2015

Annual report

Sparebanken 1 HEDMARK

New life in Hamar. New restaurants and cafés with a total of 620 seats have opened in Hamar since 2009. The number of seats will increase to 1,000 when Vold Eiendommer opens a further three new places in 2016. Linn Byberg and her daughter Anniken Byberg Hyponen are responsible for two of Strandgata's new places.

Source: Sparebanken Hedmark's Economic Barometer 2015.

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Editorial staff: Siv Stenseth, Trine Lise Østberg, Heidi Enger, Tore Anstein Dobloug and Inga Kroken. **Design & production:** Ferskvann Reklamebyrå. **Photos:** Ricardofoto, Siv Stenseth and Inga Kroken. **Front page:** Flemming Støldal

In this annual report we have chosen to present some pictures from the Economic Barometer for 2015, our customer magazine, *Det skjer i Hedmark og Oppland,* and from the Sparebanken Hedmark Group.

Financial statement analysis

MAIN FIGURES GROUP

	2015		2014	
Result summary (NOK mill and % of average assets)	**Amount**	**%**	**Amount**	**%**
Net interest income	1 105	2.08 %	1 043	2.14 %
Net commissions and other (non-interest) income	651	1.23 %	663	1.36 %
Net income from financial investments	514	0.97 %	573	1.17 %
Total income	**2 270**	**4.28 %**	**2 279**	**4.67 %**
Total operating costs	**1 051**	**1.98 %**	**981**	**2.01 %**
Result before losses	**1 219**	**2.30 %**	**1 298**	**2.66 %**
Losses on loans and guarantees	56	0.11 %	66	0.14 %
Result before tax	**1 163**	**2.19 %**	**1 232**	**2.52 %**
Taxation cost	233	0.44 %	192	0.39 %
Result after tax	**930**	**1.75 %**	**1 040**	**2.13 %**
Minority interests	**0**	**0.00 %**	**2**	**0.00 %**
Profitability				
Return on equity capital before tax		14.3 %		17.1 %
Return on equity capital after tax		11.4 %		14.4 %
Return on equity capital of total result after tax		13.6 %		13.5 %
Total operating costs in relation to total income		46.3 %		43.0 %
Total operating costs in relation to total income excl. net income from financial investments		59.8 %		57.5 %
From the balance sheet				
Gross loans to customers	43 779		39 936	
Gross loans to customers including loans transferred to covered bond companies*	61 140		55 930	
Deposits from customers	33 458		31 070	
Deposits from customers in relation to gross loans to customers (excl. loans transferred to covered bond companies *)		76.4 %		77.8 %
Lending growth during the last 12 months		9.6 %		7.4 %
Lending growth during the last 12 months including loans transferred to covered bond companies *		9.3 %		6.8 %
Deposit growth during the last 12 months		7.7 %		3.2 %
Total assets	55 971		49 934	
Total losses and commitments in default				
Losses on loans as a percentage of gross loans		0.1 %		0.2 %
Commitments in default as a percentage of total commitments		0.6 %		0.8 %
Commitments in default as a percentage of total commitments incl. loans transferred to cover bond companies*		0.4 %		0.6 %
Other bad and doubtful commitments as a percentage of total commitments		0.5 %		0.5 %
Other bad and doubtful commitments as a percentage of total commitments incl. loans transferred to covered bond companies*		0.4 %		0.3 %
Net commitments in default and commitments with loss provisions as a percentage of total commitments		0.8 %		0.9 %
Financial strength				
Common equity Tier 1 capital ratio		17.2 %		14.8 %
Tier 1 capital ratio		17.5 %		15.2 %
Capital adequacy ratio		19.1 %		17.1 %
Net subordinated capital	7 179		6 273	
Equity ratio		15.6 %		15.3 %
Leverage Ratio		9.2 %		8.2 %
LCR		120.8 %		88.0 %

MAIN FIGURES PARENT BANK

	2015		2014	
Result summary (NOK mill and % of average total assets)	**Amount**	**%**	**Amount**	**%**
Net interest income	880	1.68 %	835	1.73 %
Net commissions and other (non-interest) income	429	0.82 %	482	1.00 %
Net income from financial investments	472	0.90 %	296	0.61 %
Total income	**1 781**	**3.40 %**	**1 613**	**3.34 %**
Total operating costs	**743**	**1.42 %**	**726**	**1.51 %**
Result before losses	**1 038**	**1.98 %**	**886**	**1.84 %**
Losses on loans and guarantees	35	0.07 %	52	0.11 %
Result before tax	**1 003**	**1.91 %**	**835**	**1.73 %**
Taxation cost	207	0.39 %	159	0.33 %
Result after tax	**796**	**1.52 %**	**675**	**1.40 %**
Total assets	54 861		49 061	
Profitability				
Return on equity capital after tax		11.0 %		10.3 %
Total operating costs in relation to total income		41.7 %		45.0 %
Total operating costs in relation to total income excl. net income from financial investments		56.8 %		55.2 %
Losses and commitments in default				
Losses on loans as a percentage of total commitments		0.1 %		0.1 %
Commitments in default as a percentage of total commitments		0.5 %		0.7 %
Commitments in default as a percentage of total commitments incl. loans transferred to covered bond companies*		0.4 %		0.5 %
Other bad debt and doubtful commitments as a percentage of total commitments		0.5 %		0.5 %
Other bad and doubtful commitments as a percentage of total commitments incl. loans transferred to covered bond companies*		0.4 %		0.4 %
Net commitments in default and bad and doubtful commitments as a percentage of total commitments		0.8 %		0.8 %
Financial strength				
Common equity Tier 1 capital ratio		24.1 %		21.7 %
Tier 1 capital ratio		24.1 %		21.7 %
Capital adequacy ratio		24.8 %		22.6 %
Net subordinated capital	7 047		6 245	
Equity ratio		14.0 %		13.9 %

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

From self-owned foundation to equity certificate bank

2015 was a year of increased financial strength, low losses and a good result. It was also a year in which major changes were made to the Bank's ownership structure.

2015 was an exciting year for the Sparebanken Hedmark Group as far as both performance and structure were concerned. The consolidated profit after tax amounted to NOK 930 million, which represents a return on equity of 11.4 per cent. Even though lending became less profitable during the year and the profit was NOK 110 million lower than in 2014, it was a good result. The Group's core capital has improved and is well above the target level.

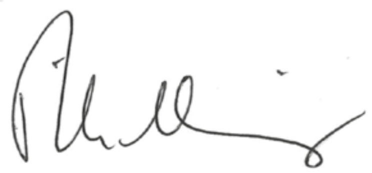
The economic trend in the Interior Region remains stable. At the end of the year, both the people and business sector in Hedmark and Oppland remained cautiously optimistic about their own financial situation. For the first time in 10 years, employment grew more strongly in Hedmark than in the rest of the country as a whole. Good economic conditions in the region helped to ensure that the Group experienced very positive lending and deposit growth in 2015. The growth in deposits shows that in times of uncertainty many customers prefer the security of saving with a bank, even though interest rates are low.

We operate in a region in which the oil-related risk is almost zero. Our losses remain low and we are not particularly concerned that our customers will have problems making payments. In our experience, the ripple effects of the national economic downturn will hit companies the hardest, but at the moment we are seeing few signs of problems in the Interior Region. A weakened Norwegian kroner also benefits the Interior Region. Tourism and primary industries, with their related processing industries, are significant segments in the districts. The Interior Region is well placed to capture a significant proportion of the restructuring from an oil-based to a green economy. It is important that we now take advantage of the opportunity that is presenting itself.

Sparebanken Hedmark implemented an important strategic change in 2015 with the establishment of Sparebanken Hedmark Sparebankstiftelse and the conversion of 60 per cent of the Bank's primary capital into equity share capital. This turned Sparebanken Hedmark into an equity certificate bank with the foundation as its sole owner. The savings bank foundation is by far the largest equity certificate foundation in Norway. We plan to list on the Oslo Stock Exchange in the second half of 2016, although this depends on how the stock market develops. At this time, the foundation will sell parts of its equity certificate holding and we hope that employees, investors, customers and others will become co-owners of this solid, regionally based financial group in Hedmark. In December 2015, the Bank signed an agreement with the Norwegian Confederation of Trade Unions (LO) and other SpareBank 1 banks to acquire the remaining shares in Bank 1 Oslo Akershus. If this is approved by the authorities, the new Sparebanken Hedmark Group's total business capital will amount to NOK 125 billion and it will be Norway's fourth largest savings bank group with operations in Hedmark, Oppland, Akershus, and Oslo. The savings bank foundation will own 75 per cent, LO 15 per cent, and the SpareBank 1 banks 10 per cent.

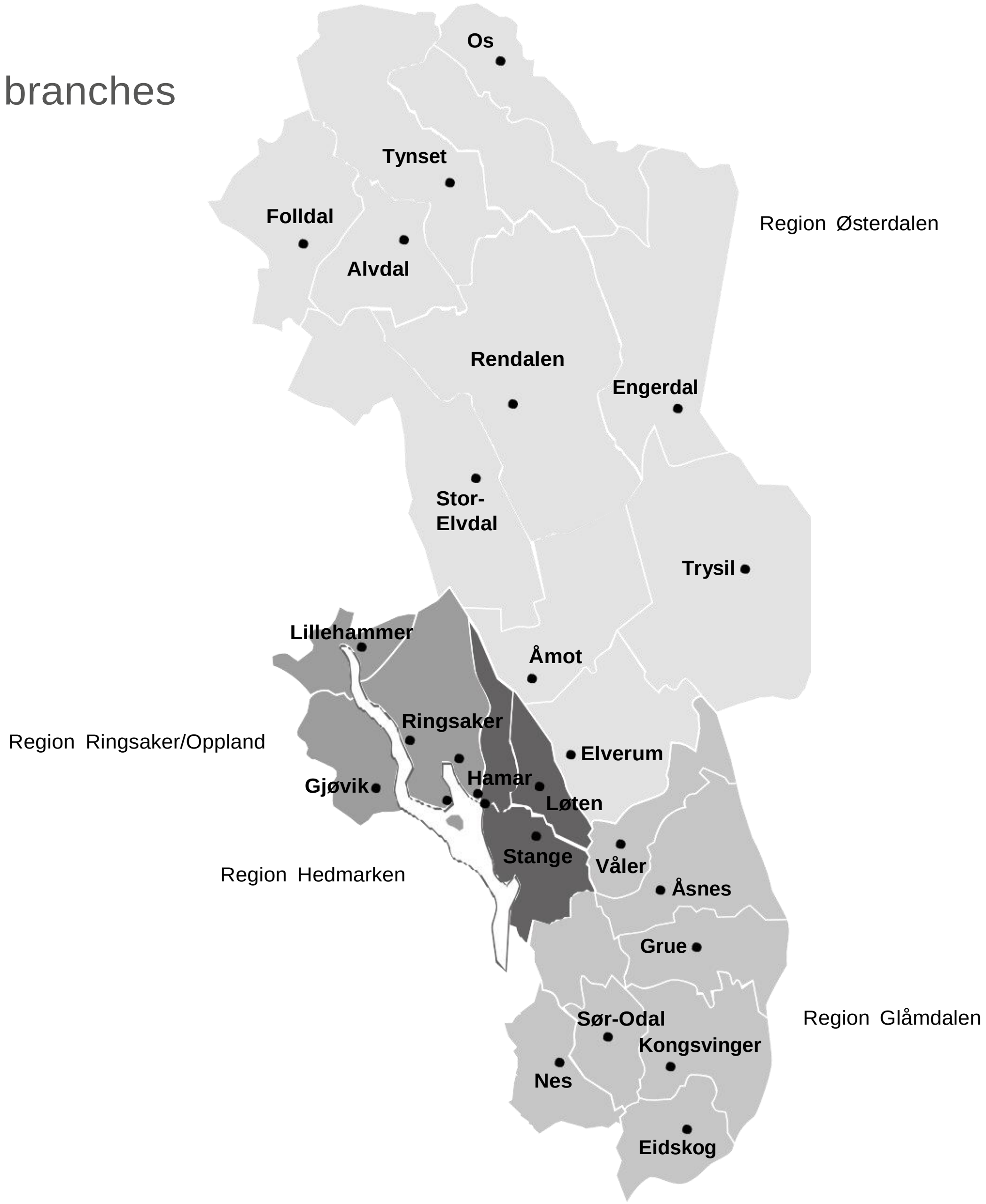
A number of banks are currently warning of staffing reductions and branch closures. This is a sign that digitalisation is having a serious impact on the financial industry and that the competition for customers is intensifying in digital channels. Sparebanken Hedmark's membership of the SpareBank 1 Alliance ensures it is able to develop attractive digital solutions. Increased investment in IT will contribute to greater efficiency and sustainable operations by reducing costs. At the same time, we will, as we always have done, continuously review where we should have branches. 10 years ago, we had 30 branches in Hedmark. We now have 23. These decisions are based on factors such as customer behaviour, profitability, staffing, investment needs, and security considerations. Even though we will make some adjustments from time to time, we will continue to have a good presence so we can serve our retail customers, the farming sector, and small and medium-sized companies. We believe that customers still need to talk to someone when they make major financial decisions at important milestones in life and in business.

I would like to thank our customers, employees, employee representatives, and partners for their great teamwork in 2015. 2016 will also be an exciting year for the Group with the takeover of Bank 1 Oslo Akershus and stock exchange listing on the agenda. Continued success depends on our ability to produce good results as a team.



Richard Heiberg
CEO

Our branches



Business concept	Values
Sparebanken Hedmark wants to be the most attractive financial group in our market area. We intend to contribute to the growth and development of the community of which we are a part, based on good customer experiences and capable employees.	Proficient, nearby and engaged are the Bank's core values, and they indicate that we would like to be a professional partner that defines needs and finds solutions together with our customers. We also aim to be active and outgoing in our contact with customers.

Vision

The Bank's vision, 'creating together', makes the point that the Bank's results are achieved in partnership with those around us.

Together we create positive customer experiences.

Together we take relevant initiatives, provide fast service, and solve our customers' needs.

Together we contribute to transparency, mutual trust, and interaction throughout the financial group.

Together we set clear goals, take responsibility for initiatives, and produce goods results for our customers and the Bank.

Together we create success stories and improve for the benefit of our customers, the financial group, and society.

About Sparebanken Hedmark

Today, Sparebanken Hedmark is the leading provider of financial services to people, companies and the public sector in Hedmark The Bank has also established branches in Gjøvik, Lillehammer, and in Årnes in Akershus.

Sparebanken Hedmark can trace its history back to 1845 when funds from local granaries, forest commons, local authorities and private individuals were pooled to found the first savings banks. The Bank is the result of the merger of formerly independent savings banks in Hedmark. Through a number of mergers, 22 local savings banks have evolved to become Hedmark's largest source of capital with its head office in Hamar. In the autumn of 2011, Sparebanken Hedmark expanded into the neighbouring county and the Bank now has branches in both Gjøvik and Lillehammer. In 2012, the Bank also established a presence in the Municipality of Nes in Akershus.

Mainstay

Today, Sparebanken Hedmark is a mainstay of life in Hedmark with its many branches in 20 of the county's 22 municipalities. The financial group offers a wide range of products within loans, deposits, insurance, pensions, payment services, estate agency, accounting services, leasing and financing. As the leading financial group in our market area, we do our bit for growth and development through financing individuals and companies who want to see good ideas come to fruition. In this way, the Bank helps people build, live and work here.

Close to the market

Sparebanken Hedmark has a unique competitive advantage thanks to its 170 years of local knowledge. The Bank alone has a market share of 50 per cent and approximately 188,000 customers. The Parent Bank is also close to the market with around 470 full-time equivalents spread across 26 branches. The Group also includes the subsidiaries EiendomsMegler 1 Hedmark Eiendom AS, SpareBank 1 Finans Østlandet AS and SpareBank 1 RegnskapshusetØstlandet AS, which together have around 250 employees.

Sparebanken Hedmark also owns 40 per cent of Bank 1 Oslo Akershus (B1OA) and in December 2015 we signed an agreement with the Norwegian Confederation of Trade Unions (LO) and the SpareBank 1 banks to buy the remaining shares in B1OA meaning it will become a wholly owned subsidiary. If this is approved by the authorities, Sparebanken Hedmark will become Norway's fourth largest savings bank group. The savings bank foundation will own 75 per cent, the SpareBank 1 banks 10 per cent, and LO 15 per cent.

From self-owned to part-owned

The Group's has equity of NOK 8.7 billion and pays around 20 per cent tax on its profit for the year. In 2015, it became clear that the Group would change from being a self-owned financial institution without equity certificate holders to an equity certificate bank. This means that customers, employees and other investors will have an opportunity to become co-owners when the Bank is listed on the Oslo Stock Exchange, which will probably happen in 2016 or 2017. The timing will depend on developments in the stock market.

About Hedmark

With around 195,000 inhabitants, the people of Hedmark account for just over 4 per cent of Norway's population. In terms of area, Hedmark is the third largest county in Norway. The county has scattered settlements, and nearly half of the population lives in the municipalities of Hamar, Ringsaker, Stange and Løten. Hedmark has a diverse business community, and it is the largest farming and forestry county in Norway. Broken down by sector, manufacturing, building and construction and the public sector are the largest employers. For the first time in 10 years, employment growth in Hedmark outpaced that in Norway as a whole. The neighbouring county of Oppland generally has a lot of similarities, both demographically and geographically.

Nature and recreation

The landscape in Hedmark varies greatly with farmland in the south, to vast forests in the east, and mountain ranges in the north. Large areas of these mountain ranges are protected. Norway's largest lake, Mjøsa, the country's largest freshwater island, Helgøya, Norway's longest river, Glomma, and Norway's highest mountain, Galdhøpiggen (2,469 metres above sea level), are important elements of our cultural landscape.

