non-interest) income	663	1,32 %	559	1,22 %
Net income from financial investments	573	1,14 %	263	0,57 %
<b>Total income</b>	<b>2 279</b>	<b>4,55 %</b>	<b>1 829</b>	<b>4,01 %</b>
<b>Total operating expenses before losses on loans and guarantees</b>	<b>981</b>	<b>1,96 %</b>	<b>916</b>	<b>2,01 %</b>
<b>Profit before losses on loans and guarantees</b>	<b>1 298</b>	<b>2,59 %</b>	<b>913</b>	<b>2,00 %</b>
Losses on loans and guarantees	66	0,13 %	72	0,16 %
<b>Profit/loss before tax</b>	<b>1 232</b>	<b>2,46 %</b>	<b>841</b>	<b>1,84 %</b>
Tax charge	192	0,38 %	147	0,32 %
<b>Results for the accounting period</b>	<b>1 040</b>	<b>2,08 %</b>	<b>694</b>	<b>1,52 %</b>
<b>Minority interests</b>	<b>0</b>	<b>0,00 %</b>	<b>-10</b>	<b>-0,02 %</b>
<b>Profitability</b>				
Return on equity capital before tax		17,1 %		13,3 %
Return on equity capital after tax		14,4 %		11,0 %
Return on equity capital of total result after tax		13,5 %		11,0 %
Total operating costs in relation to total income		43,0 %		50,1 %
Total operating costs in relation to total income excl. income from financial investments		57,5 %		58,5 %
<b>From the Balance Sheet</b>				
Gross loans to customers	39 936		37 180	
Gross loans to customers including loans transferred to covered bond companies*	55 930		52 361	
Deposits from customers	31 070		30 097	
Deposits from customers in relation to gross loans to customers		77,8 %		80,9 %
Lending growth during the last 12 months		7,4 %		4,9 %
Lending growth in last 12 months including loans transferred to covered bond companies*		6,8 %		8,9 %
Deposit growth during the last 12 months		3,2 %		7,0 %
Assets	49 934		47 397	
<b>Losses and commitments in default</b>				
Losses on loans as a percentage of gross loans		0,2 %		0,2 %
Commitments in default as a percentage of total commitments		0,8 %		0,8 %
Commitments in default as a percentage of total commitments including loans transferred to covered bond companies*		0,6 %		0,6 %
Other bad and doubtful commitments as a percentage of total commitments		0,5 %		0,6 %
Other bad and doubtful commitments as a percentage of total commitments including loans transferred to covered bond companies*		0,3 %		0,5 %
Net commitment in default and commitments with loss provisions as a percentage of total commitments		0,9 %		1,1 %
<b>Financial strength</b>				
Common equity Tier 1 capital ratio		14,8 %		16,2 %
Tier 1 Capital ratio		15,2 %		16,4 %
Capital adequacy ratio		17,1 %		16,4 %
Net core capital	6 273		5 083	
Equity ratio		15,3 %		14,2 %

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

# Interim report

## Q4 2014

### Summary

The Sparebanken Hedmark Group posted a profit after tax for the fourth quarter of NOK 214 (212) million (last year's figure in brackets). The return on equity was 11.3 (12.8) per cent. The Parent Bank's profit after tax for the fourth quarter was NOK 93 (130) million.

The Sparebanken Hedmark Group's profit after tax for 2014 was NOK 1,040 (694) million. The return on equity was 14.4 (11.0) per cent.

The profit from the sale of the shares in the payment systems company Nets Holding ASA accounted for NOK 158 million of the NOK 346 million improvements in the result. Partly-owned companies saw a NOK 68 million improvement in their combined result, while positive changes in the market value of securities

contributed NOK 94 million.

The Group's unweighted equity ratio was 15.3 (14.2) per cent at year-end 2014. The core equity tier 1 ratio was 14.8 (16.2) per cent.

The Group achieved a net interest margin of 2.44 (2.40) per cent in 2014, including home mortgages in the mortgage company. The 12-month growth in lending and deposits was 6.8 (8.9) per cent and 3.2 (7.0) per cent, respectively. At year-end 2014, the deposit coverage ratio was 77.8 (80.9) per cent.

The Parent Bank's profit after tax for 2014 was NOK 676 (499) million. The core equity tier 1 ratio was 21.7 (21.7) per cent.

### Sparebanken Hedmark – consolidated profit in the fourth quarter

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, Vato AS and SpareBank 1 Regnskapshuset Østlandet AS (increased shareholding from 60 to 100 per cent in 2014).

The Bank owns 40.5 per cent of Bank 1 Oslo Akershus AS, 11 per cent of SpareBank 1 Gruppen AS, 16.8 per cent of SpareBank 1 Markets AS and 8 per cent of SpareBank 1 Kredittkort AS. The Bank also owns 9.4 per cent of SpareBank 1 Boligkreditt AS and 3.8 per cent of SpareBank 1 Næringskreditt AS (the mortgage companies). The results from the above companies are recognised in the Bank's consolidated financial statements proportionate to the Bank's ownership interest.

The Group's profit for the fourth quarter amounted to NOK 214 (212) million. The return on equity was 11.3 (12.8) per cent. Net interest income in the quarter amounted to 2.19 per cent of average assets, while the net interest margin was 2.46 per cent. Net interest income increased by NOK 10 million to NOK 272 (262) million, while net commissions and other operating income increased by NOK 12 million to NOK 158 (146) million. The net result from financial assets and liabilities was NOK 126 (120) million for the fourth quarter. The result from ownership interests fell by NOK 23 million compared with 2013. Bank 1 Oslo Akershus AS contributed NOK 34 (34) million, while

SpareBank 1 Gruppen AS contributed NOK 56 (35) million. During the fourth quarter the Group gained a profit of NOK 64 million through the sale of one per cent of the shares in Sparebank 1 Gruppen AS to Bank 1 Oslo Akershus AS.

The net result from other financial assets and liabilities amounted to NOK 29 (-3) million. The improvement was attributable to the widening of spreads for bonds and lower interest rates on fixed-rate loans for customers.

Operating costs were NOK 28 million higher in the fourth quarter compared with the same quarter the year before. NOK 22 million of this was attributable to higher personnel costs, which in addition to growth in ordinary wages and an extraordinary provision of NOK 6 million, were also due to greater activity in subsidiaries. At the end of the quarter, there were 671 (656) full time equivalents in the Group. Costs amounted to 47.3 (44.5) per cent of the Group's total income in the quarter.

The Group's losses in the quarter amounted to NOK 24 million, which was NOK 19 million less than in the same period the year before. The proportion of problem loans, defined as the total non-performing commitments and other impaired commitments, as a percentage of total commitments (excluding the mortgage companies) amounted to 1.2 (1.4) per cent.

For further details about the fourth quarter in isolation, please see page 11 of the report, "Results from the interim financial statements".