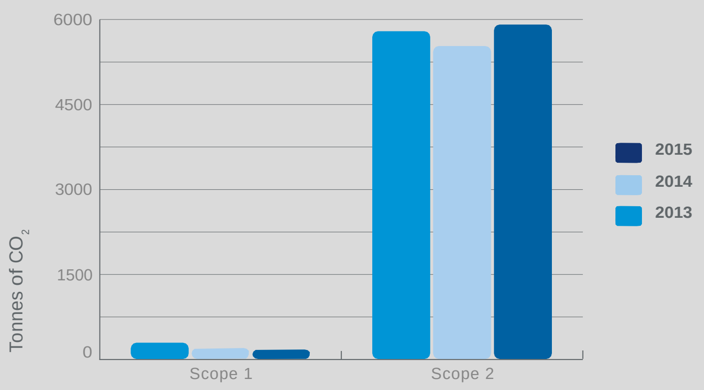
Co-owner of SpareBank 1

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

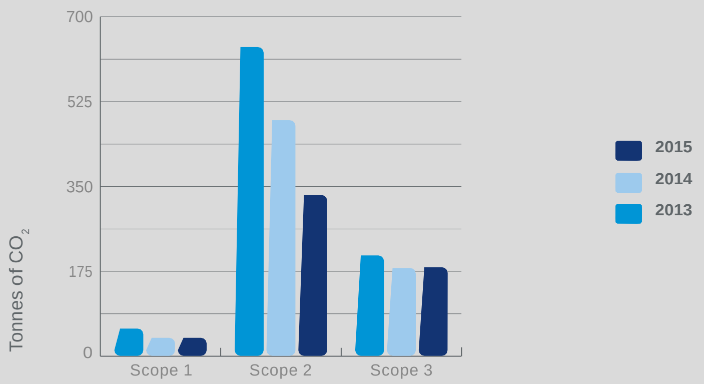
Climate Accounts for 2015

ENERGY AND CLIMATE INDICATORS	2015	15/14	2014	2013	2012
Total emissions (tonnes CO_2):	538	-14.9%	633	867	957
Total energy consumption scope 1 and 2 (MWh):	6016	-5.7%	6,102	6,400	7,147
Energy consumption per square metre (kWh/m²)	172	5.8%	183	193	193
CO_2 emissions per full time equivalent (tonnes CO_2/FTES):	1.2	-16.5%	1.4	1.9	2.1
CO_2 emissions by turnover (tonnes CO_2/NOK million):	0.3	-22.9%	0.8	1.4	2.0

Annual enegrgy consumption (MWh) Scope 1 og 2



Annual greenhouse gas emission per scope



REPORTING IN ACCORDANCE WITH THE GREENHOUSE GAS PROTOCOL

Scope 1: Direct emissions

Includes direct emissions from sources owned or controlled by the company, including the company's own cars or vehicles, or from processing or the transport of employees.

Scope 2: Indirect emissions

Emissions from purchased energy, mainly electricity and/or district heating.

Scope 3: Indirect emissions

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

Socially responsible bank (CSR)

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

Good credit ratings represent the foundation of the Bank's corporate social responsibility. The aim is to create value for the region of which the Bank is a part. With local knowledge and our proximity to customers, the Bank's management makes assessments that are based on a long-term social commitment as well as economics and risk. Ever since the time of the small savings banks, the aim of the banks has been to take part in the development of the community as a committed and responsible contributor to society. This has always been part of the basic philosophy of being a regionally based financial group in Hedmark. This is also reflected in the Group's vision, 'creating together', and the Bank's overall strategy. Corporate social responsibility is a specific target area in our strategy with its own measures: "Customers shall regard Sparebanken Hedmark as a competent and responsible social actor".

Close to decisions

The region should be a good place to do business in, a good place to live and a good place to move to. We are doing our part to ensure it is. The Bank has existed in Hedmark for 170 years and is interested in the development of the county and the Mjøsa region. If people are happy, live well, have educational opportunities and secure jobs, as well interesting recreational opportunities here, Sparebanken Hedmark will also do well. The fact that the financial group has been financially strong over time is important to the residents and businesses. Having a solid source of capital with headquarters in the region provides security and a close proximity to the decision-making process.

Sustainable operations

Sparebanken Hedmark plays an important role in economic development and wants to be a model of good business practices, including when it comes to the environment, human resources and ethics. The financial group's goal is to ensure that all banking operations and creation of economic value are in accordance with nature's carrying capacity. The Group should be known for its high ethical standards and good corporate governance.

Labour and human rights

Sparebanken Hedmark therefore takes labour and human rights, basic social needs and nature's carrying capacity into consideration in its operations. Sparebanken Hedmark shall be an attractive and inclusive workplace for employees of all ages and life phases. We want employees to feel that they have a good balance between work, home, and free time. The financial group works on health-promoting measures and stimulates physical activity among its employees. There is a good balance between the genders, and the percentage of women in managerial positions is increasing. In collaboration with the Norwegian Labour and Welfare Service (NAV), the Bank welcomes employees who need training and work experience.

New reporting requirements

A specific strategy for corporate social responsibility was adopted by the Bank's Board of Directors early in 2014 to satisfy the new reporting requirements from the authorities. Many of the Bank's governing documents were updated during the year with reference to the adopted social strategy and this work will continue in 2016. The plan is to revise the social strategy during 2016.

Everyday ethics

Sparebanken Hedmark's operations depend on the confidence of customers, public authorities and society at large. Sparebanken Hedmark's employees must be known for their high ethical standards, expertise, trustworthiness, honesty and fairness. We must be impartial and maintain the necessary professional distance in all of our interactions. Value shall be created in accordance with good advice practices and within limits that do not require the individual employee to violate the code of conduct in order to satisfy financial targets.

Reviewing and discussing the code of conduct is part of the mandatory induction programme for new employees. All the employees must also confirm each year that they have reviewed and understood its contents. This is how the Group ensures that ethics, impartiality, loyalty, anti-corruption and integrity remain on the agenda.

In addition to this, an ethics week is arranged each year with seminars, activities, and discussions, both on a central and a local level, in which we focus on various topics that involve the entire organisation. In 2015, ethics week focused on relational courage and how one should react and respond wisely to situations that are perceived as wrong or difficult. The goal of ethics week is to establish a culture in which questions, openness, and debate contribute to the Group's development.

Donations to charitable causes

The Bank also ploughs funds back into communities, through for example, sponsorship of recreational sports and programmes for children and young people. Sparebanken Hedmark has a long tradition of returning part of its profit back to the local communities. Each year the Bank donates millions of kroner. These donations go to clubs, organisations and other good causes. Financial support can be sought through the Bank's website, and the funds are allocated after the financial statements have been adopted at the beginning of the year.

Endowment fund

The Bank has a special endowment fund for major cultural, sporting, physical activity, research and education projects. The Bank has made donations from this fund to a number of projects within sports and culture, including:

- Hamar and Hedemarken Tourist Association – towards the renovation of the holiday cabin areas in Målia.
- Jordet og Tenaasen Skytterlag – towards the building of a new clubhouse for the shooting club.
- Turnékompaniet – towards upgrading the seating in Hamar Theatre.
- Kongsvinger Skøyteklubb – towards purchasing an ice machine for the skating club.
- Tynset Idrettsforening – towards a new sports hall for football for the sports club.

Sparebanken Hedmark's talent stipend scheme

The Bank's talent stipend scheme is intended to encourage young athletes and artists aged between 18 and 25 to develop their talent and commitment through training, education and expressing their creativity. The idea is to build pride, create good role models and highlight potential routes for developing talent. The talent stipend scheme is worth NOK 2 million, NOK 1 million for each of the two areas, art and sports. In 2015, 69 recipients received stipends of between NOK 25,000 and NOK 50,000. In October, the Bank arranged a special motivational day and talent party in Hamar cultural centre. Art stipends are restricted to Hedmark County.

Sports stipends are awarded within the Bank's geographic area of operations in Hedmark, Oppland and the Municipality of Nes in Akershus. Applicants must be resident in this area or have other ties to it and belong to a sports team or club in the region. Sports stipends are awarded by a jury consisting of representatives of sports environments in Hedmark and Oppland, Olympiatoppen Interior Region and Sparebanken Hedmark. Art stipends are awarded by the board of Sparebanken Hedmark's Art Fund. The talent stipend scheme will be continued in the same manner in 2016 as well.

Sparebanken Hedmark's Art Fund

The board of the Art Fund distributed NOK 1 million in talent stipends to 29 young artists within art and sculpture (as described in the section above). Approval was also given to spending NOK 3 million on works of art in Eidskog, Trysil and Engerdal. Work continues on previously approved art projects in Strandgateparken in Hamar, the roundabout on classified road 3 at the Aukrust Centre in Alvdal, and the roundabout on county road 30 in towards the centre of Tynset. The sculpture commemorating the migration of Finns to the municipality of Grue and the Big Elk at Bjøråa rest stop along classified road 3 in Stor-Elvdal were completed in 2015.

Business development

Active cooperation between the various actors in research, education and business is important for development of the region. The Bank established a special incubator fund in 2013 to improve access to risk capital for early phase companies. Our experience so far has been that there are too few qualified applicants and the Bank hopes to welcome more good projects. In 2015, we focused on entrepreneurship and in the autumn we collected information from our market area about what sort of businesses are missing via our campaign 'Ønsker meg 1' ('I want 1'). In 2016, we will continue to provide support for company start-ups based on the information we collected in 2015. Sparebanken Hedmark has a strategic goal of being a source of socially useful information in Hedmark. The financial group therefore established the Interior Region's own Economic Barometer in November 2013. This has been followed up by new editions in 2014 and 2015, and last year we garnered a lot of external attention both in connection with and after publication. The idea is to contribute factual information and insight that can stimulate growth and development in the Interior Region.

Environment

Sparebanken Hedmark takes account of the external environment in all of its operations. We have Eco-Lighthouse certified branches and produce annual energy and climate accounts in accordance with the Greenhouse Gas Protocol and ISO 14064 international standards. These cover consumption that results in the emission of greenhouse gases such as travel, waste management, and energy use. This analysis enables the Bank to identify the sources that impact the external environment and implement concrete measures to minimise this impact.

The Bank has now certified all of its branches in line with the head office model (19 plus 7 satellite branches) and tightened up its source separation routines. The Group is constantly developing new products that reduce its impact on the environment. Online home mortgages, mobile banking, mCASH, SMS services and the digital distribution of letters and publications are measures that reduce the need for transport and paper consumption.

It is an important principle that all companies, large and small, reduce their emissions and in this way contribute to preventing global warming of more than 2 degrees Celsius. Sparebanken Hedmark's total CO_2 emissions amounted to 538 tonnes and its energy consumption 5,919 MWh in 2015.

Relationship with suppliers

The Bank requires environmental certification in connection with tender processes. Environmental awareness is an important factor in both procurements and processes. The purchasing strategy of the SpareBank 1 Alliance also stipulates that purchasing shall be confidence-inspiring, environmentally aware and ethically correct in internal and external forums.

The Bank's stakeholders

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

Map of stakeholders for Sparebanken Hedmark

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

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

Factors that can affect reputation

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

Status 2015

		2015	2014
Strategy/finances	Group strategy	Strategy implemented according to plan.	Will be updated in new strategy in 2016.
	Development of CSR strategy	Incorporation in governing documents has started and will continue in 2016.	Adopted 2014, revised during 2015. Incorporation in governing documents has started and will continue in 2015.
	Consolidated profit before tax (NOK millions)	1,163	1,232
	Consolidated total assets (NOK millions)	55,971	49,934
	Consolidated return on equity after tax	11.4%	14.4%
	Consolidated capital adequacy ratio	17.2%	14.8%
	Annual review and confirmation of the Bank's code of conduct	Completed	Completed
Community/social affairs	Number of full-time equivalents, incl. subsidiaries	728	673
	Number of full-time equivalents, Bank	470	459
	Sick leave	4.00%	4.10%
	Percentage of women	57%	57%
	Percentage of women in managerial positions	43%	44%
	Average age	48	47
	Employee satisfaction, organisational survey	850	814
	Inclusive Workplace agreement	Continued	Renewed
	Average period of service	17	18
	Number recruited, internal	23	28
	Number recruited, external	36	34
	Turnover	2.50%	3.50%
Donations	Awarded to art and culture	2,026,000	1,950,000
	Awarded to sports	2,443,000	2,011,000
	Awarded to humanitarian work	725,000	716,000
	Awarded to other	1,012,000	1,012,000
Endowment Fund	Awarded to art and culture	5,752,000	6,075,000
	Awarded to sports and physical activity	13,138,000	7,425,000
	Awarded to education/research	2,700,000	3,960,000
	Awarded to other	2,090,000	4,998,000
Sparebanken Hedmark's Art Fund	Awarded to art and culture	3,000,000	4,070,000
Business development	Awarded to innovative projects	Sparebanken Hedmark made no investments via its incubator fund in 2015, but did conduct a marketing campaign called 'Ønskermeg1' ('I want 1') that focused on innovation.	NOK 500,000 from the Incubator Fund was granted to specific projects in 2014.
Environment*	*See also separate Climate Accounts		
	Total greenhouse gas emissions (tonnes CO_2):	538	633
	Greenhouse gas emissions per full time equivalent, Parent Bank (tonnes of CO_2/FTES)	1.2	1.4
	Number of video conferencing rooms	42 (All also has Skype and video access for personal PCs.)	42
	Number of Eco-Lighthouse certified branches	26 (19 branches and 7 satellite branches have been Eco-Lighthouse certified in line with the head office model.)	23

Highlights of 2015

From the Supervisory Board's discussions on the subject of becoming an equity certificate bank in 2015. From the left: Richard Heiberg and the chair of the Supervisory Board Pål Jan Stokke.

Established as equity certificate bank

In 2014 the Board of Sparebanken Hedmark decided to recommend to the Bank's Supervisory Board that equity certificates should be issued, a savings bank foundation established, and that the Bank should list on the stock exchange. Both the foundation and the equity certificates were put in place in 2015. According to the plan, Sparebanken Hedmark will list on the stock exchange in 2016, depending on how the stock market develops.

In 2015, the process started with the Bank's Supervisory Board considering the decision to convert primary capital into equity certificate capital. Becoming an equity certificate bank required two decisions in the Supervisory Board. Both the first and the second round of discussions resulted in positive decisions, in February and March 2015, respectively.

In May, the Financial Supervisory Authority of Norway approved the conversion of 60 per cent of the Bank's primary capital into equity certificate capital. At the same time, the Bank was given permission to establish its own foundation, Sparebanken Hedmark Sparebankstiftelse, which would become the initial owner of the equity certificate capital. The purpose of the savings bank foundation is to manage the equity certificate capital and be a long-term, stable owner of Sparebanken Hedmark. The foundation is also tasked with making donations to charitable causes in the Bank's main market area.

In September 2015, the Bank's Supervisory Board elected members to the board of the savings bank foundation and general meeting. The members were recruited from different regions of Hedmark in line with the foundation's articles of association. Nils Arne Nordheim was chosen as the foundation's first chair. Together with the board, he will manage the foundation's funds and tasks. Nordheim was Sparebanken Hedmark's director of corporate market before he retired in 2014.

In November 2015, Sparebanken Hedmark Sparebankstiftelse was established with the registration in the Register of Business Enterprises of NOK 3,987,000,000 in equity share capital split between 79,740,000 equity certificates, each with a nominal value of NOK 50 and a subscription price of NOK 50, which were then transferred to the foundation for free. At the end of the year, Sparebanken Hedmark Sparebankstiftelse was the Bank's sole owner. The planned listing on the stock exchange in 2016 will give people, companies and others an opportunity to invest in the Bank.

The Bank converted to an equity certificate bank because links between the Oslo region and the Interior Region are growing ever stronger with respect to both where people live and business. Sparebanken Hedmark wants to take part in this development and size will be an important factor in this process. Equity certificates are important because they enable Sparebanken Hedmark to participate in future structural changes and continue to strengthen its position as one of the country's leading regional banks.

A subsequent listing on the stock exchange would make Sparebanken Hedmark the only listed company in Hedmark and the largest in the Interior Region.

From last year's press conference: Geir Egil Bolstad, Deputy CEO of Bank 1 Oslo Akershus, Richard Heiberg, and Tore Anstein Dobloug.

Bank 1 Oslo Akershus becomes a wholly owned subsidiary of Sparebanken Hedmark

At year-end 2015, Sparebanken Hedmark signed an agreement to buy all of the shares from the Norwegian Confederation of Trade Unions (LO) and the other SpareBank 1 banks. The acquisition is contingent on the permission of the authorities.

The acquisition was made because the other regional banks had for some time expressed a desire to sell their interests in Bank 1 Oslo Akershus because of the great geographical distance from their own home markets. Ensuring strong and more concentrated ownership in B1OA was also an important factor. Around 90 per cent of the remuneration for the shares will be settled by Sparebanken Hedmark conducting a private placement with LO and the other banks*. This means that they will become equity certificate holders in Sparebanken Hedmark. LO will become the second largest owner after Sparebanken Hedmark Sparebankstiftelse with a stake of 15.1 per cent.

Bank 1 Oslo Akershus is a well-run bank and together we will become a larger and more effective regional savings bank group in Eastern Norway with its head office in Hamar. Together we will become the fourth largest savings bank group in Norway.

Bank 1 Oslo Akershus will be run as a subsidiary bank of Sparebanken Hedmark for up to 3 years. The agreement is contingent on the approval of the authorities. Sparebanken Hedmark used SpareBank 1 Markets as its financial adviser and the law firm Selmer as its legal adviser in connection with the transaction.

(*The SamSpar banks are 11 local SpareBank 1 banks, primarily located in Eastern Norway.)

The Economic Barometer in 2015

Sparebanken Hedmark Economic Barometer was published in November for the third year in a row. The Barometer gained a lot of attention both in the media and in other forums, including because the headline this year was that Hedmark, for the first time in 10 years, beat Norway in terms of employment growth. A lower Norwegian kroner exchange rate and better access to qualified employers because of the downturn in the oil sector are also helping to improve profitability. It appears we are in the process of stepping out of the shadow of oil, a term that has haunted the Interior Region for decades.

Sparebanken Hedmark launches micro saving

In February, the Bank launched micro saving, a joint venture for the SpareBank 1 banks in which customers save an amount set by them to an account of their choice every time they use their bank card. Customers choose the option in the online bank and then choose how much and how they will save when they use their card. Micro saving thus functions as a sort of electronic piggy bank. The idea is to offer simple, motivational savings products to our customers.

Young hopefuls invited to housing evening

In the autumn, the Bank invited young adults aged 19-34 to housing evenings; a partnership between employees from the Bank and estate agents from EiendomsMegler 1 Hedmark Eiendom AS. The goal was to make the target group more competent as they enter the housing market.

The housing evenings were held in the Bank's premises in Hamar, Brumunddal, Elverum and Kongsvinger, and represent part of our project aimed at increasing availability by having branches that are open in the evening. In addition to this, typical 'young adult flats' were recreated and used as show flats to illustrate what they should be interested in when viewing flats. The evenings proved very popular. There were long waiting lists and extra housing evenings had to be arranged for those interested.

A LOOK BACK 2015

Q1

SpareBank 1 – the new main sponsor for the national ski team

In March, the SpareBank 1 banks took over as the main partner of the national ski team. With 16 regional banks, SpareBank 1 Forsikring, and EiendomsMegler 1 behind them, the Norwegian Ski Federation is gaining a partner that wants to develop the sport of cross country skiing throughout Norway. The partnership agreement will last for 3 years.

Sparebanken Hedmark lowers rates

In January, Sparebanken Hedmark lowered its rates for mortgages and deposits by up to 0.40 per cent. Young customers with mortgages for young people (BFU) received the Bank's best rates from 2.90 per cent.