### Sparebanken Hedmark – consolidated profit for the year

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

Parent Bank's profit after tax	676
Dividends received from subsidiaries/ associated companies	-135
Share of the result from:	
SpareBank 1 Gruppen AS	202
Bank 1 Oslo Akershus AS	183
SpareBank 1 Boligkreditt and Næringskreditt AS	24
EiendomsMegler 1 Hedmark Eiendom AS	8
SpareBank 1 Finans Østlandet AS	73
SpareBank 1 Regnskapshuset Østlandet AS	4
Other associated companies/joint ventures	5
<b>Consolidated profit after tax</b>	<b>1 040</b>

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

#### Interest income and other operating income

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

In connection with the establishment of SpareBank 1 Kredittkort AS, the Bank sold its credit card portfolio totalling NOK 306 million to this company in February 2014. The return on the Bank's credit card portfolio was previously included in net interest income.

After the sale, net interest income from the credit card portfolio is recognised as commissions, based on the same principle applied to loans transferred to the home mortgage company. This change has had a negative impact on the Bank's reported net interest margin and net interest income. The Group's net interest income dropped from 2.21 per cent in 2013 to 2.08 per cent in 2014.

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

Net commissions and other operating income increased from NOK 559 million in 2013 to NOK 663 million in 2014. The NOK 104 million increase in commissions was mainly due to: NOK 20 million in higher commissions from loans transferred to the mortgage companies, NOK 25 million in profit from the sale of the credit card portfolio, and NOK 25 million in commissions from the credit card portfolio.

Other operating income increased by NOK 28 million. The accounting and estate agency business increased turnover by NOK 36 million.

#### **Net result from financial assets and liabilities**

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

The share of the profit from Bank 1 Oslo Akershus accounted for NOK 183 (133) million of the profit from ownership interests. 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 share of the profit from SpareBank 1 Gruppen AS totalled NOK 202 (132) million.

The net result from other financial assets and liabilities amounted to NOK 166 (-84) million. Besides the profit from Nets, other securities contributed NOK 8 million.

The Bank's securities issued, fixed-income investments, derivatives and fixed-rate products for customers are assessed at fair value through profit and loss pursuant to IAS 39, and changes in market value are recognised in profit and loss. The total net change in market value for fixed-income securities amounted to NOK 36 (-67) million, while the change in value for fixed-rate products for customers was NOK 28 (-34) million. Other items amounted to NOK 16 (16) million.

#### **Costs, losses and problem loans**

The Group's operating costs were NOK 981 (916) million. This represents an increase of 7.1 (6.0) per cent compared with the year before. NOK 23 million of the NOK 65 million increase was due to increased costs in subsidiaries, primarily due to greater activity. The number of full time equivalents increased by 15 from 656 in 2013 to 671 in 2014.

Personnel costs amounted to NOK 543 (486) million. This represents an increase of NOK 57 million or 11.8 per cent. Growth in ordinary wages amounted to NOK 39 million and higher pension costs amounted to NOK 6 million. The increase includes NOK 6 million in extraordinary provisions and NOK 5 million in produc-

tion of services to the SpareBank 1 bank alliance that provides corresponding income.

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

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

Total loan losses amounted to NOK 66 (72) million. In total, the Group's problem loans amounted to 1.2 (1.4) per cent of gross commitments on its balance sheet and 0.9 (1.1) per cent if one includes loans transferred to the mortgage companies.

#### **Assets and funding**

Gross lending to customers, including loans transferred to the mortgage companies, totalled NOK 55.9 (52.4) billion. At year-end 2014, loans totalling NOK 15.4 (14.6) billion had been transferred to SpareBank 1 Boligkreditt AS and loans totalling NOK 0.6 (0.6) billion had been transferred to SpareBank 1 Næringskreditt AS. The Group's 12-month lending growth, including transferred loans, was 6.8 (8.9) per cent.

Retail customer loans transferred to the mortgage companies as a percentage of the overall retail customer loans (loans on its balance sheet and transferred loans) was 43.5 (40.5) per cent.

Customer deposits totalled NOK 31.1 (30.1) billion. The growth over the past 12 months was 3.2 (7.0) per cent.

Deposits represented 77.8 (80.9) per cent of gross lending.

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

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

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

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

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

#### **Rating**

Sparebanken Hedmark is rated by Moody's as A2 (long-term senior debt and deposit rating). The Bank's individual rating (standalone financial strength rating) is C-.

In May, Moody's changed Sparebanken Hedmark's rating from A2, Stable Outlook to A2, Negative Outlook. The reason for this was the EU's adoption of the Bank Recovery and Resolution Directive, the so-called "bail-in". This change applied to all of the savings banks in Norway.

## **Sparebanken Hedmark – Parent Bank**

### **Results**

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

### **Margins and net interest income**

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

The net interest margin for loans recognised in the balance sheet (excluding loans in other currencies than NOK) was 2.49 (2.53) per cent. The lending margin was 3.01 (3.21) per cent and the deposit margin was -0.52 (-0.68) per cent. Taken into account the sale of the credit card portfolio, the net interest margin was virtually unchanged throughout 2014.

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

#### Net commissions

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

#### Net result from financial assets and liabilities

Income from this area was NOK 295 (126) million. Income from dividends amounted to NOK 13 (21) million. The profit after tax from ownership interests, primarily dividends, amounted to NOK 117 (189) million. The net result from other financial assets and liabilities amounted to NOK 166 (-84) million. This includes the profit from the sale of the shares in Nets Holding ASA.

#### Operating costs

Total operating costs were NOK 726 (681) million. Costs increased by 6.6 (4.4) per cent, or NOK 45 million, compared with 2013. Personnel costs increased by NOK 32 million. NOK 5 million of this increase was linked to services performed for the alliance and which provide corresponding income. IT costs increased by NOK 8 million and marketing costs increased by NOK 3 million. Other operating costs increased by NOK 3 million.

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

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

#### Losses on loans and guarantees

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

#### Lending

Gross lending to customers, including loans transferred to the mortgage companies, totalled NOK 51.1 (48.0) billion as at 31 December 2014. The Parent Bank's lending growth for the last 12 months, including loans transferred to the mortgage companies, was 6.5 (7.6) per cent.

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

#### Deposits

Deposits from and liabilities to customers as at 31 December 2014 totalled NOK 31.1 (30.1) billion. The growth in deposits over the past 12 months was 3.2 (6.9) per cent. NOK 20.2 billion of deposits came from the retail market, while NOK 10.9 billion came from the corporate market. Public sector deposits amounted to NOK 3.6 billion.

#### Subsidiaries

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

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

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

#### Partly-owned companies

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

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

#### Financial strength

The core equity tier 1 ratio was 21.7 (21.7) per cent at year-end 2014.

The Parent Bank's equity of NOK 6.8 (6.2) billion consists entirely of retained earnings and represents 13.9 (13.3) per cent of the balance sheet.

#### Outlook for 2015

Economic activity in Norway is expected to drop slightly in 2015. Sparebanken Hedmark's primary market is the Interior Region, which encompasses the counties of Hedmark and Oppland. This region has traditionally been less exposed to cyclical fluctuations than other regions. However, international developments may affect the situation in Norway and thus the Interior Region as well. Reduced Norwegian oil activities will have limited consequences for the Interior Region in the short-term. The Bank is well prepared for any setback with good funding, a high deposit coverage ratio, stable earnings and a high level of equity.