Remodelling in Tynset

In January, work started on remodelling the branch in Tynset. The old ventilation system had to be replaced and the premises were refurbished in line with a new branch concept. "We are remodelling our branches so they are better equipped for the future," says regional bank director Geir Schjølberg.

SpareBank 1 Regnskapshuset Østlandet AS acquires accounting firms

SpareBank 1 Regnskapshuset Østlandet AS acquired three accounting firms in 2015: Frostad & Skyrud AS, to strengthen its strategic position in Nedre Romerike. At the same time, we are strengthening our position in Hamar with the acquisition of Stenberg Regnskap og Økonomi AS and Hauge Regnskap AS.

10,000 new users

In February, the Bank passed 10,000 active customer agreements in the online bank for the corporate market. Around 500 of these are unique users of the mobile bank and these logged in more than 85,000 times in the space of one month. "The online bank for the corporate market, together with the mobile bank, is a very good aid for decision makers in their everyday work," says technical director Rune Bye.

Q2

Ethics week focuses on relational courage

The year's ethics week focused on the relational courage to speak up and respond wisely in situations that are perceived as wrong or difficult. The goal of ethics week 2015 was to establish a culture in which questions, openness, and debate contribute to the Group's development.

The Bank arranges UNG seminars

In June, the Bank arranged UNG seminars in Kongsvinger, Tynset, Elverum, Brumunddal and Hamar. The target group was young people aged 19-20 that are leaving home for the first time. The aim was to raise awareness about topics such as consumption, income, expenses, loans, insurance, and saving.

Lower interest rates

For the second time in a year, Sparebanken Hedmark lowered its rates for mortgages and deposits, by up to 0.34 per cent. Young customers with mortgages for young people (BFU) received the Bank's best rates from 2.65 per cent.

Celebrated refurbished branch in Rena

The mayor of Åmot and chief executive Richard Heiberg were present when the newly refurbished premises were opened in Rena in May. The opening was marked by a red carpet, marzipan cakes, and a choir from the local nursery school. Rena is the eleventh branch that has been remodelled in line with the new branch concept.

Million kroner donation for training in life skills

In June, the Bank donated NOK 1.5 million to Young Entrepreneurs, a gift that will in part go towards the 'Sjef i eget liv' ('Boss of your life') training programme. The aim is to make pupils understand that even the choices they make now can have important consequences later on in life.

Q3

First evening open bank in Hedmark

In order to meet our customers' needs even better, the Bank started offering advice until 18:00 in the evening in Hamar, Brumunddal, Elverum and Kongsvinger. "Expectations concerning greater availability are not confined to our industry. This is a society-wide trend that we have to take into account," says Kari Gisnås, Director of Retail Market.

Sparebanken Hedmark lowers rates

For the third time in a year, Sparebanken Hedmark lowered its rates for mortgages, by up to 0.25 per cent. Young customers with mortgages for young people (BFU) received the Bank's best rates from 2.40 per cent.

First master's course in business and economics starts in the Interior Region

In August, the Interior Region's first master's course in business and economics started at Hedmark University College. Sparebanken Hedmark has, together with a number of other business actors, supported the establishment of the new course financially. The Bank has also funded a professorship in economics.

Q4

The world's largest elk unveiled

Sparebanken Hedmark's Art Fund contributed NOK 2 million to the elk, which was unveiled in October at Bjøraa rest stop. The elk is one of the road safety measures along classified road 3. It is made of highly polished steel and has become a popular roadside attraction.

SpareBank 1 acquires mCASH

In October, the SpareBank 1 banks bought the Norwegian part of mCASH and thus took over 100,000 users, more than 600 merchants, and the technological platform. mCASH enables users to pay online and in shops without using a card, just with the aid of a smart phone.

The Bank acquires EiendomsMegler 1 in Gjøvik

In December, Sparebanken Hedmark, via EiendomsMegler 1 Hedmark Eiendom AS, acquired EiendomsMegler 1 Ringerike Hadeland AS's business in Gjøvik. The Bank took over the bank branch in Gjøvik in 2011 and thus it was natural that the estate agent business followed since it is highly integrated into the bank.

SpareBank 1 Ringerike Hadeland co-owner of SpareBank 1 Finans Østlandet AS

In December, SpareBank 1 Ringerike Hadeland became a co-owner of SpareBank 1 Finans Østlandet AS (5 per cent). The companies have had a very good partnership for some time. "Sparebanken Hedmark is pleased that Ringerike Hadeland wants to focus on financing and leasing services together with us. This will enable both parties to strengthen their businesses in Eastern Norway," says Richard Heiberg.

A growing restaurant industry in Hedmarken. Hai Hang is one of the people who have introduced exciting new cuisine to Hamar and Hedmarken through a series of new restaurants. Hai got the inspiration and knowledge to do this while working at the fashionable hotel Raffles in Singapore. He worked here for free at the start of his career in 2002, but learned skills in return.

Source: Sparebanken Hedmark's customer magazine, autumn 2015.

Report of the board of directors

Sparebanken Hedmark is the leading financial institution in Hedmark and Oppland, and Norway's sixth largest savings bank. The bank is the only regional financial institution with its head office in the Interior Region.

Sparebanken Hedmark reinforced its position as the financially strongest regional bank in the country in 2015. At year-end, its unweighted equity ratio was 15.6 per cent and its common equity tier 1 ratio was 17.2 per cent.

Its market position in the region also improved further in 2015. The bank has a market share of around 50 per cent in its primary market area. In 2015, lending grew by 9.3 per cent and deposits by 7.7 per cent. The continuing stable macroeconomic situation in Hedmark and Oppland contributed to very low losses. The Interior Region's industry and commerce is dominated by farming and forestry, plus the associated processing industries, as well as small and medium-sized companies. It has almost no activity directly related to petroleum.

The Board of Directors is very satisfied with the financial statements for 2015. The Group posted a profit after tax of NOK 930 million. The return on equity was 11.4 per cent.

Conversion to an equity certificate bank

Sparebanken Hedmark was converted into an equity certificate bank in 2015. The bank converted 60 per cent of its primary capital to equity share capital. At the same time, a foundation was established, the Sparebanken Hedmark Sparebankstiftelse, to which all 79 740 000 issued equity certificates were transferred in connection with the conversion. The total assets transferred to the new foundation amounted to around NOK 5 billion based on The bank's book equity.

The foundation's purpose is to be a long-term, stable owner of Sparebanken Hedmark. The foundation may make use of part of the profit and distribute dividend funds to socially beneficial causes. The foundation shall, through its ownership of Sparebanken Hedmark, continue the savings bank tradition in Hedmark. According to its articles of association, the foundation may not own less than 50 per cent of the bank's equity certificates.

Acquisition of Bank 1 Oslo Akershus AS

On 12 December, Sparebanken Hedmark signed an agreement for the purchase of the remaining shares in Bank 1 Oslo Akershus AS. Following the acquisition, the foundation will own around 75 per cent of the equity certificates and the Norwegian Confederation of Trade Unions (LO) about 15 per cent. The remaining 10 per cent will be owned by other SpareBank 1 banks.

Implementation is contingent on the approval of the authorities. Final approval is expected in the second quarter of 2016.

Following the acquisition, the Sparebanken Hedmark Group will be Norway's fourth largest savings bank with total assets of around NOK 127 billion. The Group will have around 1,180 employees and 44 branches spread across four counties. The bank will have 23 offices in Hedmark, two in Oppland, ten in Akershus, and nine in Oslo. The aim is to develop the two banks such that together they are viewed as even more competent, with greater breadth and greater competitiveness, by customers and the capital markets. The overall risk for the bank's deposit customers and lenders will also decrease.

Stock exchange listing

Sparebanken Hedmark is planning to list on the stock exchange in the second half of 2016 if the market conditions are satisfactory.

The purpose of the listing is to enable the bank to play a more active role in the future restructuring of the industry. In addition to providing the bank with a means of settlement if acquiring other banks, the listing will help make the financial institution more attractive to both customers and employees. At the same time, it will give the bank an opportunity to raise new equity and offer ownership to customers, staff and investors.

SPAREBANKEN HEDMARK – CONSOLIDATED RESULT

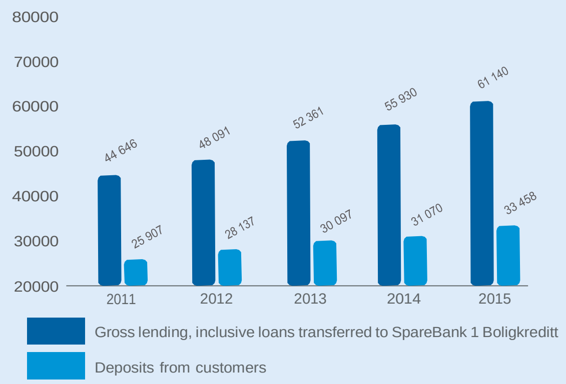
The Group prepares its financial statements in accordance with international accounting standards adopted by the EU (IAS 34).

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

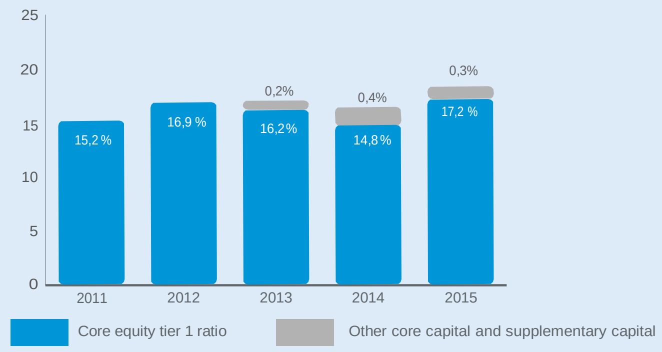
The Group consists of Sparebanken Hedmark and the consolidated, wholly owned subsidiaries EiendomsMegler 1 Hedmark Eiendom AS, SpareBank 1 Finans Østlandet AS, SpareBank 1 Regnskapshuset Østlandet AS and Vato AS.

The bank owns 40.5 per cent of Bank 1 Oslo Akershus AS, 11 per cent of SpareBank 1 Gruppen AS and 8.7 per cent of SpareBank 1 Kredittkort AS. The bank also owns 10 per cent of SpareBank 1 Boligkreditt AS and 3.8 per cent of SpareBank 1 Næringskreditt AS (the covered bond companies). The results from the above companies are recognised in the bank's consolidated financial statements proportionate to the bank's stake.

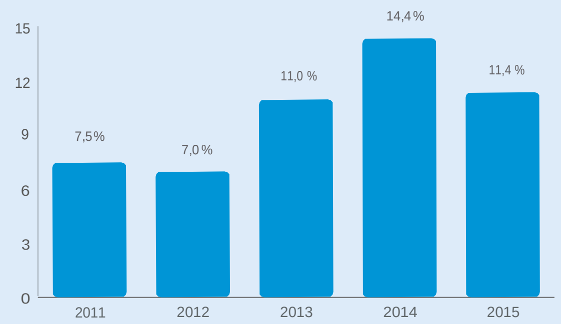
Gross lending and deposits (Group)



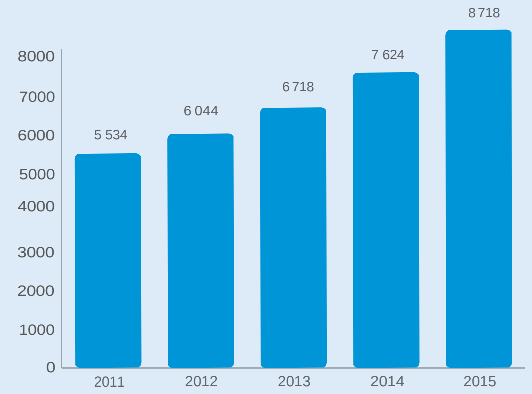
Core equity tier 1 ratio (Group)



Return on equity



Equity Capital (Group)



The Group's profit after tax for 2015 (previous year in brackets) totalled NOK 930 (1 040) million. The return on equity was 11.4 (14.4) per cent.

Specification of the consolidated profit after tax in NOK millions:

Parent Bank's profit after tax	796
Dividends received from subsidiaries/associated companies	- 259
Share of the result from:	
SpareBank 1 Gruppen AS	142
Bank 1 Oslo Akershus AS	103
SpareBank 1 Boligkreditt	46
EiendomsMegler 1 Hedmark Eiendom AS	5
SpareBank 1 Finans Østlandet AS	74
SpareBank 1 Regnskapshuset Østlandet AS	11
SpareBank 1 Kredittkort AS	10
Other associated companies/joint ventures	2
Consolidated profit after tax	**930**

Interest income and other operating income

Total net interest income, inclusive of commissions from loans and credit transferred to partly-owned covered bond companies (recognised as commissions), amounted to NOK 1,293 (1,271) million. This represents an increase of 1.7 per cent compared with 2014.

The Group's net interest income as a percentage of the average total assets was 2.08 per cent in 2015, compared with 2.14 per cent in 2014.

The Group's lending margin, inclusive of mortgages in the covered bond company, amounted to 2.68 (2.96) per cent. The deposit margin was -0.22 (-0.52) per cent. The Group's net interest margin was 2.46 (2.44) per cent.

Net commissions decreased from NOK 525 million in 2014 to NOK 461 million in 2015. This was primarily attributable to a NOK 40 million drop in commissions from loans transferred to the covered bond companies due to reduced margins. 2014 also saw the recognition of NOK 41 million in extraordinary income from SpareBank 1 Kredittkort AS.

Other operating income increased by NOK 52 million to NOK 190 million. This was largely due to SpareBank 1 Regnskapshuset AS's increased turnover.

The total income from the Group's accounting and estate agency business was NOK 253 million in 2015. This represents an increase of NOK 48 million or 23 per cent.

Net result from financial assets and liabilities

The net result from financial assets and liabilities fell by NOK 58 million to NOK 514 (572) million. Dividends were NOK 4 million lower and the net result from ownership interests fell by NOK 93 million. The profit from the sale of the shares in the payment systems company Nets Holding ASA contributed NOK 158 million in 2014. Changes in the market value of securities saw an improvement in the result of NOK 39 million in 2015.

The share of the profit from Bank 1 Oslo Akershus AS accounted for NOK 103 (183) million of the result from ownership interests and the share of the profit from SpareBank 1 Gruppen AS accounted for 142 (202) million.

The net result from other financial assets and liabilities amounted to NOK 205 (166) 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 184 (-36) million, while the change in value for fixed-rate products for customers was NOK 15 (28) million. Other items amounted to NOK 6 (174) million. Nets accounted for NOK 158 million in 2014.

Secondary market trading spreads for Norwegian financial securities were volatile in 2015. For a five-year, senior issue in a Norwegian regional savings bank, the market's premium above NIBOR rose from around 60 basis points at the start of the year to around 135 basis points at year-end. All other things being equal, this results in the relevant discount rate on previously issued fixed income securities with fixed coupons increasing and thus their present value (price) sinking. The drop in prices for own debt results in an unrealised gain, but the drop in prices for purchased fixed income securities results in an unrealised loss. The net effect for Sparebanken Hedmark of a drop in prices for all fixed income securities, inclusive of hedging transactions, was positive in the amount of NOK 184 million in 2015. The positive effect of NOK 184 million comes from income on securities issued, NOK 252 million, and a loss from securities investments, NOK 68 million. Cumulatively, an unrealised loss of NOK 140 million as of year-end 2014 has turned into an unrealised gain of NOK 50 million as of year-end 2015. Assuming that all of the securities issued and all of the purchased fixed income securities are not realised until they mature, the bank will, over the duration of the securities, redeem this unrealised gain of NOK 50 million at a rate of around NOK 17 million per year.

Costs, losses and problem loans

The Group's operating costs were NOK 1,051 (981) million. This represents an increase of 7.1 (7.1) per cent compared with the year before. NOK 55 million of the NOK 70 million increase was due to increased costs in subsidiaries, primarily due to greater activity.

Personnel costs amounted to NOK 590 (543) million. This represents an increase of NOK 47 million, or 9 per cent, which is primarily attributable to increased staffing levels in subsidiaries and ordinary wage growth. The number of full-time equivalents in the Group increased by 54, from 673 in 2014 to 727 in 2015.

Other operating costs increased by 5.4 per cent and amounted to NOK 462 (438) million.

Operating costs as a percentage of total income were 46.3 (43.0) per cent.

Total loan losses amounted to NOK 56 (66) million. NOK 6 million of the losses were in the retail market division and NOK 29 million in the corporate market division. The losses in SpareBank 1 Finans Østlandet AS amounted to NOK 21 million. At year-end, the bank's total lending exposure to oil-related industries was less than 0.1 per cent.

Group write-downs to cover net loan loss provisions amounted to NOK 120 (116) million equivalent to 0.27 per cent of total lending.

The loan loss provision ratio, measured as total individual write-downs of NOK 147 million in relation to total non-performing and other impaired loans of NOK 544 million, was 27 (26) per cent at year-end.

Credit quality, measured as total problem commitments in relation to total lending, further improved in 2015. In total, the Group's problem commitments amounted to 1.1 (1.2) per cent of gross commitments on its balance sheet and 0.8 (0.9) per cent if one includes loans transferred to the covered bond companies.

Assets, funding and financial strength

Gross lending to customers, inclusive of loans transferred to the covered bond companies, totalled NOK 61.1 (55.9) billion. At year-end, loans totalling NOK 16.8 (15.4) 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 twelve-month lending growth, inclusive of transferred loans, was 9.3 (6.8) per cent.

Retail customer loans transferred to the covered bond companies as a percentage of the overall retail customer loans (loans on it s balance sheet and transferred loans) was 42.7 (42.1) per cent.

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

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

Customer deposits totalled NOK 33.5 (31.1) billion. The growth over the past twelve-month period was 7.7 (3.2) per cent.

Deposits represented 76.4 (77.8) per cent of gross lending.

Senior debt to financial institutions and senior securities issued totalled NOK 12.2 (9.6) billion. The average term to maturity of the bank's long-term funding was 3.8 (4.0) years. The average term to maturity for all borrowing was 3.3 (3.6) years. The average risk premium on the bank's existing funding at the end of the fourth quarter was 81 (82) basis points. In addition to senior debt, the bank had NOK 0.5 billion outstanding in subordinated loans.

The bank continued to have easy access to senior funding. At year-end, the bank had enough reserves to maintain normal operations for 15 (18) months. The LCR (Liquidity Coverage Ratio) was 120.8 per cent.

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

The Group's equity amounted to NOK 8.7 (7.6) billion, which is equivalent to 15.6 (15.3) per cent of the balance sheet. The Leverage Ratio was 9.2 (8.2) per cent.

The Group's common equity tier 1 ratio at year-end was 17.2 per cent, an increase of 2.4 percentage points compared with the year before. The total capital adequacy ratio was 19.1 (17.1) per cent.

The most important reason for the increase in financial strength in 2015 was that the bank's profit, less deductions for donations, was allocated in full to the Bank's equity.

Furthermore, in February, the bank was granted permission by the Financial Supervisory Authority of Norway to use Advanced IRB to calculate capital requirements for its corporate customer portfolio. This means that the bank now uses internal models to calculate capital needs based on the individual customer's credit risk. The capital requirements will thus better match the actual risk in the bank's credit portfolio. At the same time, the authorities increased risk weightings for mortgages, meaning that the overall effect of these two changes was a 0.65 percentage point improvement in the common equity tier 1 ratio.

Rating

Sparebanken Hedmark is rated A2 by Moody's Investor Service. The rating has a 'stable outlook'. Moody's has changed the criteria it applies in its new rating methodology in order to assign banks a rating that is one or more grades higher due to the likelihood of government support. Applying the new method, Moody's has moved Sparebanken Hedmark down by one grade because in its opinion the likelihood of government support is low. According to Moody's method, the county of Hedmark is too small a county. In order to mark it up a grade, total lending in the county must amount to more than 5 per cent of the total lending in Norway.

In connection with the announcement of Sparebanken Hedmark's acquisition of Bank 1 Oslo Akershus AS, Moody's published an assessment of the acquisition that concluded that the acquisition was credit positive for Sparebanken Hedmark.

SPAREBANKEN HEDMARK – PARENT BANK

The profit after tax in 2015 totalled NOK 796 (676) million. Banking operations, defined as net interest income plus commissions and other operating income less operating costs and losses, achieved a profit before tax of NOK 539 (521) million.

Interest income, commissions, and financial income

Net interest income, inclusive of loans transferred to the covered bond companies, amounted to NOK 1,068 (1,063) million. The NOK 5 million improvement is attributable to the increased net interest income of NOK 45 million due to growth. Commissions from transferred loans to the covered bond companies decreased by NOK 40 million due to reduced lending margins.

The net interest margin for loans on the balance sheet (exclusive of currency loans) was 2.42 (2.49) per cent. The lending margin was 2.64 (3.01) per cent and the deposit margin was -0.22 (-0.52) per cent. The net interest margin improved towards the end of the year.

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

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

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

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

The interest margin for the retail market was 2.29 (2.38) per cent, and for the corporate market it was 2.69 (2.49) per cent.

NOK 188 (228) million of the NOK 429 (482) 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 1.17 (1.47) per cent. The lending margin experienced a downward trend in 2015.

Income from financial assets and liabilities was NOK 473 (296) million. Income from dividends amounted to NOK 8 (13) million. The net result from ownership interests, primarily dividends, amounted to NOK 260 (117) million. Dividend receipts amounted to NOK 107 million from SpareBank 1 Gruppen AS, NOK 51 million from Bank 1 Oslo Akershus AS, and NOK 73 million from SpareBank 1 Finans Østlandet AS. The net result from other financial assets and liabilities amounted to NOK 205 (166) million. The profit from the sale of the shares in Nets Holding ASA was included in the result for 2014. The result for 2015 is explained in more detail in the corresponding section for the Group.

Operating costs

Total operating costs amounted to NOK 743 (726) million. Costs increased by 2.3 (6.6) per cent, or NOK 17 million, compared with the year before. Personnel costs increased by NOK 7 million. NOK 5 million of this increase was linked to services performed for the Alliance and which provide corresponding income. Other operating costs increased by NOK 9 million.

At year-end, the Parent Bank had 470 (459) full-time equivalents.

Operating costs represented 41.7 (45.0) per cent of total income.

Losses on loans and guarantees

The net loan loss provisions were NOK 35 (52) million. NOK 6 (15) million of this was in the retail market, while NOK 29 (36) million was in the corporate market. Group write-downs accounted for NOK 2 (8) million of total losses.

Loans and deposits

Gross lending to customers at year-end, inclusive of loans worth NOK 17.4 billion transferred to the covered bond companies, totalled NOK 55.5 (51.1) billion. The Parent Bank's lending growth for the last twelve months, inclusive of loans transferred to the covered bond companies, was 8.6 (6.5) per cent.

Growth, including transferred loans, was 7.6 (6.3) per cent in the retail market and 10.9 (7.0) per cent in the corporate market. The risk profile for the bank's granting of credit did not change during the year.

Deposits from and liabilities to customers totalled NOK 33.5 (31.1) billion at the end of the year. The growth in deposits over the past twelve months was 7.8 (3.2) per cent. NOK 21.6 (20.2) billion of deposits came from the retail market, while NOK 11.9 (10.9) billion came from the corporate market.

Subsidiaries and partly-owned companies

The financing company SpareBank 1 Finans Østlandet AS posted a profit after tax of NOK 74 (73) million. The company's gross lending totalled NOK 5.7 (4.8) billion. Gross lending growth over the past twelve months was 17.0 (16.1) per cent.

SpareBank 1 Regnskapshuset Østlandet AS posted earnings of NOK 172 (126) million and achieved a profit after tax of NOK 11 (4) million.

The estate agency EiendomsMegler 1 Hedmark Eiendom AS posted earnings of NOK 81 (79) million and achieved a profit after tax of NOK 5 (8) million.

SpareBank 1 Gruppen AS (11 per cent stake) achieved a consolidated profit after tax of NOK 1,287 (1,850) million. The return on equity was 16.9 (28.0) per cent.

Bank 1 Oslo Akershus AS (40.5 per cent stake) achieved a profit after tax of NOK 254 (452) million. This profit corresponds to a return on equity of 8.4 (15.4) per cent. The common equity tier 1 ratio was 15.3 (14.5) per cent.

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

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

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

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

Financial strength

The common equity tier 1 ratio was 24.1 (21.7) per cent at year-end.

The Parent Bank's equity was NOK 7.7 (6.8) billion. The equity share capital consists of 79,740,000 equity certificates, each with a face value of NOK 50. At year-end, the total equity in the Parent Bank amounted to 14.0 (13.9) of the balance sheet.

RISK MANAGEMENT

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

The Board of Directors has adopted the 'Risk and Capital Management Policy in Sparebanken Hedmark'. This document defines the principal framework for risk management, including the management of the various risks. The Board of Directors adopts the overall risk strategy, the governing documents for the credit area, as well as the bank's finance strategy for the areas of funding risk and market risk on an annual basis. Risk exposure and development are monitored and reported to the bank's Board of Directors and executive management team periodically.

Credit risk

Credit risk is defined as the risk of losses if customers or counterparties are unable or unwilling to meet their financial obligations.

Credit risk in the loan portfolio is the bank's greatest risk. The risk is continuously managed in accordance with the bank's credit strategy, credit policy, credit authorities, routines/processes for credit granting and various reporting and follow-up requirements. Sparebanken Hedmark has been authorised by the Financial Supervisory Authority of Norway to use the Advanced IRB method to calculate capital needs for credit risk and thus use statistical models as a basis for classifying the portfolio into risk groups. For more detailed information, please refer to the Group's Pillar 3 document, which is available from the bank's website.

The bank primarily finances retail market customers and corporate customers in Hedmark, Oppland and Akershus. As before, the bank participates in the financing of individual projects in cooperation with other banks in the SpareBank 1 Alliance.

The risk profile in the corporate market portfolio improved in 2015. Expected losses and risk-adjusted capital have been reduced in relative terms. Total defaults have decreased and loan losses remain at a very low level, and lower than in 2014. Lending growth was somewhat higher in 2015 than in 2014.

The risk profile in the retail market portfolio has improved and the risk in the portfolio is regarded as low, with most secured in real estate. Total defaults have been reduced and losses on loans are low. Lending growth has been on a par with growth in the market. As long as the collateral value is not reduced as a result of significantly lower housing prices or a significant increase in unemployment, the loss risk in the portfolio is limited.

The bank's portfolio of interest-bearing securities also entails a credit risk. This is described in greater detail in the market risk section below. The Parent Bank also has credit risk related to accounts receivable from other credit institutions. The decidedly largest single receivable is a loan to the bank's subsidiary, SpareBank 1 Finans Østlandet AS.

The Board of Directors believes that the bank's credit risk related to lending operations overall has developed positively in 2015. The Group's credit risk is considered to be moderate.

Market risk

Market risk is defined as the risk of losses due to changes in interest rates, share prices and foreign exchange rates.

Limits and guidelines for the management of market risk follow from the Group's financial strategy adopted by

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

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

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

Herud has a degree in civil economics. He has worked within finance and industry and is the General Manager of 7sterke AS. He was elected to the board in 2013.

the Board of Directors. Risk exposure and development are continuously monitored and reported to the bank's Board of Directors and executive management team.

The Group's market risk is primarily related to investments in fixed-income securities in the Parent Bank's liquidity portfolio, and to the issuance of debt securities. This market risk - the spread risk - can be divided into interest rate risk and credit risk.

Guidelines and limits for investments in fixed-income securities are adapted to the regulatory requirements for funding management. Total investments in fixed income securities amounted to NOK 6.1 billion at year-end. The relative share of fixed income securities with the lowest credit risk increased throughout the year due to the gradual adaptation to regulatory funding requirements. 91.2 per cent of the portfolio was rated AA or better at year-end.

Securities issued increased during the year from a nominal value of NOK 8.9 billion to a nominal value of NOK 11.8 billion. The liabilities´ market value varies with changes in interest rates and credit spreads.

Interest rate risk arises as a result of the Group's balance sheet items having different remaining interest rate commitment terms. The bank manages interest rate risk in accordance with adopted risk limits by adapting the interest rate commitment terms for the aforementioned investments and funding. At year-end, an increase in the interest rate level of one percentage point through a parallel shift in the entire yield curve would have reduced the result by NOK 13.2 million.

Currency risk is managed by means of the adopted exposure limits. The positions were low throughout 2015.

The price risk for equity capital instruments is measured in relation to exposure to such instruments. The greatest part of the exposure concerns strategic investments in Alliance associated companies. In 2015, the bank experienced an increase in exposure to equity capital instruments of NOK 207.3 million.

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

Funding risk

Funding risk is the risk that the bank is not able to fulfil its obligations when due, or finance assets, including desired growth, without significant extra costs. Management of the funding risk is based on the finance strategy. This sets limits for the net funding requirements at different time intervals, requirements for long-term and diversified funding, the size of the liquidity reserve and time horizons for which the bank must be independent of new external financing.

Deposits from customers represent the bank's main source of funding. Sparebanken Hedmark's goal is to maintain a broad base of deposits from both retail and corporate customers. At year-end 2015, the Group had a deposit coverage ratio of more than 76 per cent.

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

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

The bank satisfies the regulatory liquidity requirements by having liquid assets that satisfy heavy short-term stress in addition to survival in a longer perspective. At year-end, the bank had a liquidity coverage ratio (LCR) of 120.8 per cent, at the same time as the bank has enough liquid assets to survive for more than 15 months without the supply of external funding in an ordinary operating situation with budget growth.

Operational risk

Operational risk is the risk of losses due to inadequate or failed internal processes or systems, human error or external events. The process for managing operational risk must, insofar as it is possible, ensure that no individual events caused by operational risk seriously damage the financial institution's financial position.

The management of operational risk is based on the 'Policy for Operational Risk'. Risk assessments are carried out of various areas to which the financial institution is exposed at any given time. Special systems have been established for following up risk assessment control measures and improvement measures, as well as for reporting adverse events.

On the basis of the bank's earnings and financial strength, as well as the organisation's competence and management systems, the Board of Directors believes that the bank's overall risk exposure in relation to operational risk is acceptable.

ORGANISATION AND HR

Sparebanken Hedmark systematically works to recruit, develop and retain capable employees and develop a competent and adaptable organisation.

In addition to professional development and challenges, it is hoped that focusing on healthy lifestyles, active groups in the company sports club, and expanded annual health check-ups will all contribute to good health, greater well-being and high levels of motivation.

From an HR perspective, the bank's strategy particularly focuses on developing a good understanding of business and interaction, active and change-oriented managers and employees, and developing the employees' digital skills.

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

The bank improved its 'Management School' for developing both new and existing managers in 2015. In addition to this, there are specialist days for managers, half-yearly gatherings for all managers in the Group, and manager meetings within the individual divisions.

Organisational development and HSE

Some minor adaptations were made to the organisation's structure and a series of organisational development activities were implemented in 2015. Much of this has involved improving work processes and better interaction between parts of the Group.

An annual survey is conducted of the organisation. This plays an important role in the evaluation, follow-up and development of all of the organisation's managers. The results for the organisation in 2015 were, overall, at the highest level that has been measured using this method.

Sick leave was 4.0 per cent in 2015. Short-term sick leave was below 1.0 per cent and long-term sick leave was largely related to serious illnesses that were not work related. The bank is an Inclusive Workplace company and systematically strives to achieve the targets that are set. No occupational accidents were registered in 2015.

Equal opport unities

Women account for 57 per cent of the bank's employees, while the proportion of women in managerial positions is 43 per cent. The proportion of women in managerial positions has been increasing for years, but dropped from 44 to 43 per cent last year.

The chief executive's management team consists of two women and seven men. The bank's Board of Directors consists of three women and four men, while the Board of Representatives consists of 14 women and 26 men.

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

All employees' salaries are set on the basis of the duties of their position, complexity, responsibilities, and achieved results. Individual appraisals are conducted each year.

Sparebanken Hedmark strives to avoid discrimination in all contexts. The bank makes special adaptations for employees who, because of illness, experience reduced capacity for work or who, for some other reason, require adaptation of their workplace and work tasks. In collaboration with the Norwegian Labour and Welfare Service (NAV), the bank also welcomes employees who need training and work experience.

Ethics

Sparebanken Hedmark's employees should be known for their high ethical standards. Its employees should be competent, honest, fair, and inspire confidence. The necessary professional distance should be maintained in all interactions with others.

Value shall be created in accordance with good advice practices and within limits that do not require the individual employee to violate the code of conduct in order to satisfy financial targets.

Reviewing the code of conduct is part of the mandatory introductory programme for new employees. An annual 'Ethics Week' is also arranged and involves the entire organisation. All the employees must also confirm each year that they have reviewed and understood the content of the code of conduct.

Outlook for 2016

Lower economic growth is expected in Norway in 2016. Sparebanken Hedmark's primary market is the Interior Region, which principally encompasses the counties of Hedmark and Oppland. The Interior Region has traditionally been less exposed to cyclical fluctuations than other regions. Its business sector has very little exposure to the oil and gas industry. However, international developments and developments in the rest of the country could affect the Interior Region over time. The Bank is well prepared for any setback with good funding, a high deposit coverage ratio, stable earnings and a high level of equity.
2016 will be an important year for Sparebanken Hedmark. Subject to the authorities' approval, Bank 1 Oslo Akershus AS will become a wholly owned subsidiary bank during the year. The banks will be merged as soon as conditions permit, but no later than within 3 years. The work of coordinating the two banks will be a high priority and will commence as soon as the authorities give their approval.

The Bank's plans to list on the stock exchange in the second half of the year provide a basis for the further development of the Group. Sparebanken Hedmark is very well capitalised and the main motive for listing is to have an attractive and liquid means of settlement for any structural transactions. One condition for the listing is that the market conditions are satisfactory, with the valuation of banks at a normalised level. The Board will assess this on an ongoing basis and possibly delay listing until after 2016 if the market is not regarded as satisfactory.

The Board of Directors of Sparebanken Hedmark
Hamar, 03. March 2016

Siri J. Strømmevold
Chairman

Bjørnar Håkensmoen

Erik Garaas

Espen Bjørklund Larsen

Nina C. Lier

Aud Christensen

Morten Herud

Richard Heiberg
Chief Executive Officer

Income Statement

Local food production. Ola Eggen leads his cows home to his farm in Nord-Østerdal at the end of the mountain pasture season. In addition to farming, he and his family also make cheese. After many years of hard work, they have achieved a milestone by creating four jobs within farming and cheese making.

Source: Sparebanken Hedmark's Economic Barometer 2015.