## The Board of Directors of Sparebanken Hedmark

Hamar, 5 February 2015

Siri J. Strømmevold  
Board Chair

Bjørnar Håkensmoen

Erik Garaas

Espen Bjørklund Larsen

Nina C. Lier

Aud Christensen

Morten Herud

Richard Heiberg  
CEO



# Income statement

Parent Bank			Group		
31.12.13	31.12.14	(NOK million)	Notes	31.12.14	31.12.13
1 908	1 894	Interest income		2 101	2 085
1 078	1 059	Interest expenses		1 058	1 077
<b>830</b>	<b>835</b>	<b>Net interest income</b>		<b>1 043</b>	<b>1 008</b>
416	497	Commission income		496	415
27	31	Commission expenses		50	45
19	16	Other operating income		217	189
<b>409</b>	<b>482</b>	<b>Net commission and other income</b>		<b>663</b>	<b>559</b>
21	13	Dividends		13	21
189	117	Net profit from ownership interests		394	326
-84	166	Net profit from other financial assets and liabilities		166	-84
<b>126</b>	<b>296</b>	<b>Net income from financial assets and liabilities</b>		<b>573</b>	<b>263</b>
<b>1 364</b>	<b>1 613</b>	<b>Total net income</b>		<b>2 279</b>	<b>1 829</b>
342	374	Personnel expenses		543	486
339	353	Other operating expenses		438	430
<b>681</b>	<b>726</b>	<b>Total operating expenses before losses on loans and guarantees</b>		<b>981</b>	<b>916</b>
<b>684</b>	<b>886</b>	<b>Profit before losses on loans and guarantees</b>		<b>1 298</b>	<b>913</b>
61	52	Losses on loans and guarantees	6	66	72
<b>622</b>	<b>835</b>	<b>Profit/loss before tax</b>		<b>1 232</b>	<b>841</b>
124	159	Tax charge		192	147
<b>499</b>	<b>676</b>	<b>Results for the accounting period</b>		<b>1 040</b>	<b>694</b>
		Majority interests		<b>1 040</b>	<b>704</b>
		Minority interests			<b>-10</b>
<b>499</b>	<b>676</b>	<b>Statement of comprehensive income according to IAS 1</b>		<b>1 040</b>	<b>694</b>
-67	-51	Actuarial gains / losses on pensions		-81	-85
18	14	Tax effect of actuarial gains / losses on pensions		20	22
		Share of other comprehensive income from associates and joint ventures		10	1
<b>-49</b>	<b>-37</b>	<b>Total items not reclassified through profit or loss</b>		<b>-51</b>	<b>-62</b>
56	142	Change in value of financial assets available for sale		144	56
-3		Financial assets available for sale transferred to profit and loss on write-down due to permanent impairment of value			-3
3	-158	Financial assets available for sale transferred to profit and loss on realisation		-158	3
		Share of other comprehensive income from associates and joint ventures			5
<b>56</b>	<b>-16</b>	<b>Total items reclassified through profit or loss</b>		<b>-14</b>	<b>61</b>
<b>7</b>	<b>-53</b>	<b>Total profit and loss items recognised in equity</b>		<b>-65</b>	<b>-1</b>
<b>505</b>	<b>623</b>	<b>Total profit / loss for the accounting year</b>		<b>975</b>	<b>693</b>
		Majority share of comprehensive income		<b>975</b>	<b>703</b>
		Minority interest of comprehensive income			<b>-10</b>

# Balance

<b>Parent Bank</b>			<b>Group</b>		
<b>31.12.13</b>	<b>31.12.14</b>	<i>(NOK million)</i>	Notes	<b>31.12.14</b>	<b>31.12.13</b>
<b>ASSETS</b>					
872	748	Cash and deposits with central banks		748	572
3 954	4 856	Loans to and receivables from credit institutions		675	699
32 598	34 923	Loans to and receivables from customers	5,6	39 691	36 936
4 927	4 017	Certificates and bonds		4 017	4 927
363	531	Financial derivatives	7	531	363
357	239	Shares, units and other equity interests		239	357
2 140	2 323	Investments in associates and joint ventures		3 073	2 565
407	668	Investments in subsidiaries			
		Assets held for sale			1
266	315	Property, plant and equipment		336	288
117	110	Goodwill and other intangible assets		185	177
70	72	Deferred tax asset		33	58
600	260	Other assets	10	406	455
<b>46 669</b>	<b>49 061</b>	<b>Total assets</b>		<b>49 934</b>	<b>47 397</b>
<b>LIABILITIES</b>					
634	667	Deposits from and liabilities to credit institutions		665	632
30 110	31 085	Deposits from and liabilities to customers	11	31 070	30 097
8 398	8 951	Liabilities arising from issuance of securities	12	8 951	8 398
182	330	Financial derivatives	7	330	182
131	146	Current tax liabilities		150	144
503	581	Other debt and liabilities recognised in the balance sheet	13	639	722
503	505	Subordinated loan capital	12	505	503
<b>40 460</b>	<b>42 265</b>	<b>Total liabilities</b>		<b>42 310</b>	<b>40 679</b>
<b>EQUITY CAPITAL</b>					
6 013	6 645	Primary capital		6 645	6 013
71	42	Endowment fund		42	71
125	109	Fund for unrealised gains		110	125
		Other equity		827	495
		Minority interests			14
<b>6 209</b>	<b>6 796</b>	<b>Total equity capital</b>		<b>7 624</b>	<b>6 718</b>
<b>46 669</b>	<b>49 061</b>	<b>Total liabilities and equity capital</b>		<b>49 934</b>	<b>47 397</b>



# Changes in equity capital

## Parent Bank

(NOK million)	Earned equity capital			Total equity capital
	Primary capital	Endowment fund	Fund for unrealised gains	
<b>Equity capital at 1 January 2013</b>	<b>5 569</b>	<b>83</b>	<b>69</b>	<b>5 721</b>
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
<b>Equity capital at 31 December 2013</b>	<b>6 013</b>	<b>71</b>	<b>125</b>	<b>6 209</b>
<b>Equity capital at 1 January 2014</b>	<b>6 013</b>	<b>71</b>	<b>125</b>	<b>6 209</b>
Results for the accounting year	676			676
Actuarial gains / losses on pensions	-37			-37
Change in value of financial assets available for sale			-16	-16
Donations distributed from profit 2013	-6			-6
Grants from endowment fund in 2014		-29		-29
<b>Equity capital at 31 December 2014</b>	<b>6 645</b>	<b>42</b>	<b>109</b>	<b>6 796</b>