Income statement

Parent bank				Group	
2014	**2015**	(NOK million)	Notes	**2015**	**2014**
1 894	1 748	Interest income	20	1 972	2 101
1 059	868	Interest expenses	20	867	1 058
835	**880**	**Net interest income**		**1 105**	**1 043**
497	435	Commission income	21	514	575
31	27	Commission expenses	21	53	50
16	21	Other operating income	21	190	138
482	**429**	**Net commission and other income**		**651**	**663**
13	9	Dividends	22	9	13
117	259	Net profit from ownership interests	22 40,42	301	394
166	205	Net profit from other financial assets and liabilities	22	205	166
295	**472**	**Net income from financial assets and liabilities**		**514**	**572**
1 613	**1 781**	**Total net income**		**2 270**	**2 279**
374	381	Personnel expenses	23,24	590	543
353	362	Other operating expenses	25	462	438
726	**743**	**Total operating expenses before losses on loans and guarantees**		**1 051**	**981**
886	**1 038**	**Profit before losses on loans and guarantees**		**1 219**	**1 298**
52	35	Losses on loans and guarantees	11	56	66
835	**1 003**	**Profit/loss before tax**		**1 163**	**1 232**
159	207	Tax charge	26	233	192
676	**796**	**Results for the accounting year**		**930**	**1 040**
		Majority interests		930	1 038
		Minority interests			2
		Profit per ECC		7.0	
676	**796**	**Statement of other comprehensive income**		**930**	**1 040**
-51	79	Actuarial gains / losses on pensions		85	-51
14	-20	Tax effect of actuarial gains/losses on pensions		-21	14
		Share of other comprehensive income from equity investments		34	-14
-37	**59**	**Total items not reclassified through profit or loss**		**98**	**-51**
142	67	Change in value of financial assets available for sale		67	142
	0	Financial assets available for sale transferred to profit and loss on realisation		0	
	0	Financial assets available for sale transferred to profit and loss on write-downs due to permanent impairment of value		0	
-158		Share of other comprehensive income from equity investments			-158
-16	**67**	**Total items reclassified through profit or loss**		**82**	**-14**
-53	**127**	**Total profit and loss items recognised in equity**		**180**	**-65**
623	**923**	**Total profit and loss for the accounting year**		**1 109**	**975**
		Majority interest of comprehensive income		1 109	973
		Minority interest of comprehensive income			2

Balance sheet

Parent bank				Group	
2014	**2015**	(NOK million)	Notes	**2015**	**2014**
		ASSETS			
748	264	Cash and deposits with central banks		264	748
4 856	5 701	Loans to and receivables from credit institutions	7	864	675
34 923	37 953	Loans to and receivables from customers	8	43 526	39 691
4 017	6 133	Certificates and bonds	30	6 133	4 017
531	455	Financial derivatives	31	455	531
239	294	Shares, units and other equity interests	32	294	239
2 323	2 457	Investments in associates and joint ventures	40	3 386	3 073
668	859	Investments in subsidiaries	40		
315	314	Property, plant and equipment	35	341	336
110	104	Goodwill and other intangible assets	33, 34	211	185
72	13	Deferred tax asset	26		33
260	314	Other assets	36	497	406
49 061	**54 861**	**Total assets**		**55 971**	**49 934**
		LIABILITIES			
667	661	Deposits from and liabilities to credit institutions	7	660	665
31 085	33 508	Deposits from and liabilities to customers	37	33 458	31 070
8 951	11 576	Liabilities arising from issuance of securities	38	11 576	8 951
330	320	Financial derivatives	31	320	330
146	163	Current tax liabilities	26	167	150
		Deferred tax liabilities	26	65	
581	440	Other debt and liabilities recognised in the balance sheet	39	510	639
505	496	Subordinated loan capital	38	496	505
42 265	**47 166**	**Total liabilities**		**47 253**	**42 310**
		EQUITY CAPITAL			
	3 987	Equity capital certificates		3 987	
	503	Dividend equalisation fund		503	
6 645	3 019	Primary capital		3 019	6 645
42	50	Endowment fund		50	42
109	135	Fund for unrealised gains		135	110
		Other equity		1 023	827
6 796	**7 695**	**Total equity capital**		**8 718**	**7 624**
49 061	**54 861**	**Total equity capital and liabilities**		**55 971**	**49 934**

The Board of Directors of Sparebanken Hedmark
Hamar, 03. March 2016

Siri J. Strømmevold
Chairman

Bjørnar Håkensmoen

Erik Garaas

Espen Bjørklund Larsen

Nina C. Lier

Aud Christensen

Morten Herud

Richard Heiberg
Chief executive officer

Changes in equity capital

Parent bank

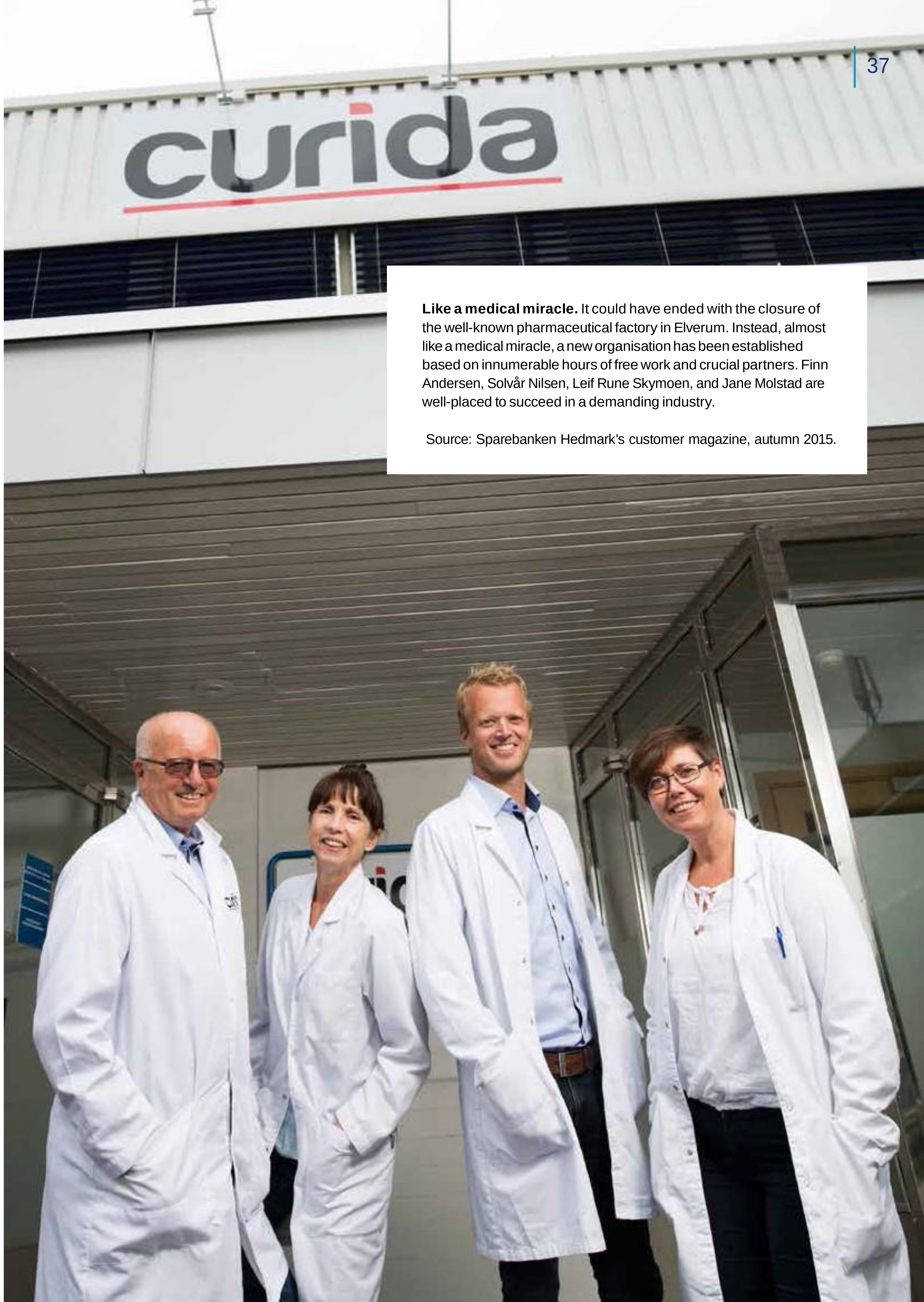
(NOK million)	Equity certificates capital	Dividend equalisation fund	Primary capital	Endowment fund	Fund for unrealised gains	Total equity capital
		Earned equity capital				
Equity capital at 1 January 2014			**6 012**	**71**	**125**	**6 208**
Results for the accounting year			676			676
Actuarial gains / losses on pensions			-38			-38
Change in value of financial assets available for sale					-16	-16
Donations distributed from profit 2013			-6			-6
Grants from endowment fund in 2014				-29		-29
Equity capital at 31 December 2014			**6 644**	**42**	**109**	**6 796**
Equity capital at 1 January 2015	**0**	**0**	**6 644**	**42**	**109**	**6 795**
OB correction: Correction of previous years' errors			**57**		**-57**	
Adjusted equity capital at 1 January 2013	**0**	**0**	**6 701**	**42**	**52**	**6 795**
ECs transferred Foundation	**3 987**		**-3 987**			
Results for the accounting year		468	312		16	796
Actuarial gains / losses on pensions		35	24			59
Change revaluation reserve					67	67
Donations distributed from profit 2014			-6			-6
To endowment fund in 2015			-25	25		
Grants from endowment fund in 2015				-17		-17
Equity capital at 31 December 2015	**3 987**	**503**	**3 019**	**50**	**135**	**7 695**

Group

(NOK million)	Equity certificates capital	Dividend equalisa- tion fund	Primary capital	Endowment fund	Fund for unrealised gains	Other equity	Minority interests	Total equity capital
		Earned equity capital						
Equity capital at 1 January 2014			**6 012**	**71**	**125**	**495**	**14**	**6 718**
Results for the accounting year			676			364		1 040
Actuarial gains / losses on pensions			-38					-37
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss						-14		-14
Change in value of financial assets available for sale					-16	1		-14
Adjusted equity capital in associated companies and joint ventures						-4		-4
Change in the group composition						-15	-14	-29
Donations distributed from profit 2013			-6					-6
Grants from endowment fund in 2014				-29				-29
Equity capital at 31 December 2014			**6 644**	**42**	**109**	**827**	**0**	**7 624**
Equity capital at 1 January 2015			**6 644**	**42**	**109**	**827**	**0**	**7 624**
OB correction: Correction of previous years' errors in associated companies and joint ventures						5		5
OB correction: Correction of previous years' errors			57		-57			
Adjusted equity capital at 1 January 2015	**0**	**0**	**6 701**	**42**	**52**	**832**	**0**	**7 630**
ECs transferred Foundation	3 987		-3 987					0
Results for the accounting year		468	312		16	134		930
Actuarial gains / losses on pensions		35	24			5		65
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss						34		34
Change revaluation reserve					67			67
Other items that will be reclassified in associated companies and joint ventures						14		14
Adjusted equity capital in associated companies and joint ventures						2		2
Donations distributed from profit 2014			-6					-6
To endowment fund in 2015			-25	25				0
Grants from endowment fund in 2015				-17				-17
Equity capital at 31 December 2015	**3 987**	**503**	**3 019**	**50**	**135**	**1 023**	**0**	**8 718**

Cash flow statement

Parent bank			Group	
2014	2015	(NOK million)	2015	2014
11 012	10 912	This year's downpayment on repayment loans etc. to customers	13 378	12 905
		Change in advance rent leasing	9	19
-10 394	-14 568	Newly discounted repayment loans etc. to customers for the year	-17 868	-12 979
-118	74	Change in balances of foreign currency lending	74	-118
-2 883	513	Change in balances of credits	511	-2 883
1 541	1 403	Interest and commission income on lending	1 726	1 848
5	4	Included in previous years' realised losses on lending	9	9
		Net cash flow from assets held for sale		1
-837	**-1 663**	**Cash flow from lending operations (A)**	**-2 161**	**-1 198**
715	2 146	Change in balances of deposits from customers at call	2 118	714
279	277	Change in balances of deposits from customers with agreed maturity dates	277	279
-766	-566	Interest payments to customers	-564	-763
228	**1 857**	**Cash flow from deposit operations (B)**	**1 831**	**231**
914	-2 184	Net cash flow from securities held short term	-2 184	914
122	39	Cash flow linked to exchange rate gains / losses on securities held short term	39	122
97	92	Interest received on certificates and bonds	92	97
1 134	**-2 053**	**Cash flow from investments in securities (C)**	**-2 053**	**1 134**
-592	-835	Change in receivables from credit institutions with agreed maturity dates	-170	33
116	126	Interest received on deposits in credit institutions	126	116
-476	**-709**	**Cash flow from deposits in credit institutions (D)**	**-44**	**149**
619	563	Other income	814	821
-696	-860	Operating expenses payable	-1 186	-979
-146	-128	Tax payments	-130	-159
-35	-24	Donations	-24	-35
	-40	Group contribution	-6	
68	-10	Net cash flow from change in other assets	-43	-37
248	57	Net cash flow from change in accruals	-45	147
14	-33	Net cash flow from change in other liabilities	-16	-121
72	**-475**	**Remaining cash flow from current operations (E)**	**-635**	**-361**
121	**-3 043**	**CASH FLOW FROM OPERATIONS (A+B+C+D+E=F)**	**-3 062**	**-46**
17	-6	Change in deposits from credit institutions	-10	33
2 053	4 000	Receipts arising from issuance of securities	4 000	2 053
-1 388	-658	Payments arising from redemption of securities issued	-658	-1 388
-262	-440	Buy-back of own securities	-440	-262
-225	-241	Interest payments on financing	-241	-225
195	**2 656**	**Cash flow from financing activities (G)**	**2 651**	**211**
-77	-31	Investments in fixed assets and intangible assets	-50	-83
1	2	Sales of fixed assets and intangible assets at sales price	2	1
-222	-178	Purchase of long-term securities	-178	-222
280	4	Sale of long-term securities	4	280
147	268	Share dividends from securities held long term	187	85
130	**64**	**Cash flow from investments (H)**	**-35**	**61**
-27		Liquidity effect of acquisition and sale of subsidiaries(I)	-28	-43
-235	-150	Payments arising from placements in subsidaries (L)		
184	**-474**	**CHANGE IN CASH AND CASH EQUIVALENTS (F+G+H+I+L)**	**-474**	**184**
599	783	Cash and cash equivalents at 1 January	783	599
783	**309**	**Cash and cash equivalents at 31 December**	**309**	**783**
		Cash and cash equivalents at 31 December comprise:		
748	264	Cash and deposits with central banks	264	748
35	**46**	**Deposits etc. at call with banks**	**46**	**35**
783	**309**	**Cash and cash equivalents at 31 December**	**309**	**783**



Like a medical miracle. It could have ended with the closure of the well-known pharmaceutical factory in Elverum. Instead, almost like a medical miracle, a new organisation has been established based on innumerable hours of free work and crucial partners. Finn Andersen, Solvår Nilsen, Leif Rune Skymoen, and Jane Molstad are well-placed to succeed in a demanding industry.

Source: Sparebanken Hedmark's customer magazine, autumn 2015.

Notes

Riding the road wave. Basse Aarstad (right) and Kjell Tore Bjørnhaug (middle) are often out in the field ensuring that their employees are satisfied with their work and equipment. Their company organises personnel for Norway's largest road projects and knows exactly where to find the best road workers in Scandinavia.

Source: Sparebanken Hedmark's Economic Barometer 2015.

Notes to the accounts

Boom for luxury cars. The car manufacturer Raufoss Technology AS is experiencing a new spring in cooperation with Mercedes, Jaguar, Land Rover and Volvo. Both the number of employees and profit have increased dramatically in the last 2 years. Anja Fredrikstad works on the newest assembly line for Volvo, where she produces wheel suspensions for the new Volvo XC90.

Source: Sparebanken Hedmark's Economic Barometer 2015.

Note 1 General information

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

Sparebanken Hedmark is domiciled in Norway and its head office is in Hamar. The Bank has a total of 26 branches spread across three counties. The branch network is primarily located in Hedmark, but the Bank also has two branches in Oppland and one in Akershus. All of the subsidiaries have a head office in Hedmark County.

The Group's core operations include deposits, lending, payment systems, leasing, sales of other financial products and services, as well as estate agency and accounting services.

Joint ventures
Sparebanken Hedmark owns 11 percent of SpareBank 1 Gruppen AS. The stake is classified as an investment in a joint venture. Other owners are SpareBank 1 SR-bank ASA, SpareBank 1 Nord-Norge, SpareBank 1 SMN, and Samarbeidende Sparebanker AS, each of which owns a 19.5 percent stake, as well as the Norwegian Federation of Trade Unions (LO) with a 9.6 percent stake and Bank 1 Oslo Akershus AS with a 1.4 percent stake. The Alliance's management structure is regulated by an agreement between the owners.

The Bank also owns 50 percent of Torggata 22 AS and 11.3 percent of SpareBank Banksamarbeidet DA. These investments are also classified as joint ventures. The other owners of the SpareBank 1 Banksamarbeidet DA are the banks in the SpareBank 1 Alliance.

Associated companies
Sparebanken Hedmark owns 40.5 percent of Bank 1 Oslo Akershus AS, 8.66 percent of SpareBank 1 Kredittkort AS, 12.6 percent of SpareBank 1 Mobilbetaling AS, and 23.1 percent of KOMM-IN AS. The Bank also owns 9.96 percent of SpareBank 1 Boligkreditt AS and 3.84 percent of SpareBank 1 Næringskreditt AS. The above companies are classified as associated companies.

A number of alliance companies are classified as associated companies in spite of the fact that the stake owned is less than 20 percent. The reason for this is that the ownership structure and the strategic cooperation between the banks that own SpareBank 1 Group AS give Sparebanken Hedmark significant influence over these companies.

Changes in the composition of the Group and strategic investments

2015
In the fourth quarter, Sparebanken Hedmark acquired 12.6 percent of the shares in the newly established company SpareBank 1 Mobilbetaling AS. The company is classified as an associated company and the other owners of the company are banks in the Alliance. In the same quarter, a joint venture, Oslo Eiendom AS, was wound up.

In the second quarter, the stake in SpareBank 1 Markets AS was reclassified for the purposes of accounting from an associated company to a share available for sale. The stake in the company is now 6.1 percent.

On 1 January 2015, Sparebanken Hedmark's subsidiary SpareBank 1 Regnskapshuset Østlandet AS took over 100 percent of the shares in the three accounting firms Hauge Regnskap AS, Stenberg Regnskap & Økonomi AS, and Frostad & Skyrud AS (see acquisition note 34).

2014
In the first quarter, Sparebanken Hedmark sold its shares in Verdipapirservice AS (8.90 percent) and SpareBank 1 Kundesenter AS (9.70 percent) to SpareBank 1 Banksamarbeidet DA. The companies are still owned indirectly by Sparebanken Hedmark through SpareBank 1 Banksamarbeidet DA (11.3 percent). Sparebanken Hedmark increased its stake in SpareBank 1 Markets AS from 14.7 to 16.64 percent in the second quarter.

In the third quarter, its stake in SpareBank 1 Markets AS was increased to 16.8 percent. There has been an ongoing restructuring process in the company in the last year.

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

Note 2 Accounting policies

Basis for preparation of the consolidated financial statements-
The company and the consolidated financial statements for Sparebanken Hedmark have been prepared in accordance with the International Financial Reporting Standards (IFRS), which the EU has ruled shall be used as of 31 December 2015. These include interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and the preceding interpretations committee, the Standing Interpretations Committee (SIC). Sparebanken Hedmark has not taken advantage of the opportunity to start applying new standards or changes in standards, which are mandatory from 1 January 2016 or later.

No new standards were adopted in the annual financial statements for 2015. The implementation of IFRIC 21, an interpretation of IAS 37, has, however, resulted in some changes in the interim financial statements compared with earlier periods.

Taxes and levies that are not based on the tax-related result are recognised according to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IFRIC 21 clarifies how a levy imposed by public authorities, which is not a tax pursuant to IAS 12 Income Taxes, should be recognised.
IFRIC can, in some circumstances, change the timing of when a liability is recognised, especially when such taxes are imposed due to a given condition on a specific date. For Sparebanken Hedmark this means that wealth tax is first recognised in the fourth quarter financial statements and not the earlier interim financial statements.

Following the introduction of the interpretation, there has been a discussion as to whether the fee for the Norwegian Banks Guarantee Fund for 2015 should be recognised in its entirety for the first quarter of 2015. The fee to the Norwegian Banks Guarantee Fund is normally charged on the basis of the average guaranteed deposits and the average calculation base for previous quarters. It has not been regulated whether a withdrawal from the scheme will entail repayment of excess taxes paid. The general practice has been a pro rata charge at the time of registration.

In 2015, Sparebanken Hedmark chose to continue the earlier practice of accruing the fee monthly. The annual cost to the Bank in 2015 was NOK 22.4 million.

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

Point in time for recognition of financial instruments
An ordinary purchase or sale of financial instruments is recognised and derecognised from the date of the agreement.

Subsidiaries
Assets in subsidiaries are valued in accordance with the cost method of accounting in the Parent Bank financial statements. The investment is valued at the historical cost of the shares unless a write-down of the shares has been necessary. Dividends, group contributions and other distributions are recognised as income in the year that they are approved by the annual general meeting. The definition of subsidiary is dealt with in IFRS 10 - Consolidated Financial Statements. It is the degree of actual control that determines whether or not a company should be classified as a subsidiary. Control only exists when an investor has power over relevant activities in the investment object, the risk of variable returns, and also the ability to affect those returns through exercising it´s power. In cases where loan terms and conditions are breached, the Bank will assess whether or not it has achieved genuine power in relation to IFRS 10.

Consolidation
The consolidated financial statements cover the Bank and all of it´s subsidiaries. Subsidiaries are defined as all enterprises that the Bank controls pursuant IFRS 10, i.e. has the power to manage a company's financial and operational principles with the aim of profiting from that company's activities.Subsidiaries are consolidated from the date on which the Group assumes control and are no longer consolidated from the date the Bank relinquishes control. Mutual balance sheet items and all significant profit and loss elements are eliminated. The consolidation is regulated by IFRS 10, which has been implemented from 1 January 2014. The standard is also used to assess whether or not genuine control exists in cases where loan terms and conditions are breached.

On achieving a controlling influence in an enterprise (business combination), all identifiable assets and liabilities are shown at fair value in accordance with IFRS 3. Any positive difference between fair value of the payment on acquisition and fair value of identifiable assets and liabilities is recognised as goodwill, whereas any negative difference is recognised as income at the time of acquisition.The accounting of goodwill after the initial recognition is commented on under the section on intangible assets. The Bank has not applied IFRS 3 retrospectively on business combinations that were implemented before 1 January 2006.

All transactions between group companies are eliminated in the consolidated financial statements. The minority's share of the Group's profit/loss is presented on a separate line under profit/loss after tax in the income statement. Their share of the minority's equity is shown as a separate item.

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

Joint ventures
In joint ventures, which are regulated by IFRS 11, the partners involved have joint control over operations based on contractual agreements. The agreements demand unanimity between the partners on strategic, financial and operations-related decisions. Joint ventures are recognised in accordance with the cost method of accounting in the Parent Bank and in accordance with the equity method in the Group. The standard was implemented from 1 January 2014.

Loans to and receivables from customers
After the Bank implemented IFRS with effect from 1 January 2007, loans are measured at amortised cost in accordance with IAS 39. The assessment of loans in accordance with IAS 39 thus follows the same policies as those in accordance with the lending regulations dated 21 December 2004, ref. Directive no. 10/2005 from the Financial Supervisory Authority of Norway.

Fixed-rate loans and loans with interest-rate guarantees are recognised at fair value through profit and loss using the Fair Value Option (FVO) in IAS 39. Gains and losses arising from a change in fair value are recognised as the net result from other financial assets and liabilities. Fixed-rate loans and loans with interest-rate guarantees are presented on the balance sheet inclusive of accrued interest.

Sparebanken Hedmark has signed agreements for the legal sale of loans to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. In line with the administration contract between the Bank and financial institutions, the Bank administers the loans and maintains the contact with customers. The bank receives a fee in the form of commissions for the duties involved in administering the loans. There is a remaining involvement associated with the transferred loans due to a limited settlement of losses against commissions. Please refer to the description in Note 9.

Assessment of loan impairment
On each balance sheet date, for loans assessed at amortised cost, the Bank assesses whether there is objective proof of reduction in value of a financial asset or group of financial assets. Impairment of a financial asset or group of financial assets is only deemed to have occurred if, and only if, there is objective proof of an impairment that may result in a reduction in future cash flows to service the loan. The impairment must be a result of one or more events that occurred after the first time the item in question had been included in the financial statements (a loss event), and it must also be possible to measure the impact of the loss event(s) in a reliable manner. Objective proof of reduction in value of a financial asset or group of financial assets includes observed data that is known to the Group relating to the following loss events:

- significant financial difficulties experienced by the issuer or borrower
- default of contract, such as failure to pay instalments and interest
- the Group granting the borrower special terms and conditions for financial or legal reasons relating to the borrower's situation
- it becoming probable that the borrower will enter debt settlement proceedings or other financial reorganisation
- the disappearance of active markets for the financial assets because of financial difficulties, or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, even though the decrease cannot yet be identified – unfavourable development in the payment status of the debtors in the group, or an individual financial asset in the group including: – national or local economic conditions that correlate with defaults on the assets in the group

The Bank first considers whether there is individual objective evidence of impairment of financial assets that are significant individually. For financial assets that are not individually significant, the objective evidence of impairment is considered individually or collectively. If the Bank decides that there is no objective evidence of impairment of an individually assessed financial asset, significant or otherwise, the asset is included in a group of financial assets with the same credit risk characteristics. The group is tested for any impairment on a portfolio basis. Assets that are assessed individually as regards loss of value, for which a loss of value is identified or is still identified, are not included in a total assessment of loss of value.

If there is objective evidence that impairment has occurred, the amount of the loss is calculated as the difference between the asset's book (carrying) value and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's originaleffective interest rate. The book value of the asset shall be reduced through the use of an allowance account, and the loss shall be recognised in the income statement.

Future cash flows from a group of financial assets that have been tested for impairment on a portfolio basis are estimated on the basis of the contractual cash flows for the Group and historical losses on assets with a similar credit risk. Historical losses are adjusted for existing observable data in order to take into account the effects of existing circumstances that were not present at the time of the historical losses.

Commitments in default – bad and doubtful commitments
A customer's total commitments are deemed to be in default and are included in the Bank's summaries of commitments in default when instalments and interest due have not been paid within 90 days of maturity, or when credit facilities have been overdrawn for 90 days or more. Commitments in default can be written down for expected losses if the customer's financial situation makes future losses likely. Loans and commitments that are not in default, but where the customer's financial situation makes it likely that the Bank will incur losses, are classified as doubtful.

Realised losses
When it is highly probable that losses will be final, they are classified as realised losses. Realised losses that are covered by earlier specific loss provisions are recorded against the provisions. Realised losses without cover by way of loss provisions, and over-funding or underfunding in relation to previous loss provisions, are recognised in the income statement.

Assets held for sale
In connection with legal recovery of claims under non-performing loans and guarantees, the Bank in some cases repossesses assets that have been pledged as security for the commitments. Repossessed assets that are expected to be realised are classified as fixed assets held for sale. In accordance with IFRS 5, these assets are assessed at the time of repossession at fair value less selling expenses. The difference between this value and the value of the loan commitment is adjusted through the income statement. Repossessed assets that cannot be expected to be sold are capitalised as fixed assets on the Bank's balance sheet.

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

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

Other immaterial assets are depreciated on a straight-line basis over their estimated useful life.

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

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

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

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

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

Pensions
The Group has applied IAS 19R Epployee Benefits since 1 January 2013.

The Sparebanken Hedmark Group has established various pension schemes for it´s employees. These pension schemes satisfy the mandatory occupational pension requirements.

DEFINED BENEFIT SCHEME
In the defined benefit pension scheme, the employer undertakes to provide a future pension of a given size. The basis for calculating the pension expenses is a linear distribution of pension entitlements measured against the estimated accumulated commitments at the time of retirement. Expenses are calculated on the basis of pension entitlements earned during the year, with a deduction for the return on funds assigned to pensions. Pension commitments are valued at the present value of the estimated future pension benefits regarded as accrued for accounting purposes on the balance sheet date. Actuarial and economic assumptions, such as life expectancy, wage inflation and withdrawal tendency, are used for calculation of the pension commitments. The corporate bond interest rate on the balance sheet date, possibly adjusted for the maturity of the liability, is used as the discount rate.

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

The pension scheme is administered by a separate pension fund and gives entitlement to future pension benefits from the age of 62. The Group's defined benefit pension scheme guarantees most of the members a pension of approximately 70 percent of their final salary for retirement at age 67, up to a maximum of 12G. The defined benefit scheme is closed to new members.

DEFINED CONTRIBUTION SCHEME
A defined contribution pension scheme entails that the Group does not guarantee a future pension of a given size, the Group pays instead an annual contribution to the employees' collective pension savings plan. The future pension will depend on the size of the contribution and the annual return on the pension savings. The Group

does not have any further obligation related to work performed after the annual contribution has been paid. There are no provisions for accrued pension liabilities in such schemes. Defined contribution pension schemesare recognised directly as an expense.

The Group has offered a defined contribution pension scheme to it´s employees since 01/07/2008.

EARLY RETIREMENT PENSION SCHEME
The banking and financial services industry has entered into an early retirement pension scheme (AFP) contract. This scheme covers early retirement from the age of 62 to 67. The Bank is responsible for 100 percent of the pension that is paid from the age of 62 to 64 and 60 percent of the pension that is paid from the age of 65 to 67. Admission of new retirees ceased with effect from 1 January 2011.

The Act on state subsidies to employees who take out an early retirement pension in the private sector (Early Retirement Subsidy Act) entered into force on 19 February 2010.

Employees who take out early retirement from an implementation date in 2011 or later, will receive benefits in accordance with the new scheme. The new early retirement (AFP) scheme is a lifelong addition to the National Insurance benefits and can be taken out from age 62. Employees earn an annual entitlement to early retirement at the rate of 0.314 percent of their pensionable income up to 7.1 G up to and including the calendar year in which the employee turns 62. Accrual in the new scheme is calculated based on the employee's lifelong income, so that all earlier working years are included in the accrual basis.

The new early retirement (AFP) scheme is regarded as a defined benefit multi-company scheme for accounting purposes. This means that each individual company shall account for it´s proportional share of the scheme’s pension obligations, pension assets and pension expenses. If there are no estimates of the individual components of the scheme and no consistent and reliable basis for allocation, the new early retirement (AFP) scheme will be accounted for as a defined contribution scheme. At the current point in time, no such basis exists, and the new early retirement (AFP) scheme will therefore be accounted for as a defined contribution scheme. Accounting for the new early retirement (AFP) scheme as a defined benefit scheme will not take place until reliable measurement and allocation can be made. The new scheme will be financed by the state covering one-third of the pension expenses and employers covering two-thirds of the pension expenses. The employers' premium is determined as a percentage of salary payments between 1G and 7.1G.

Funding
Bond loans and certificate-based loans, in addition to fixed-rate deposits and term deposits, are valued at fair value through profit and loss using the Fair Value Option (FVO) in IAS 39. Changes in fair value and realised gains and losses are recognised on a net basis from other financial assets and liabilities. Other liabilities are shown in the accounts at their borrowing cost, which is the fair value of the amount received after deduction of transaction costs. Loans are subsequently assessed at amortised cost. Any difference between the borrowing cost and settlement amount upon maturity is subject to accrual accounting over the life of the loan, by applying the loan’s effective rate of interest. The debt is presented inclusive of accrued interest (dirty price).Subordinated loans have priority after all other liabilities and are classified as a liability on the balance sheet and measured at fair value in the same manner as debt securities.

Certificates and bonds
Purchased certificates and bonds are assessed at fair value through profit and loss in accordance with the FVO in IAS 39 in a manner similar to that for debt securities. Changes in fair value and realised gains and losses are recognised in the income statement under “Net profit from other financial assets and liabilities”. The fixed-income papers are presented inclusive of accrued interest (dirty price).

Shares, units and other equity interests
Shares, units and other equity interests are classified in compliance with IAS 39 as either financial assets held for trading or financial assets available for sale.

Equity interests classified as available for sale are assessed at fair value on the basis of listed prices or using different valuation methods. Unrealised gains and losses on equity interests available for sale are included in other comprehensive income in compliance with IAS 1. Realised gains and losses, dividends and write-downs are included under “Net profit from other assets and liabilities”.

Derivatives
Derivatives comprise forward exchange contracts, swaps and options plus combinations of these. In addition, a guarantee liability in respect of Eksportfinans ASA is defined as a financial derivative. All these instruments are traded outside the stock exchanges and are so-called “over-the counter” (OTC) derivatives. This means that the contracts are tailored to the underlying object, volume, price and maturity.

Financial derivatives are classified at fair value through profit and loss in compliance with IAS 39. Gains or losses arising from changes in the derivative’s fair value are included under “Net profit from other financial assets and liabilities” in the income statement. Contracts with unrealised gains are presented on the balance sheet as an asset, and contracts with unrealised losses are presented as a liability. The book values include the associated accrued interest (dirty price).

Interest income and interest expenses
Interest income and interest expenses related to assets and liabilities are recognised continuously in the income statement in accordance with the effective interest rate method. The effective interest rate is the interest rate that results in the present value of the expected cash flow over the expected life of a financial asset or liability being equal to the carrying value of the respective financial asset or liability. When calculating an effective interest rate, the cash flow effect inherent in the agreement is estimated, without taking into account future credit losses. The calculations take therefore into account fees, transaction costs, premiums and discounts. Interest income and interest expenses linked to interest-bearing instruments that are assessed at fair value are included in the presented market value (dirty price).

Commission income and commission expenses
Commission income and commission expenses are generally accrued according to the delivery/receipt of a service. Fees related to interest-bearing instruments are not recognised as commissions, but are included in the calculation of the effective interest rate and recognised accordingly in profit and loss. Advisory fees are accrued in accordance with the consultancy agreement, typically at the time the service is provided. Fees and charges related to the sale or brokerage of financial instruments, property or other investment objects that do not generate balance sheet items in the Bank’s or the Group’s accounts are recognised when the transaction is completed.

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

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

Segment reporting
Sparebanken Hedmark aims to be a full-service provider of financial products and services, partly through services provided by the Bank and partly by distributing products and services on behalf of joint venture partners, as well as the fact that the Bank has a number of subsidiaries who provide various financialservices. Different kinds of operations are therefore conducted within the Group. The Group’s segment reporting is primarily divided into the following areas: retail banking, corporate banking, financing, real estate brokerage, accounting and other operations. Sparebanken Hedmark has applied IFRS 8

Events occurring after the balance sheet date
The financial statements are deemed to be approved for publication once the Board of Directors has approved the financial statements. The Supervisory Board and regulatory authorities may refuse to approve the published financial statements subsequent to this, but they cannot change them. Events occurring up to the time when the annual accounts are approved for publication involving issues that were already known on the balance sheet date will form part of the information basis for determining accounting estimates and will thus be fully reflected in the financial statements. Events that were not known on the balance sheet date will be reported if they are significant.

The financial statements have been prepared on the assumption that the Group will continue as a going concern. This assumption was valid in the Board of Directors’ opinion at the time the financial statements were approved for publication.

Standards that have been issued, but have not come into effect

Standard/ interpretation	Subject (main changes)	Approved by the EU	In effect from
New IFRS 9	IASB published the final version of IFRS 9 Financial Instruments in July 2014. IFRS 9 will replace the existing IAS 39 Financial Instruments – Recognition and Measurement. IFRS 9 involves changes in relation to the current standard with respect to the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. The standard comes into effect in the financial year starting on 1 January 2018. Early adoption is permitted. The standard has not been approved by the EU yet. With the exception of hedge accounting, the standard must be applied retrospectively, but it is not compulsory to provide comparable figures, As far as hedge accounting is concerned, the standard must be applied prospectively with some limited exceptions. The Bank expects to apply the standard from when it comes into effect, from and including the financial year 2018. The Bank carried out an overall assessment of the effect of the standard in 2015. This preliminary assessment was based on the information available when the assessment was carried out and may be subject to changes due to further detailed analyses or further information that becomes available to the Bank in the future. The Bank is not expecting the new standard to have a material impact on the balance sheet or equity, with the exception of the effect from applying the standard's provisions concerning the impairment of loans. New impairment principles could result in higher loss provisions, which could in turn have a negative impact on equity. The Bank will carry out a detailed assessment to determine the level of provisions more exactly in 2016. Furthermore, the Bank has it´s own securities issued that are designated for measurement at fair value. If the fair value option is continued, the change in value due to own credit risk will in most cases be recognised as other operating income and costs and not in the operating result like today. This has no effect on equity or the balance sheet, but the result may be affected such that there will be lower volatility in the ordinary result and an equivalent increase in other operating income and costs.	Expected	Financial year 2018
New IFRS 15	A new standard for recognising income in which the general rule is that income can first be recognised when the company transfers control of a performance obligation to the customer. The effect of this standard on the Bank's financial statements is regarded as negligible.	Expected Q1 2016	Financial year 2018 (postponed by a year)
Amendments to IAS 19	Clarifies that contributions from employees that are a fixed percentage of salary reduce the period's pension costs. The effects of this amendment will not affect the Bank's financial statements.	Yes	Financial year 2016
Amendments to IAS 16 and IAS 38	Clarifies that the depreciation method based on income profile cannot be applied to tangible fixed assets and intangible assets. The effects of this amendment will not affect the Bank's financial statements.	Yes	Financial year 2016
Amendments to IAS 28 and IFRS 10	Clarifies that the elimination of gains pursuant to IAS 28 for stakes that are still owned shall only apply to assets that are not companies. For companies, the gain shall be calculated as if 100 per cent was sold. The effect of this amendment on the Bank's financial statements is regarded as negligible.	No	Financial year 2016
Amendments to IAS 27	Suggests opportunities for applying the equity method for subsidiaries, associated companies and joint ventures. Is expected to have no, or a negligible, effect on the Bank's financial statements.	No	Financial year 2016
Amendment to IFRS 11	Clarification that the acquisition method must be applied in an analogue fashion when acquiring stakes in joint ventures that in themselves constitute a company. Is expected to have no, or a negligible, effect on the Bank's financial statements is regarded as negligible.	Yes	Financial year 2016
Disclosure initiative	IAS 1 has been amended to clarify the materiality principle, the use of subtotals and division of line items, and that the order in which notes are presented can be freely chosen. Items in comprehensive income from equity method investments must be divided in two depending on whether they are reclassified or not. The changes will mean that less important information can be toned down and that other ways of organising the notes information may be relevant. Otherwise, the amendments will not affect the financial statements.	No	Financial year 2016

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

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

Financial assets and liabilities
Derivatives and financial assets and liabilities classified as held for trading (HFT) are recognised and assessed at fair value through profit and loss in accordance with IAS 39. The following financial assets and liabilities are also stated at fair value through profit and loss pursuant to the Fair Value Option (FVO) in IAS 39, section 9: Bonds, and certificates, fixed-rate loans and loans with interest-rate guarantees for customers, securities debt, fixed-rate deposits for customers, and term deposits. FVO is applied with a view to achieving a consistent assessment of assets and liabilities that are assessed together. Moreover, assessment at fair value reduces the accounting disparity that would otherwise have arisen if assets and liabilities were recognised on a basis other than as derivatives. Equity instruments are classified as available for sale (AFS). Changes in the fair value of assets classified as AFS are recognised directly in equity. In the event of a prolonged, major decrease in fair value of an AFS asset, the cumulative loss recognised directly in equity is removed and recognised in profit and loss. What is to be interpreted as a significant or long-term impairment in value is a question of judgement. In deciding this question, Sparebanken Hedmark follows the IFRIC guidelines, recommendations from the auditing profession and professional standards. This assessment is made at the instrument level and has been operationalised to apply to an impairment in value that values the asset to less than 80 per cent of the cost price on the date of the balance sheet or if a market price lower than the cost price lasts for more than twelve months. Further reductions in value on previously written-down AFS assets are subsequently recognised continuously in profit and loss each time the financial statements are published.