## Group

(NOK million)	Earned equity capital					Total equity capital
	Primary capital	Endowment fund	Fund for unrealised gains	Other equity	Minority interests	
<b>Equity capital 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 capital 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	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
<b>Equity capital at 31 December 2013</b>	<b>6 013</b>	<b>71</b>	<b>125</b>	<b>495</b>	<b>14</b>	<b>6 718</b>
<b>Equity capital at 1 January 2014</b>	<b>6 013</b>	<b>71</b>	<b>125</b>	<b>495</b>	<b>14</b>	<b>6 718</b>
Results for the accounting year	676			364		1 040
Actuarial gains / losses on pensions	-37			-24		-61
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss				10		10
Change in value of financial assets available for sale			-16	2		-14
Adjusted equity in associated companies and joint ventures				-4		-4
Change in the group composition				-15	-14	-30
Donations distributed from profit 2013	-6					-6
Grants from endowment fund in 2014		-29				-29
<b>Equity capital at 31 December 2014</b>	<b>6 645</b>	<b>42</b>	<b>110</b>	<b>827</b>	<b>0</b>	<b>7 624</b>

# Cash flow statement

Parent Bank			Group	
31.12.13	31.12.14	(NOK million)	31.12.14	31.12.13
12 681	11 012	This year's downpayment on repayment loans etc. to customers	12 905	14 492
		Change in advance rent leasing	19	28
-10 612	-10 394	Newly discounted repayment loans etc. to customers for the year	-12 979	-13 130
-23	-118	Change in balances of foreign currency lending	-118	-23
-3 174	-2 883	Change in balances of credits	-2 883	-3 173
1 567	1 541	Interest and commission income on lending	1 848	1 829
25	5	Included in previous years' realised losses on lending	9	27
1		Net cash flow from assets held for sale	1	
<b>465</b>	<b>-837</b>	<b>Cash flow from lending operations (A)</b>	<b>-1 198</b>	<b>50</b>
1 246	715	Change in balances of deposits from customers at call	714	1 260
710	279	Change in balances of deposits from customers with agreed maturity dates	279	710
-821	-766	Interest payments to customers	-763	-817
<b>1 135</b>	<b>228</b>	<b>Cash flow from deposit operations (B)</b>	<b>231</b>	<b>1 153</b>
153	914	Net cash flow from securities held short term	914	153
66	122	Cash flow linked to exchange rate gains / losses on securities held short term	122	66
103	97	Interest received on bonds and certificates	97	103
<b>322</b>	<b>1 134</b>	<b>Cash flow from investments in securities (C)</b>	<b>1 134</b>	<b>322</b>
-755	-592	Change in receivables from credit institutions with agreed maturity dates	33	-403
93	116	Interest received on deposits in credit institutions	116	93
<b>-662</b>	<b>-476</b>	<b>Cash flow from deposits in credit institutions (D)</b>	<b>149</b>	<b>-310</b>
551	619	Other income	821	721
-644	-696	Operating expenses payable	-979	-897
-113	-146	Tax payments	-159	-116
-17	-35	Donations	-35	-17
-135	68	Net cash flow from change in other assets	-37	28
-203	248	Net cash flow from change in accruals	147	-315
-112	14	Net cash flow from change in other liabilities	-121	-72
<b>-673</b>	<b>72</b>	<b>Remaining cash flow from current operations (E)</b>	<b>-361</b>	<b>-668</b>
<b>587</b>	<b>121</b>	<b>CASH FLOW FROM OPERATIONS (A+B+C+D+E=F)</b>	<b>-46</b>	<b>547</b>
-200	17	Change in deposits from credit institutions	33	-203
2 497	2 053	Receipts arising from issuance of securities	2 053	2 498
-1 173	-1 388	Payments arising from redemption of securities issued	-1 388	-1 173
-454	-262	Buy-back of own securities	-262	-454
-219	-225	Interest payments on financing	-225	-219
<b>451</b>	<b>195</b>	<b>Cash flow from financing activities (G)</b>	<b>211</b>	<b>449</b>
-70	-77	Investments in fixed assets and intangible assets	-83	-77
11	1	Sales of fixed assets and intangible assets at sales price	1	11
-882	-222	Purchase of long-term securities	-222	-882
178	280	Sale of long-term securities	280	178
145	147	Share dividends from securities held long term	85	115
<b>-618</b>	<b>130</b>	<b>Cash flow from investments (H)</b>	<b>61</b>	<b>-655</b>
3	-27	Liquidity effect of acquisition and sale of ownership interests (I)	-43	-3
-85	-235	Liquidity effect from placements in subsidiaries (L)		
<b>338</b>	<b>184</b>	<b>CHANGE IN CASH AND CASH EQUIVALENTS (F+G+H+I+L)</b>	<b>184</b>	<b>338</b>
261	599	Cash and cash equivalents at 1 January	599	261
<b>599</b>	<b>783</b>	<b>Cash and cash equivalents at 31 December</b>	<b>783</b>	<b>599</b>
		Cash and cash equivalents at 31 December comprise:		
572	748	Cash and deposits with central banks	748	572
27	35	Deposits etc. at call with banks	35	27
<b>599</b>	<b>783</b>	<b>Cash and cash equivalents at 31 December</b>	<b>783</b>	<b>599</b>

# Results from the quarterly accounts

(Isolated figures in NOK millions)

## Group

	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Interest income	527	536	526	512	531	535	520	498	513
Interest expenses	255	264	267	272	269	269	268	271	271
<b>Net interest income</b>	<b>272</b>	<b>272</b>	<b>259</b>	<b>240</b>	<b>262</b>	<b>266</b>	<b>252</b>	<b>227</b>	<b>242</b>
Commission income	116	117	121	142	112	116	99	88	85
Commission expenses	12	13	12	12	12	12	10	11	11
Other operating income	54	51	57	56	46	49	48	46	44
<b>Net commission and other income</b>	<b>158</b>	<b>155</b>	<b>165</b>	<b>186</b>	<b>146</b>	<b>153</b>	<b>137</b>	<b>123</b>	<b>118</b>
Dividends	1	1		12	3		18		
Net profit from ownership interests	97	103	80	114	120	98	53	54	-5
Net profit from other financial assets and liabilities	29	173	-3	-33	-3	-19	26	-88	-21
<b>Net income from financial assets and liabilities</b>	<b>126</b>	<b>277</b>	<b>77</b>	<b>93</b>	<b>120</b>	<b>79</b>	<b>97</b>	<b>-34</b>	<b>-26</b>
<b>Total net income</b>	<b>556</b>	<b>703</b>	<b>501</b>	<b>519</b>	<b>528</b>	<b>498</b>	<b>486</b>	<b>316</b>	<b>334</b>
Personnel expenses	146	132	129	136	124	122	115	125	110
Other operating expenses	118	104	110	106	111	101	112	106	113
<b>Total operating expenses before losses on loans and guarantees</b>	<b>263</b>	<b>236</b>	<b>239</b>	<b>242</b>	<b>235</b>	<b>223</b>	<b>227</b>	<b>231</b>	<b>223</b>
<b>Profit before losses on loans and guarantees</b>	<b>293</b>	<b>466</b>	<b>262</b>	<b>277</b>	<b>293</b>	<b>275</b>	<b>259</b>	<b>85</b>	<b>111</b>
Losses on loans and guarantees	24	9	21	12	43	4	22	3	23
<b>Profit/loss before tax</b>	<b>269</b>	<b>457</b>	<b>241</b>	<b>265</b>	<b>250</b>	<b>271</b>	<b>237</b>	<b>82</b>	<b>88</b>
Tax charge	56	54	45	38	38	49	51	9	29
<b>Results for the accounting period</b>	<b>214</b>	<b>403</b>	<b>197</b>	<b>227</b>	<b>212</b>	<b>222</b>	<b>186</b>	<b>74</b>	<b>59</b>