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

CRITICAL ESTIMATES

Losses on loans
The Bank examines both it´s retail market portfolio and it´s corporate portfolio in order to identify credit risk and the need for provisions for losses. Substantial and especially exposed commitments are followed up at least twice a year. Both the corporate and retail banking portfolios are subject to assessment, with default older than 62 days triggering forwarding for collection and an assessment of the basis for individual write-down for losses. Individual write-down for losses on individual commitments is done when objective events entail a loss for the Bank. Individual write-down is calculated as the difference between the commitment's book value and the present value of discounted cash flows based on the effective interest rate at the time of initial write-down. This means that the commitment is placed in the highest risk class. The same method is used regardless of whether the loan is recognised at amortised cost or fair value (fixed-rate loans). Estimating impairment can be complicated as the prediction of future events always involves uncertainty. Importance is attached to concrete information in value assessment as the basis for realisation of collateral assets pledged as security. Cash flow is updated periodically, at least once a year. Group write-down comprises the Bank's assessment of the basis for impairment in groups of loans with practically identical risk characteristics. This also includes loans assessed for individual write-down, but where there is no objective proof of impairment. All loans are consequently assessed with the exception of those that have been subject to individual write-downs. The model for the calculation of group write-down is based on the Bank's risk classification system.

Financial assets and liabilities assessed at fair value
For financial instruments traded on a regulated market, fair value on the balance sheet date is used. Fair value of financial instruments that are not traded in an active market is based on estimated value from Reuters pricing service, prices indicated by brokerage firms or other external sources and accepted theoretical computation techniques based on observable interest rates and prices on the balance sheet date. The Bank assesses and chooses methods and assumptions that best reflect the information available and the market conditions on the balance sheet date. Below is a more detailed presentation of the valuation methods used for the various financial instruments that are assessed at fair value.

Shares, units and other equity interests
Listed shares and equity certificates are valued at the bid price on the balance sheet date. For unlisted companies, value is assessed using the following valuation hierarchy: 1) recent trading price, 2) externally known value assessment, 3) value assessment received from the company, 4) own value assessment, 5) cost price.

Bonds and certificates (loans)
Purchased bonds and certificates are primarily valued against a yield curve (ask) adjusted for indicative credit spreads from Nordea Markets or another recognised brokerage house. Some bonds are valued at the indicated bid price from Reuters' pricing service.

DEBT SECURITIES ISSUED
Issued certificates and bonds are valued against the yield curve (bid), adjusted for indicated spread curve from DnB NOR Markets for Sparebanken Hedmark's issued debt securities.

DERIVATIVES
The Bank does not have any financial derivatives traded in a regulated market. For non-standardised derivatives contracts (OTC), a theoretical price is estimated, based on a market-related approach, taking into account the agreed cash flows and observable market information on the balance sheet date. The owners' guarantee liability in respect of Eksportfinans ASA is assessed at fair value at the end of every month by the treasury department of Eksportfinans, as the appointed valuation agent in the agreement. The basis for this valuation is the fair value of the securities portfolio at Eksportfinans that covers the guarantee.

OTHER FINANCIAL ASSETS AND LIABILITIES ASSESSED AT FAIR VALUE (FIXED-RATE DEPOSITS AND FIXED-RATE LOANS).
Fair value is assessed as the value of the agreed cash flows discounted by the market interest rate adjusted for a discretionary trading spread on the balance sheet date. For fixed-rate deposits and loans, the trading spread is set at the difference between the Bank's price lists on the balance sheet date and the relevant swap interest rate. For term deposits, the trading spread is assessed on a discretionary basis.

Pensions

Net pension liabilities and the pension costs for the year are based on a number of estimates, which include the return on pension fund assets, the future interest rate and inflation levels, future wage development, turnover of staff and development of the National Insurance basic amount (G). The general development in the number of persons receiving disability benefits and life expectancy are also of great importance. Any changes in estimates as a result of changes in these parameters will be recognised on an on-going basis under other comprehensive income in the Bank and it´s subsidiaries. The table below shows the effects on the net pension liabilities of changes in some of the assumptions (given the other parameters remain unchanged).

Impact on the net pension liabilities

	Change in an assumption	Increase in an assumption	Reduction in an assumption
Discount rate	0.5 %	-6.9 %	7.7 %
Wage inflation	0.5 %	3.0 %	2.8 %
Estimated economic life	1 år	5.6 %	-4.8 %

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

Note 4 Segment information

This segment information is linked to the way the Group is run and followed up internally in the entity through reporting on performance and capital, authorisations and routines. Reporting on segments is divided into following areas:

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

2015	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	SpareBank 1 Regnskaps-huset Østlandet	Other	Total
Income statement							
Net interest income	482	390	227	1	-2	7	1 105
-of which internal items			*-1*		*-2*	*3*	
Net commission and other income	350	78	-26	81	172	-3	651
-of which internal items			*-1*			*1*	
Net return on financial investments						514	514
Operating expenses*	534	210	86	74	155	-7	1 051
Profit before losses by segment	**298**	**258**	**115**	**7**	**15**	**526**	**1 219**
Losses on loans and guarantees	6	29	21				56
Profit / loss per segment before tax	**292**	**229**	**95**	**7**	**15**	**526**	**1 163**
Tax	79	62	20	2	4	67	233
Profit / loss per segment after tax	**213**	**167**	**75**	**5**	**11**	**459**	**930**
Balance sheet							
Gross lending to customers	21 270	16 174	5 643			693	43 779
-of which internal items					*23*	*-23*	
Individual loan write-downs	-32	-87	-13				-132
Collective loan write-downs	-27	-76	-17				-120
Other assets	128	1	67	43	135	12 070	12 444
Total assets per segment	**21 338**	**16 012**	**5 680**	**43**	**135**	**12 762**	**55 971**
Deposits from and liabilities to customers	21 068	11 915				475	33 458
-of which internal items							
Other liabilities and equity	271	4 097	5 680	43	135	12 286	25 513
Total equity capital and liabilities per segment	**21 339**	**16 011**	**5 680**	**43**	**135**	**12 761**	**55 971**

2014	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	SpareBank 1 Regnskaps-huset Østlandet	Other	Total
Income statement							
Net interest income	420	368	210		-3	48	1 043
-of which internal items			*-1*		*-3*	*4*	
Net commission and other income	390	74	-20	79	126	14	663
-of which internal items			*-1*			*1*	
Net return on financial investments						572	572
Operating expenses*	247	100	75	67	118	374	981
Profit before losses by segment	**563**	**342**	**115**	**12**	**5**	**260**	**1 298**
Losses on loans and guarantees	15	37	14				66
Profit / loss per segment before tax	**548**	**305**	**101**	**12**	**5**	**260**	**1 232**
Tax	148	82	28	4	1	-71	192
Profit / loss per segment after tax	**400**	**223**	**73**	**8**	**4**	**332**	**1 040**
Balance sheet							
Gross lending to customers	20 037	14 474	4 827			598	39 936
-of which internal items					*39*	*-31*	
Individual loan write-downs						-129	-129
Collective loan write-downs			-15			-101	-116
Other assets	50	-153	51	26	108	10 161	10 243
Total assets per segment	**20 087**	**14 321**	**4 863**	**26**	**108**	**10 529**	**49 934**
Deposits from and liabilities to customers	19 727	10 897				446	31 070
-of which internal items			*-2*	*-4*	*-9*	*15*	
Other liabilities and equity	360	3 424	4 863	26	108	10 083	18 864
Total equity capital and liabilities per segment	**20 087**	**14 321**	**4 863**	**26**	**108**	**10 529**	**49 934**

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

Note 5 Capital adequacy and capital management

Parent Bank Basel III 2014	Parent Bank Basel III 2015		Group Basel III 2015	Group Basel III 2014
	3 987	Equity certificate capital	3 987	
	503	Dividend equalisation fund	503	
6 645	3 019	Primary capital	3 019	6 645
42	50	Endowmentfund	50	42
109	135	Fund for unrealised gains	135	110
		Minority interests	1 023	827
6 796	**7 695**	**Total equity carried**	**8 718**	**7 624**
		Tier 1 capital		
		Results for the accounting year not included		
		Minority interests that can not be included in core capital		
	-119	Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	-119	
-110	-104	Goodwill and other intangible assets	-217	-197
-109		Revaluation reserve available for sale (Basel II / transitional rule)		-110
-230	-155	Positive value of expected losses under the IRB approach	-182	-271
-109	-264	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	-1 720	-1 602
-7	-10	Value adjustments due to the requirements for prudent valuation	-13	-10
-229	-220	Excess of deduction from AT1 items over AT1 Capital		
6 003	**6 823**	**Total common equity Tier 1 capital**	**6 467**	**5 434**
		Additional Tier 1 capital		
		Hybrid capital	162	162
-229	-220	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	-32	-2
		Excess of deduction from T2 items over AT1 Capital		
229	220	Excess of deduction from AT1 items over AT1 Capital		
0	**0**	**Total additional Tier 1 capital**	**130**	**160**
		Supplementary capital in excess of core capital		
39		36 percent (45 percent under Basel II) of unrealised gain on shares classified as available for sale		40
500	500	Subordinated loan capital	783	783
-297	-277	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	-202	-144
		Excess of deduction from T2 items over AT1 Capital		
242	**223**	**Total supplementary capital**	**581**	**679**
6 245	**7 047**	**Net subordinated capital**	**7 179**	**6 273**
4 323	4 257	Corporates - SME	4 639	4 791
6 953	6 253	Corporates - Specialised Lending	8 270	9 019
675	763	Corporates - Other	847	855
682	905	SME exposure	939	723
5 683	6 301	Retail mortgage exposure	8 538	7 738
591	624	Other retail exposure	704	669
18 907	**19 103**	**Risk-weighted assets credit risk IRB**	**23 937**	**23 795**
6 513	7 068	Exposures calculated using the standardised approach	10 237	9 534
		Market risk		
292	199	CVA	234	338
1 923	1 989	Operational risk	3 269	3 038
27 635	**28 359**	**Risk-weighted assets**	**37 677**	**36 705**
2 211	**2 269**	**Capital requirements (8%)**	**3 014**	**2 936**

Parent Bank Basel III 2014	Parent Bank Basel III 2015		Group Basel III 2015	Group Basel III 2014
		Buffer requirements		
691	709	Conservation buffer (2.5%)	942	918
276	284	Countercyclical capital buffer (1%)	377	367
829	851	Systemic risk buffer (3%)	1 130	1 101
1 520	**1 843**	**Total buffer requirements for common equity (6.5%)**	**2 449**	**2 019**
3 239	**3 704**	**Available common equity (net minimum requirement of 11%)**	**2 323**	**1 764**
		Capital adequacy ratio		
21.7 %	**24.1 %**	Common equity Tier 1 capital ratio	**17.2 %**	**14.8 %**
21.7 %	**24.1 %**	Tier 1 Capital ratio	**17.5 %**	**15.2 %**
22.6 %	**24.8 %**	Capital adequacy ratio	**19.1 %**	**17.1 %**

Capital management
Sparebanken Hedmark's capital management shall ensure:

- effective funding and use of capital funds in relation to the Group's strategic goals and approved business strategy
- competitive returns
- satisfactory capital adequacy in relation to the Bank's chosen risk profile
- competitive terms and good long-term access to funding in capital markets
- exploitation of the growth opportunities in the Group's defined market area
- that no individual negative events can seriously harm the Group's financial status

On the basis of the strategic goals, a capital plan is drawn up each year for the following three years to ensure long-term and targeted capital management. The capital plan shall take into account projections of the Group's financial development over the next three years. These projections are based on the expected developments in the period, as well as a situation with a serious economic downturn over a minimum of three years.

Based on the projections of the total capital requirements, the management and Board make an overall assessment about whether the capital requirements are sufficient and adapted to Sparebanken Hedmark's current and future risk profile and strategic goals.

Sparebanken Hedmark's aim to be the most solid regional savings bank, and therefore has a target for common equity of 16 percent and an overall goal of total capital of 17 percent.

There is more detailed information concerning Sparebanken Hedmark's management of capital and risk in the document "Basel II – Pilar III" on the Bank's website.

Note 6 Financial risk management

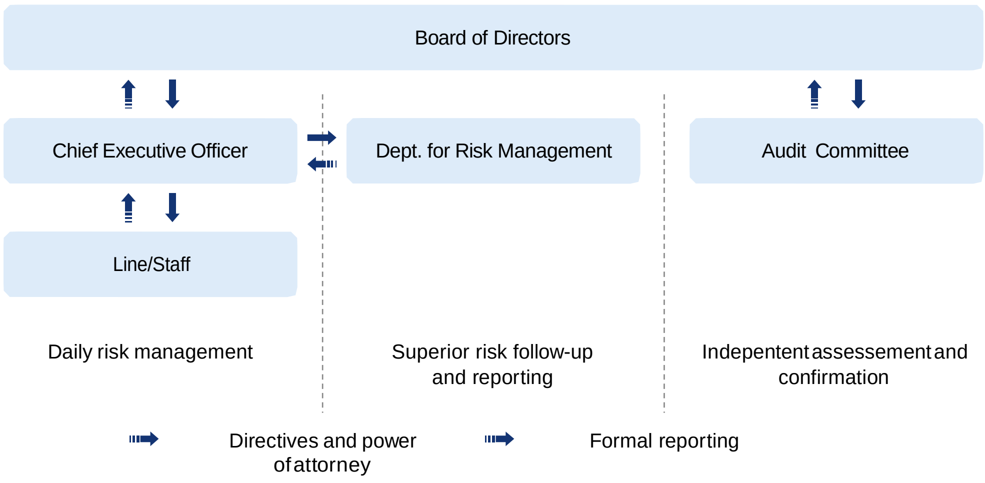
Overall responsibility and supervision
Sparebanken Hedmark's risk management shall support the Bank's strategic development and the attainment of it´s goals. Risk management shall also ensure financial stability and satisfactory asset management. This is to be achieved by:

- A strong corporate culture characterised by high awareness of risk management
- A good understanding of which risks drive earnings
- Striving towards an optimal application of capital within the adopted business strategy
- Avoiding unexpected negative events that can seriously harm the Group's financial status

In order to ensure an effective and appropriate process for risk and capital management, the framework is based on the following elements, which reflect the way in which Sparebanken Hedmark is managed by it´s Board of Directors and the Bank's senior management:

- Strategic targets
- Organisation and corporate culture
- Risk identification
- Risk analysis
- Stress tests
- Risk strategies
- Capital management (including returns and capital adequacy)
- Reporting
- Follow-up
- Contingency plans
- Compliance

Management and supervision comprise all the processes and control measures that have been introduced and implemented by the Bank's management to ensure efficient operations and the implementation of the Group's strategies. The Group attaches importance to having a supervisory and management structure that promotes targeted and independent management and control:



The Board's audit committee and risk committee prepares matters concerning the economy, finance and risk management for consideration by the Board. The committees does not have the authority to make decisions.

Sparebanken Hedmark shall have a moderate to low risk profile. The risk profile shall ensure the Group has access to long-term funding at attractive prices. The size of and composition of the Group's risk-adjusted capital shall reflect this ambition.

The Board of Directors is responsible for making sure that Sparebanken Hedmark has an appropriate level of subordinated capital in relation to the desired risk profile and regulatory requirements stipulated by the authorities. The Board of Directors stipulates the overall objectives, including the overall limits, authorisations and guidelines for risk management. The Chief Executive Officer is responsible for risk management. This means that the CEO is responsible for the introduction of effective risk management functions and systems and for the monitoring of the risk exposure. The business areas and branches are responsible for the day-to-day risk management within their own areas of responsibility and must ensure that risk management and risk exposure are within the limits and authorisations provided by the Board of Directors or CEO.

The Credit Management Department is responsible for ensuring that the decision-making process and the basis on which decisions are made in relation to applications for credit are in accordance with the Bank's governing documents and routines. The department shall prepare proposals for revised targets and management principles within the area.

The Risk Management Department is independent and reports directly to the CEO. The department is responsible for the development of effective risk management systems, including the Bank's risk models. The department is also responsible for the overall risk monitoring and for periodic risk reporting to the Board of Directors. The Internal Audit reports to the Board of Directors and is primarily the Board of Directors', but also the management's, tool for monitoring the effectiveness and appropriateness of the risk management process. The Internal Audit's improvement recommendations are considered on an on-going basis.

Sparebanken Hedmark's risk is quantified by calculating expected losses and risk-adjusted capital. Sparebanken Hedmark uses the SpareBank 1 Alliance's models for the calculation of credit risk. The models use statistical calculations and are based on the fact that the risk-adjusted capital shall cover 99.9 percent of possible, unexpected losses. The calculation of risk-adjusted capital for other types of risk are largely based on qualitative methods. A more detailed description of financial risk management relating to credit risk, liquidity risk and market risk is provided below.

Credit risk
Sparebanken Hedmark's biggest financial risk exposure is credit risk in it´s lending portfolio. Credit risk is the risk of loss relating to customers or other counterparties not being able or willing to meet their obligations to the Sparebanken Hedmark. Each year, the Board of Directors reviews the Bank's governing documents and credit regulations. The governing documents define the Bank's credit policy and overall targets for exposure relating to portfolios, sectors and individual customers. Together they provide the basis for determining the desired risk profile. Through the Bank's credit regulations, authority to grant credit is delegated to the CEO within certain limits. The CEO may delegate this authority to other employees. The delegated authorisations are related to the size and risk of individual commitments.

Sparebanken Hedmark uses statistical models in it´s calculation of risk and categorisation of the credit portfolio. The Bank makes every effort to price credit risk correctly and has established price matrices based on the risk classification system.

The Bank's portfolio of interest-bearing securities also entails credit risk for the Bank. Each year, the Board of Directors examines the Bank's financial strategy and sets limits for the maximum exposure to interest-bearing securities.

For further information see notes 7 – 15.

Market risk
Market risk is the risk of loss due to changes in interest rates, the price of share / securities and foreign exchange rates. Market risk arises primarily in connection with the Bank's investments in securities and as a result of funding activities, and in connection trading in currencies and interest rate instruments. Market risk is managed through limits agreed by the Board of Directors. These limits are set each year by the Board of Directors in connection with the revision of the financial strategy. Sparebanken Hedmark's positions in relation to limits are reported regularly to the Board of Directors and management.