# Notes to the accounts

## Note 1 Accounting principles

The financial statements for Sparebanken Hedmark comprise the period 01.01-31.12.2014. 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 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 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. Further, the Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts, except:

### **IFRS 10 Consolidated Financial Statements**

This standard deals with defining "subsidiary", and gives more weight to actual control than earlier rules. Control exists only when investor has power over relevant activities of the investee, exposure to variable returns, and in addition the ability to use its power to affect the investee's returns. In cases where loan terms are breached, the Bank will consider whether it has achieved genuine power under IFRS 10. The standard is implemented from 1 January 2014.

### **IFRS 11 Joint Arrangements**

IFRS 11 removes the opportunity to apply proportional consolidation for jointly-controlled entities. The Bank has considered the effect of the new standard and concluded that it will not be of essential significance for the Group's reporting. The standard is implemented from 1 January 2014.

### **IFRS 12 Disclosure of Interests in Other Entities.**

This standard extends the disclosure requirement in next year's annual accounts as regards investments in subsidiaries, associates, jointly controlled entities and structured entities. The standard is implemented from 1 January 2014.

## Note 2 Changes in the group composition

### 2014

Sparebanken Hedmark sold its shares in SpareBank 1 Verdipapirservice AS (8.9 per cent) and SpareBank 1 Kundsenter AS (9.7 per cent) to Alliansesamarbeidet SpareBank 1 DA. The companies are still owned indirectly by Sparebanken Hedmark through Alliansesamarbeidet (11.3 per cent).

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

In the fourth quarter Sparebanken Hedmark acquired SpareBank 1 Regnskap AS 40 per cent ownership interest in SpareBank 1 Regnskapshuset Østlandet AS. Sparebanken Hedmark now owns 100 per cent of the shares in the company. The Bank previously owned a majority share in the accounting chain with a 60 per cent ownership interest. The changed ownership interest does not entail any changes in the accounting treatment and the company is incorporated into the consolidated financial statements as before.

### 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 11 per cent of Consis Credit AS is still indirectly owned by Sparebanken Hedmark. Sparebanken Hedmark increased its stake from 12 per cent to 40.5 per cent 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 per cent of SpareBank 1 Markets AS. Sparebanken Hedmark previously owned 12.0 per cent of SpareBank 1 Markets AS through its ownership in SpareBank 1 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 12.0 per cent 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.

In the fourth quarter Sparebanken Hedmark sold one per cent of the shares in SpareBank 1 Gruppen AS to Bank 1 Oslo Akershus AS.

## 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	31.12.14							Total
	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	SpareBank 1 Regnskaps-huset Østlandet	Other		
<b>Income statement</b>								
Net interest income	420	368	210		-3	48	1 043	
-of which internal items			-84		-3	87		
Net commission and other income	390	74	-20	79	126	14	663	
-of which internal items			-1			1		
Net return on financial investments						573	573	
Operating expenses*	247	100	75	67	118	374	981	
<b>Profit before losses by segment:</b>	<b>563</b>	<b>342</b>	<b>115</b>	<b>12</b>	<b>5</b>	<b>261</b>	<b>1 298</b>	
Losses on loans and guarantees	15	37	14				66	
<b>Profit / loss per segment</b>	<b>548</b>	<b>305</b>	<b>101</b>	<b>12</b>	<b>5</b>	<b>259</b>	<b>1 232</b>	
<b>Balance sheet</b>								
Gross lending to customers	20 037	14 474	4 827			598	39 936	
-of which internal items					39	-39		
Individual loan write-downs	-35	-85	-9				-129	
Collective loan write-downs	-33	-68	-15				-116	
Other assets	118	1	60	26	108	9 931	10 242	
<b>Total assets per segment</b>	<b>20 087</b>	<b>14 321</b>	<b>4 863</b>	<b>26</b>	<b>108</b>	<b>10 529</b>	<b>49 934</b>	
Deposits from and liabilities to customers	19 727	10 897				446	31 070	
-of which internal items			-2	-4	-9	15		
Other liabilities and equity	360	3 424	4 863	26	108	10 083	18 864	
<b>Total equity and liabilities per segment</b>	<b>20 087</b>	<b>14 321</b>	<b>4 863</b>	<b>26</b>	<b>108</b>	<b>10 529</b>	<b>49 934</b>	

Group	31.12.13							Total
	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	SpareBank 1 Regnskaps-huset Østlandet	Other		
<b>Income statement</b>								
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	
<b>Profit before losses by segment:</b>	<b>506</b>	<b>294</b>	<b>91</b>	<b>4</b>	<b>-4</b>	<b>22</b>	<b>913</b>	
Losses on loans and guarantees	18	43	11				72	
<b>Profit / loss per segment</b>	<b>488</b>	<b>251</b>	<b>80</b>	<b>4</b>	<b>-4</b>	<b>22</b>	<b>841</b>	
<b>Balance sheet</b>								
Gross lending to customers	18 804	13 490	4 381			505	37 180	
-of which internal items					30	-30		
Individual loan write-downs	-43	-88	-7				-138	
Collective loan write-downs	-27	-66	-13				-106	
Other assets	138	2	-16	30	90	10 217	10 461	
<b>Total assets per segment</b>	<b>18 872</b>	<b>13 338</b>	<b>4 345</b>	<b>30</b>	<b>90</b>	<b>10 722</b>	<b>47 397</b>	
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	
<b>Total equity and liabilities per segment</b>	<b>18 872</b>	<b>13 338</b>	<b>4 345</b>	<b>30</b>	<b>90</b>	<b>10 722</b>	<b>47 397</b>	

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

## Note 4 Capital adequacy

Parent Bank			Group	
Basel II	Basel III		Basel III	Basel II
31.12.13	31.12.14		31.12.14	31.12.13
6 013	6 645	Primary capital	6 645	6 013
71	42	Endowment fund	42	71
125	109	Revaluation fund / equalisation reserve	110	125
		Other equity	827	495
		Minority interests		14
<b>6 209</b>	<b>6 796</b>	<b>Total equity carried</b>	<b>7 624</b>	<b>6 718</b>
		<b>Tier 1 capital</b>		
		Minority interests not included		
-188	-110	Deferred tax (Basel II), goodwill and other intangible assets	-197	-248
-125	-109	Unrealised value change due to reduced / increased value of liabilities (Basel II/ transitional adj.)	-110	-125
-210	-230	Positive value of expected losses under the IRB approach	-271	-113
-543		Deduction for subordinated capital in other financial institutions (Basel II)		-68
		Capital adequacy reserve (Basel II)		-1 142
	-109	CET1 instruments of financial sector entities where the institution does not have a significant investment		
		CET1 instruments of financial sector entities where the institution does have a significant investment	-1 602	
		Cumulative gains and losses due to changes in own credit risk on fair valued liabilities		
	-7	Value adjustments due to the requirements for prudent valuation	-10	
	-229	Excess of deduction from AT1 items over AT1 Capital		
<b>5 143</b>	<b>6 003</b>	<b>Total common equity Tier 1 capital</b>	<b>5 434</b>	<b>5 022</b>
		<b>Additional Tier 1 capital</b>		
		Hybrid capital	162	61
	-229	AT1 instruments of financial sector entities where the institution does not have a significant investment		
		AT1 instruments of financial sector entities where the institution does have a significant investment	-2	
		Excess of deduction from T2 items over AT1 Capital		
	229	Excess of deduction from AT1 items over AT1 Capital		
<b>0</b>	<b>0</b>	<b>Total additional Tier 1 capital</b>	<b>160</b>	<b>61</b>
		<b>Supplementary capital in excess of core capital</b>		
56	39	36 per cent (45 per cent under Basel II) of unrealised gain on shares classified as available for sale	40	56
500	500	Non-perpetual additional T1 capital	783	703
-14		Deduction for expected losses on IRB, net of write-downs (Basel II)		-112
-543		Deduction for subordinated capital in other financial institutions (Basel II)		-68
		Capital adequacy reserve (Basel II)		-579
	-297	T2 instruments of financial sector entities where the institution does not have a significant investment		
		T2 instruments of financial sector entities where the institution does have a significant investment	-144	
		Excess of deduction from T2 items over AT1 Capital		
<b>0</b>	<b>242</b>	<b>Total supplementary capital</b>	<b>679</b>	<b>0</b>
<b>5 143</b>	<b>6 245</b>	<b>Net subordinated capital</b>	<b>6 273</b>	<b>5 083</b>

Parent Bank			Group	
Basel II	Basel III		Basel III	Basel II
31.12.13	31.12.14		31.12.14	31.12.13
	4 323	Corporates - SME	4 791	
5 871	6 953	Corporates - Specialised Lending	9 019	8 079
5 498	675	Corporates - Other	855	6 253
431	682	SME exposure	723	446
2 613	5 683	Retail mortgage exposure	7 738	3 529
691	591	Other retail exposure	669	765
1 666		Equity investments		1 492
<b>16 770</b>	<b>18 907</b>	<b>Risk-weighted assets credit risk IRB</b>	<b>23 795</b>	<b>20 564</b>
6 133	6 513	Exposures calculated using the standardised approach	9 534	8 902
		Market risk		488
	292	CVA	338	
1 932	1 923	Operational risk	3 038	2 870
-1 085		Deductions		-1 853
<b>23 750</b>	<b>27 635</b>	<b>Risk-weighted assets</b>	<b>36 705</b>	<b>30 971</b>
<b>1 900</b>	<b>2 211</b>	<b>Capital requirements (8 %)</b>	<b>2 936</b>	<b>2 478</b>
		<b>Buffer requirements</b>		
	691	Conservation buffer (2.5 %)	918	
		Countercyclical buffer (0 %)		
	829	Systemic risk buffer (3 %)	1 101	
	<b>1 520</b>	<b>Total buffer requirements for common equity (5.5 %)</b>	<b>2 019</b>	
	<b>3 239</b>	<b>Available common equity (net minimum requirement of 10 %)</b>	<b>1 764</b>	
		<b>Capital adequacy ratio</b>		
21,7 %	21,7 %	Common equity Tier 1 capital ratio	14,8 %	16,2 %
21,7 %	21,7 %	Tier 1 Capital ratio	15,2 %	16,4 %
21,7 %	22,6 %	Capital adequacy ratio	17,1 %	16,4 %

## Note 5 Loans to and receivables from customers

Parent Bank			Group	
31.12.13	31.12.14		31.12.14	31.12.13
		<b>Loans by type of receivable</b>		
		Financial leasing	2 114	2 019
8 110	10 868	Overdraft facilities and operating credits	10 868	8 110
1 318	1 450	Building loans	1 450	1 318
23 301	22 738	Repayment loans	25 406	25 617
92	88	Accrued interest	98	116
<b>32 822</b>	<b>35 144</b>	<b>Gross loans to and receivables from customers</b>	<b>39 936</b>	<b>37 180</b>
224	221	Write-downs	245	244
<b>32 598</b>	<b>34 923</b>	<b>Loans to and receivables from customers</b>	<b>39 691</b>	<b>36 936</b>
		<b>Loans by type of market</b>		
19 397	20 496	Private customers	22 797	21 406
13 421	14 642	Corporate	16 957	15 628
4	6	Public sector	181	146
<b>32 822</b>	<b>35 144</b>	<b>Gross loans to and receivables from customers</b>	<b>39 936</b>	<b>37 180</b>
224	221	Write-downs	245	244
<b>32 598</b>	<b>34 923</b>	<b>Loans to and receivables from customers</b>	<b>39 691</b>	<b>36 936</b>



<b>Parent Bank</b>			<b>Group</b>	
<b>31.12.13</b>	<b>31.12.14</b>		<b>31.12.14</b>	<b>31.12.13</b>
21 612	22 080	Private customers	24 389	23 630
137	156	Public sector	331	279
3 614	3 820	Primary industries	4 072	3 784
308	267	Paper and pulp industries	307	322
596	622	Other industry	1 035	739
1 540	1 100	Building and construction	1 876	1 936
207	219	Power and water supply	361	319
1 097	937	Wholesale and retail trade	1 404	1 361
171	176	Hotel and restaurants	211	179
6 327	7 805	Real estate	7 505	6 366
2 100	1 873	Commercial services	2 466	2 550
264	237	Transport and communications	953	792
24	21	Other	29	24
<b>37 998</b>	<b>39 314</b>	<b>Total commitments by sector and industry</b>	<b>44 939</b>	<b>42 281</b>

<b>Parent Bank</b>			<b>Group</b>	
<b>31.12.13</b>	<b>31.12.14</b>		<b>31.12.14</b>	<b>31.12.13</b>
19 397	20 496	Private customers	22 797	21 406
4	6	Public sector	181	146
3 198	3 357	Primary industries	3 557	3 367
250	246	Paper and pulp industries	262	264
437	509	Other industry	739	451
931	874	Building and construction	1 317	1 326
187	190	Power and water supply	299	298
755	743	Wholesale and retail trade	1 010	1 018
153	161	Hotel and restaurants	172	161
5 837	6 988	Real estate	7 033	5 876
1 457	1 342	Commercial services	1 659	1 786
193	211	Transport and communications	880	1 057
24	21	Other	30	24
<b>32 822</b>	<b>35 144</b>	<b>Total gross loans by sector and industry</b>	<b>39 936</b>	<b>37 180</b>

<b>Parent Bank</b>			<b>Group</b>	
<b>31.12.13</b>	<b>31.12.14</b>		<b>31.12.14</b>	<b>31.12.13</b>
46	39	Private customers	44	47
3	2	Primary industries	2	3
1	1	Paper and pulp industries	1	1
7	6	Other industry	7	8
10	9	Building and construction	9	12
	1	Power and water supply	1	
20	21	Wholesale and retail trade	21	20
1	1	Hotel and restaurants	1	1
26	16	Real estate	16	26
17	24	Commercial services	25	17
		Transport and communications	1	3
<b>131</b>	<b>120</b>	<b>Total individual write-downs by sector and industry</b>	<b>129</b>	<b>138</b>

## Note 6 Losses on loans and guarantees

Parent Bank			Group	
31.12.13	31.12.14		31.12.14	31.12.13
10	-7	Change in individual write-downs in the period	-5	5
-5	8	Change in collective write-downs in the period	10	-3
29	35	Realised losses on commitments previously written down	46	44
51	21	Realised losses on commitments not previously written down	25	53
24	-5	Recoveries on loans and guarantees previously written down	-9	26
<b>61</b>	<b>52</b>	<b>Total losses on loans and guarantees</b>	<b>66</b>	<b>72</b>

Parent Bank			Group	
31.12.13	31.12.14		31.12.14	31.12.13
138	143	Individual write-downs to cover losses on loans and guarantees at 1 January	149	150
		Realised losses in the period on loans and guarantees previously		
29	35	written down individually	45	44
19	23	Reversal of write-downs in previous years	41	21
		Increase in write-downs on commitments previously written		
13	17	down individually	19	14
		Write-downs on commitments not previously written		
40	32	down individually	61	50
<b>143</b>	<b>134</b>	<b>Individual write-downs to cover losses on loans and guarantees at the end of period *)</b>	<b>143</b>	<b>150</b>

\*) Guarantee provisions are included under Other liabilities in the balance sheet, see Note 13.

Parent Bank			Group	
31.12.13	31.12.14		31.12.14	31.12.13
98	93	Collective write-downs to cover losses on loans and guarantees at 1 January	106	109
-5	8	Collective write-downs to cover losses on loans and guarantees in the period	10	-3
<b>93</b>	<b>101</b>	<b>Collective write-downs to cover losses on loans and guarantees</b>	<b>116</b>	<b>106</b>

Parent Bank			Group	
31.12.13	31.12.14		31.12.14	31.12.13
257	263	Defaulted commitments	339	340
271	205	Other doubtful commitments	209	271
<b>528</b>	<b>468</b>	<b>Total defaulted and doubtful commitments</b>	<b>548</b>	<b>611</b>
143	134	Individual write-downs on loans and guarantees	143	149
<b>385</b>	<b>334</b>	<b>Net defaulted and doubtful commitments</b>	<b>405</b>	<b>462</b>

## Note 7 Financial derivatives

### Parent Bank og Group

At fair market value through p & l account

	31.12.14		
	Contract sum	Fair Market Value	
		Assets	Liabilities
<b>Foreign exchange instruments</b>			
Forward exchange contracts	881	18	11
Currency swap contracts	1 386	14	57
Total foreign exchange instruments	2 267	32	67
<b>Interest rate instruments</b>			
Interest rate swaps (inc. int. rate & currency)	8 763	486	263
Other interest rate contracts	150	10	
Total interest rate instruments	8 913	497	263
<b>Other financial derivatives</b>			
Guarantee liability - Eksportfinans ASA	66	3	0
<b>Total curr.- and int. rate instruments</b>			
<b>Total currency instruments</b>	<b>2 267</b>	<b>32</b>	<b>67</b>
<b>Total interest rate instruments</b>	<b>8 913</b>	<b>497</b>	<b>263</b>
<b>Total other financial derivatives</b>	<b>66</b>	<b>3</b>	<b>0</b>
<b>Total</b>	<b>11 247</b>	<b>531</b>	<b>330</b>

At fair market value through p & l account

	31.12.13		
	Contract sum	Fair Market Value	
		Assets	Liabilities
<b>Foreign exchange instruments</b>			
Forward exchange contracts	672	25	15
Currency swap contracts	1 369	14	4
Total foreign exchange instruments	2 041	38	19
<b>Interest rate instruments</b>			
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
<b>Other financial derivatives</b>			
Guarantee liability - Eksportfinans ASA	66	3	0
<b>Total curr. and int. rate instruments</b>			
<b>Total currency instruments</b>	<b>2 041</b>	<b>38</b>	<b>19</b>
<b>Total interest rate instruments</b>	<b>9 618</b>	<b>322</b>	<b>163</b>
<b>Total other financial instruments</b>	<b>66</b>	<b>3</b>	<b>0</b>
<b>Total</b>	<b>11 725</b>	<b>363</b>	<b>182</b>

## 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.

### As at 31.12.14

Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
- Derivatives		529	3	531
- Bonds and certificates		4 017		4 017
- Fixed-rate loans		1 793		1 793
- Loans with interest-rate guarantees			1	1
Financial assets available for sale				
- Equity instruments	131		108	239
<b>Total assets</b>	<b>131</b>	<b>6 339</b>	<b>112</b>	<b>6 581</b>
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit and loss				
- Derivatives		330		330
- Securities issued		8 951		8 951
- Subordinated loan capital		505		505
- Fixed-rate deposits		50		50
<b>Total liabilities</b>	<b>0</b>	<b>9 835</b>	<b>0</b>	<b>9 835</b>

### As at 31.12.2013

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

	Loans with interest-rate guarantees	Equity instru- ments	Deriva- tives	Market- linked certificates of deposit (BMA)	Total
<b>31.12.13–31.12.14</b>					
Opening balance	3	256	3	-51	210
Investments in the period		16			16
Sales / redemption in the period	-2	-271	-5	51	-226
Gains / losses recognised through profit and loss	0	157	5	0	163
Gains / losses recognised directly against comprehensive income		-51			-51
<b>Closing balance</b>	<b>1</b>	<b>108</b>	<b>3</b>	<b>0</b>	<b>112</b>
Gains / losses for the period included in the profit for assets owned on the balance sheet day	0	-1	5		4

	Loans with interest-rate guarantees	Equity instru- ments	Deriva- tives	Market- linked certificates of deposit (BMA)	Total
<b>31.12.12–31.12.13</b>					
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
<b>Closing balance</b>	<b>3</b>	<b>256</b>	<b>3</b>	<b>-51</b>	<b>210</b>
Gains / losses for the period included in the profit for assets owned on the balance sheet day	0	-3	3	0	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.

Figures for Parent Bank and Group are the same.	Amounts not presented on the balance sheet on a net basis					
	Gross financial assets/(liabilities)	Recognised on a net basis	Net financial assets/(liabilities) on the balance sheet	Financial instruments	Cash collateral given/(received)	Net amount
<b>31.12.14</b>						
Derivatives as assets	531	0	531	-57	0	474
Derivatives as liabilities	-330	0	-330	57	112	-161
<b>31.12.13</b>						
Derivatives as assets	363	0	363	-74	0	289
Derivatives as liabilities	-182	0	-182	74	9	-99

## Note 10 Other assets

Parent Bank			Group	
31.12.13	31.12.14		31.12.14	31.12.13
43	73	Capital payments into pension fund	73	43
298	19	Accrued income, not yet received	19	298
32	23	Prepaid costs, not yet incurred	15	32
227	144	Other assets	299	82
<b>600</b>	<b>260</b>	<b>Other assets</b>	<b>406</b>	<b>455</b>

## Note 11 Deposits from and liabilities to customers

Parent Bank			Group	
31.12.13	31.12.14		31.12.14	31.12.13
18 744	19 047	Private customers	19 047	18 744
3 966	3 666	Public sector	3 666	3 966
831	927	Primary industries	927	831
135	101	Paper and pulp industries	101	135
410	514	Other industry	514	410
616	671	Building and construction	671	616
108	118	Power and water supply	118	108
666	665	Wholesale and retail trade	665	666
84	95	Hotel and restaurants	95	84
1 688	1 565	Real estate	1 565	1 688
2 601	3 452	Commercial services	3 437	2 588
254	258	Transport and communications	258	254
6	6	Other operations	6	6
<b>30 110</b>	<b>31 085</b>	<b>Total deposits by sector and industry</b>	<b>31 070</b>	<b>30 097</b>

## Note 12 Securities-related debt

### Parent Bank og Group

Figures for Parent Bank and Group are the same.

Changes in liabilities from issuance of securities	31.12.14	Issued	Due / redeemed	Other changes	31.12.13
Certificate-based debt, nominal value	0		-300		300
Bond debt, nominal value	8 410	2 050	-1 250	-108	7 718
Non- Perpetual additional Tier 2 capital, nominal value	500				500
Accrued interest	131			-33	164
Adjustments	414			196	219
<b>Total debt raised through issuance of securities, fair value</b>	<b>9 455</b>	<b>2 050</b>	<b>-1 550</b>	<b>54</b>	<b>8 901</b>

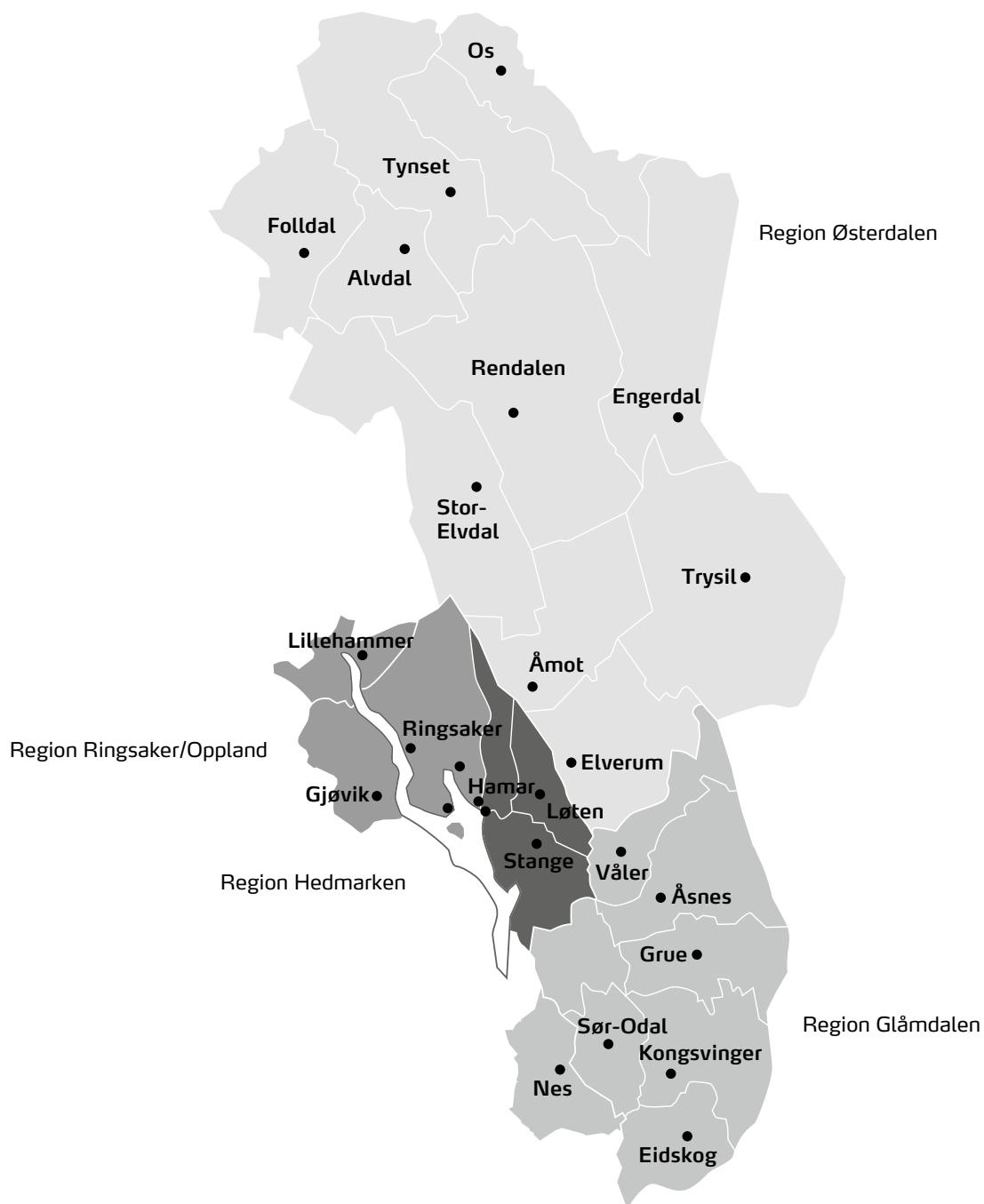
  

Changes in liabilities from issuance of securities	31.12.13	Issued	Due / redeemed	Other changes	31.12.12
Certificate-based debt, nominal value	300	300	-300		300
Bond debt, nominal value	7 718	1 700	-1 350	22	7 346
Non- Perpetual additional Tier 2 capital, nominal value	500	500			0
Accrued interest	164			-19	183
Adjustments	219			10	209
<b>Total debt raised through issuance of securities, fair value</b>	<b>8 901</b>	<b>2 500</b>	<b>-1 650</b>	<b>13</b>	<b>8 038</b>

## Note 13 Other debt and liabilities

Parent Bank		Group	
31.12.13	31.12.14	31.12.14	31.12.13
303	361	384	319
	Pension liabilities		
12	14	14	12
	Guarantee provisions		
8	9	9	8
	Banker's drafts		
41	37	42	44
	Accounts payable		
139	160	190	339
	Other		
<b>503</b>	<b>581</b>	<b>639</b>	<b>722</b>
<b>Total other debt and liabilities recognised in the balance sheet</b>			





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