The Board of Directors has agreed limits for the total interest rate risk, both with regard to basis risk and yield curve risk. Sparebanken Hedmark manages interest rate risk towards the desired level by means of interest rate commitments for investments and funding loans and through the use of interest rate derivatives.

For equity price risk maximum limits have been established for exposure to the stock market, while, for currency risk, limits have been established for the maximum aggregate exposure and exposure for each individual currency.

For further information, see notes 16 and 17.

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

Liquidity risk
Liquidity risk is the risk that Sparebanken Hedmark is unable to refinance its debt or fund an increase in assets without incurring significant additional expense. The financing strategy approved by the Board of Directors each year provides the basis for managing liquidity risk. The strategy establishes a framework for liquidity risk by defining limits for net liquidity requirements in various time intervals and requirements for long-term financing. In addition, the strategy sets limits on the size of the liquidity reserve and stipulates how long the Bank must be able to maintain its operations without new market funding. The size of the liquidity reserve is set to cover 12 months of ordinary banking activities at any given time without requiring additional external funding. In a stress scenario, which is defined as a "major crisis in the market and in our own bank", the Bank will also be in a position to maintain its ordinary activities for a minimum period of three months.

The liquidity reserves consist of deposits with Norges Bank, depositable bonds, unused committed drawing facilities and listed shares. The reserve totalled NOK 9.7 billion as at 31 December 2015. At year-end, the average maturity of the Bank's funding was 3.3 years.

The finance department is responsible for managing liquidity, while the risk management department monitors and reports on the utilisation of limits in accordance with the liquidity strategy.

For further information, see notes 18 and 19.

Other
More detailed market information (Basel III – Pilar III) is available in a separate document on the Bank's website (in Norwegian).

Note 7 Credit institutions – claims and liabilities

Parent bank			Group	
2014	**2015**	**Loans to and receivables from credit institutions**	**2015**	**2014**
37	48	Loans and receivables at call	48	35
4 819	5 654	Loans and receivables with agreed maturities or notice	817	640
4 856	**5 701**	**Total**	**864**	**675**
		Loans and receivables specified by major currencies		
4 819	5 667	NOK	830	640
11	11	EUR	11	11
1	4	CHF	4	1
17	4	JPY	4	17
5	14	Other	14	6
4 856	**5 701**	**Total**	**864**	**675**

2014	**2015**	**Liabilities to credit institutions**	**2015**	**2014**
35	28	Loans and deposits at call	28	35
632	633	Loans and deposits with agreed maturities or notice	631	630
667	**661**	**Total**	**660**	**665**
		Liabilities specified by major currencies		
641	619	NOK	618	639
1	1	EUR	1	1
25	41	Other	41	25
667	**661**	**Total**	**660**	**665**
2.0 %	1.6 %	**Average interest rate**	1.6 %	2.0 %

Deposits with and loans from / to credit institutions tend to have floating interest rates.
Receivables from and liabilities to credit institutions are classified as loans and receivables pursuant to IAS 39 and are stated at amortised cost.

Average interest rate is calculated on the actual interest expense during the year as a percentage of the average outstanding debt to credit institutions.

Note 8 Loans to and receivables from customers

Parent bank			Group	
2014	**2015**		**2015**	**2014**
		Loans by type of receivable		
		Financial leasing	2 490	2 114
10 868	10 940	Overdraft facilities and operating credits	10 940	10 868
1 450	860	Building loans	847	1 450
22 738	26 295	Repayment loans	29 412	25 406
88	80	Accrued interest	90	98
35 144	**38 175**	**Gross loans to and receivables from customers**	**43 779**	**39 936**
221	222	Write-downs	253	245,46
34 923	**37 953**	**Loans to and receivables from customers**	**43 526**	**39 691**
		Loans by type of market		
20 496	21 814	Private customers	24 289	22 797
14 642	16 354	Corporate	19 287	16 958
6	6	Public sector	203	181
35 144	**38 175**	**Gross loans to and receivables from customers**	**43 779**	**39 936**
221	2 222	Write-downs	253	245
34 923	**35 953**	**Loans to and receivables from customers**	**43 527**	**39 691**
		Of repayment loans, loans stated at fair		
		value through profit and loss (FVO):		
1 782	*2 758*	*- Fixed-rate loans to customers, book value*	*2758*	*1 782*
1 745	*2 707*	*- Fixed-rate loans to customers, face value*	*2707*	*1 745*
1		*- Loans with interest-rate guarantees, book value*		*1*
1		*- Loans with interest-rate guarantees, face value*		*1*

Parent bank			Group	
2014	**2015**	**Total commitments by risk group**	**2015**	**2014**
25 639	29 215	Low risk	31 115	28 277
11 243	12 052	Medium risk	15 224	13 421
2 429	2 000	High risk	2 654	2 754
486	452	Defaults	532	487
39 797	**43 719**	**Total commitments by risk group**	**49 525**	**44 939**

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

In addition are loans approved not disbursed to a value to NOK 226 million in the Retail Division and worth NOK 317 million in the Corporate Division on 31 December 2015 in the Bank. These have not been paid and are therefore not included in total commitments.

Parent bank			Group	
2014	**2015**	**Gross loans by risk group**	**2015**	**2014**
22 082	25 119	Low risk	26 901	24 565
10 496	10 853	Medium risk	13 957	12 500
2 103	1 760	High risk	2 398	2 408
463	442	Defaults	522	463
35 144	**38 175**	**Gross loans by risk group**	**43 779**	**39 936**

Parent bank			Group	
2014	**2015**	**Individual write-downs by risk group**	**2015**	**2014**
120	**119**	**Defaults (internal definition)**	**132**	**129**

In the bank's internal risk classification system, all commitments with individual write-downs are classified as defaults, regardless of external definitions of defaults (see note 2). They are not distributed into the various risk groups like the other commitments. Distribution by risk group is based on the Bank's estimation of the default probability for all customers in the loans portfolio based on objective historical data. Customers are rescored monthly in the Bank's portfolio system.

Parent bank			Group	
2014	**2015**	**Expected annual average net loss by risk group**	**2015**	**2014**
9	14	Low risk	14	9
44	63	Medium risk	67	46
48	66	High risk	75	61
33	28	Defaults	33	33
134	**171**	**Total expected annual average net loss by risk group**	**189**	**149**

Expected annual average net loss is the amount that the parent bank expects statistically to lose on the loans portfolio over a 12 month period. It is calculated using historical data. During cycled upturns, the actual annual loss is lower than average expected loss. Similarly, in periods of recession, actual losses may be higher.

Parent bank			Group	
2014	**2015**	**Total commitments by sector and industry**	**2015**	**2014**
22 088	23 870	Private customers	26 345	24 389
156	177	Public sector	374	331
3 835	4 304	Primary industries	4 543	4 072
291	336	Paper and pulp industries	357	307
769	858	Other industry	1 136	1 035
1 369	1 491	Building and construction	2 140	1 876
220	258	Power and water supply	404	361
1 115	1 214	Wholesale and retail trade	1 589	1 404
180	185	Hotel and restaurants	197	211
7 405	8 286	Real estate	8 345	7 505
2 064	2 386	Commercial services	2 937	2 466
284	334	Transport and communications	1 138	953
21	21	Other	21	29
39 797	**43 719**	**Total commitments by sector and industry**	**49 525**	**44 939**

Parent bank			Group	
2014	**2015**	**Gross loans by sector and industry**	**2015**	**2014**
20 496	21 814	Private customers	24 289	22 797
6	6	Public sector	203	181
3 357	3 731	Primary industries	3 970	3 557
246	275	Paper and pulp industries	292	262
509	534	Other industry	777	739
874	836	Building and construction	1 417	1 317
190	228	Power and water supply	374	299
743	804	Wholesale and retail trade	1 128	1 010
161	169	Hotel and restaurants	181	172
6 988	7 667	Real estate	7 722	7 033
1 342	1 836	Commercial services	2 365	1 659
211	254	Transport and communications	1 041	880
21	21	Other	21	30
35 144	**38 175**	**Total gross loans by sector and industry**	**43 779**	**39 936**

Parent bank			Group	
2014	**2015**	**Expected annual average net loss by sector and industry**	**2015**	**2014**
39	32	Private customers	38	44
2	5	Primary industries	5	2
1	1	Paper and pulp industries	1	1
6	5	Other industry	9	7
9	9	Building and construction	9	9
1	1	Power and water supply	1	1
21	20	Wholesale and retail trade	20	21
1		Hotel and restaurants		1
16	20	Real estate	21	16
24	25	Commercial services	25	25
		Transport and communications	2	1
120	**119**	**Total expected annual average net loss by sector and industry**	**132**	**129**

Parent bank 2014	2015	Expected annual average net loss by sector and industry	Group 2015	2014
42	38	Private customers	42	49
11	9	Primary industries	9	12
4	9	Paper and pulp industries	9	5
		Other industry	2	1
8	13	Building and construction	15	10
	1	Power and water supply	3	
8	9	Wholesale and retail trade	12	9
2	2	Hotel and restaurants	2	2
43	59	Real estate	59	43
14	29	Commercial services	31	14
2	2	Transport and communications	4	4
134	**171**	**Total expected annual average net loss by sector and industry**	**189**	**149**

Parent bank 2014	2015	Gross loans by geographic area	Group 2015	2014
24 715	25 847	Hedmark County	27 479	26 201
2 670	3 542	Oppland County	4 361	3 346
2 497	3 102	Akershus County	4 111	3 386
5 087	5 534	Rest of Norway	7 671	6 828
86	69	Abroad	69	86
88	80	Accrued interest, undistributed	88	89
35 144	**38 175**	**Total gross loans by geographic area**	**43 779**	**39 936**

Parent bank 2014	2015		Group 2015	2014
597	731	Loans to employees	906	734
273	*292*	*-Of which loans in SpareBank 1 Boligkreditt AS*	*397*	*338*

Repayment loans are granted to employees with up to 30 years repayment period and monthly instalments. The rate of interest for repayment loans for employees is 75 percent of the lowest ordinary interest rate for private market loans. Per 31.12.15 the total loan amount on these terms is limited to NOK 2.5 million per individual employee.

Loans to and receivables from customers linked financial leasing agreements (Group only)	2015	2014
Gross receivables linked to financial leasing agreements		
- Up to 1 year	239	433
- 1 to 5 years	1 822	1 516
- More than 5 years	429	166
Total gross receivables	**2 490**	**2 114**
Not accrued income linked to financial leasing agreements	7	6
Net investments linked to financial leasing agreements	2 483	2 108
Net investments in financial leasing agreements can be analysed thus:		
- Up to 1 year	238	432
- 1 to 5 years	1 817	1 511
- More than 5 years	428	165
Total net receivables	**2 483**	**2 108**

Note 9 Classification of financial assets

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

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

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

SpareBank 1 Boligkreditt AS

SpareBank 1 Boligkreditt AS is owned by the banks that make up the SpareBank 1 Alliance. The Bank owned a 9.96 per cent stake as at 31 December 2015 (9.5 per cent as at 31 December 2014). SpareBank 1 Boligkreditt AS acquires loans with collateral in housing and issues covered bonds in accordance with the regulations established for this in 2007. Loans sold to SpareBank 1 Boligkreditt AS are secured by collateral in housing up to a ceiling of 75 per cent of their valuation. The sold loans are legally owned by SpareBank 1 Boligkreditt AS and Sparebanken Hedmark has, apart from the right to administer them and receive commissions, as well as the right to take over fully or partially written down loans, no right to use the loans. The Bank administers the sold loans and receives commissions based on the net return on the loans the Bank has sold less the company's costs.

Home mortgages worth a net NOK 1.4 billion were sold to SpareBank 1 Boligkreditt AS in 2015. A total of NOK 16.8 billion had been derecognised in home mortgages sold to SpareBank 1 Boligkreditt AS at the end of the financial year. The remaining involvement is as follows:

	Book value asset	Fair value asset	Book value liability	Fair value liability	Maximum exposure to loss
Remaining involvement	0	0	0	0	183 MNOK

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

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

SpareBank 1 Næringskreditt AS

SpareBank 1 Næringskreditt AS is owned by the banks that make up the SpareBank 1 Alliance. The Bank owned a 3.84 percent stake as at 31 December 2015 (3.84 percent as at 31 December 2014). SpareBank 1 Næringskreditt AS acquires loans with security in commercial real estate and issues covered bonds under the regulations for this established in 2007. Loans sold to SpareBank 1 Næringskreditt AS are secured by security in commercial real estate within 60 percent of it´s valuation. Sold loans are legally owned by SpareBank 1 Næringskreditt AS and the Bank has, beyond the right to manage and receive commissions for this and the right to take over part or all of written down loans, no right to use the loans. Sparebanken Hedmark manages the sold loans and the Bank receives commissions based on the net returns on the loans the Bank has sold and the costs in the company.

No commercial loans were sold to SpareBank 1 Næringskreditt in 2015. A total of NOK 0.6 billion was derecognised in loans to SpareBank 1 Næringskreditt at the end of the financial year. The remaining involvement is as follows:

	Book value asset	Fair value asset	Book value liability	Fair value liability	Maximum exposure to loss
Remaining involvement	0	0	0	0	5 MNOK

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

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

Note 10 Distribution by age of defaulted loans not written down

The table shows amounts due on loans and overdraft facilities / deposits that are not caused by delays in payment transmission, by number of days after due date.

Parent bank

2015	Up to 30 days	31–60 days	61–90 days	More than 91 days	Total
Loans to and receivables from customers					
- Retail market	9	1	1	10	19
- Corporate market	3	1	9	5	18
Total	**12**	**2**	**9**	**15**	**37**

Group

2015	Up to 30 days	31–60 days	61–90 days	More than 91 days	Total
Loans to and receivables from customers					
- Retail market	12	2	1	12	27
- Corporate market	6	10	9	7	32
Total	**18**	**12**	**10**	**19**	**59**

Parent bank

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

Group

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

Note 11 Losses on loans and guarantees

Parent bank							Group					
2014			2015				2015			2014		
RM	CM	Total	RM	CM	Total		RM	CM	Total	RM	CM	Total
-7		**-7**	-4	5	**1**	Change in individual write-downs in the period	-2	7	**5**	-2	-4	**-5**
6	2	**8**	-6	8	**2**	+ Change in collective write-downs in the period	-5	9	**4**	8	2	**10**
12	23	**35**	7	14	**21**	+ Realised losses on commitments previously written down	14	22	**36**	17	28	**46**
8	13	**21**	12	3	**15**	+ Realised losses on commitments not previously written down	15	6	**21**	10	15	**25**
-4	-1	**-5**	-3		**-3**	- Recoveries on loans and guarantees previously written down	-6	-3	**-9**	-8	-2	**-9**
15	**37**	**52**	**7**	**29**	**35**	**Total losses on loans and guarantees**	**16**	**40**	**56**	**26**	**40**	**66**

2014			2015				2015			2014		
RM	CM	Total	RM	CM	Total	Individual write-downs	RM	CM	Total	RM	CM	Total
43	100	**143**	35	99	**134**	Individual write-downs to cover losses on loans and guarantees at 1 January	41	101	**143**	44	105	**149**
12	23	**35**	7	14	**21**	Realised losses in the period on loans and guarantees previously written down individually	14	22	**35**	17	28	**45**
4	19	**23**	5	9	**14**	Reversal of write-downs in previous years	9	14	**24**	17	24	**41**
2	15	**17**		3	**3**	Increase in write-downs on commitments previously written down individually	2	6	**8**	3	16	**19**
6	26	**32**	9	23	**32**	Write-downs on commitments not previously written down individually	19	36	**55**	29	32	**61**
35	**99**	**134**	**31**	**102**	**134**	**Individual write-downs to cover losses on loans and guarantees at 31 December ***	**39**	**107**	**147**	**41**	**101**	**143**

*Guarantee provisions are included under "Other liabilities" in the balance sheet and at 31 December 2015 amounted to NOK 14.4 million.
The corresponding figures in 2014 are NOK 14.1 million.

Parent bank							Group					
2014			2015				2015			2014		
RM	CM	Total	RM	CM	Total	Collective write-downs	RM	CM	Total	RM	CM	Total
27	66	**93**	33	68	**101**	Collective write-downs to cover losses on loans and guarantees at 1 January	39	77	**116**	31	75	**106**
6	2	**8**	-6	8	**2**	Collective write-downs to cover losses on loans and guarantees in the period	-5	9	**4**	8	2	**10**
33	**68**	**101**	**27**	**76**	**103**	**Collective write-downs to cover losses on loans and guarantees at 31 December**	**34**	**86**	**120**	**39**	**77**	**116**

Parent bank			Group	
2014	2015	Losses by sector and industry	2015	2014
11	14	Private customers	19	15
		Public sector		1
	6	Primary industries	6	
		Paper and pulp industries		
8		Other industry	2	8
1		Building and construction	2	3
1		Power and water supply	2	1
9		Wholesale and retail trade	3	9
		Hotel and restaurants		
-1	5	Real estate	5	-1
15	8	Commercial services	10	15
		Transport and communications	2	4
8	2	Collective write-downs	4	10
52	**35**	**Losses on loans to customers**	**56**	**66**

Parent bank						Group				
2011	2012	2013	2014	2015	Defaulted (more than 90 days) and doubtful commitments	2015	2014	2013	2012	2011
368	382	257	263	180	Defaulted commitments	234	339	340	459	424
418	270	271	205	234	Other doubtful commitments	257	209	271	270	420
786	**652**	**528**	**468**	**414**	**Total defaulted and doubtful commitments**	**491**	**548**	**611**	**729**	**844**
216	138	134	134	134	Individual write-downs	147	143	143	150	228
570	**514**	**394**	**468**	**280**	**Net defaulted and doubtful commitments**	**344**	**548**	**468**	**579**	**616**
43	29	28	25	**20**	**Interest income from written-down loans charged to income**	**20**	25	28	29	43

Commitment means the customer's total commitment including guarantee ceilings and unused credit facilities. Until 2014, Sparebanken Hedmark had credit card portfolio on it´s own balance sheet, and the historic figures therefore include the defaults and doubtfull commitments for these credit cards.

Note 12 Credit risk exposure for each internal risk rating

Sparebanken Hedmark uses its own classification system that it uses to monitor credit risk in the portfolio. Categorisation into risk classes is based on each individual commitment's probability of default: In addition to default probability, the Bank uses estimated value of collateral (collateral classes) in its classification of customers. Customers are categorised into different risk groups on the basis of default probability and collateral class.

Parent bank	Average unsecured exposure (%) 2015	Total commitment 2015	Average unsecured exposure (%) 2014	Total commitment 2014
Low risk	2.9 %	29 215	3.8 %	25 639
Medium risk	7.3 %	12 052	8.6 %	11 243
High risk	6.5 %	2 000	5.1 %	2 429
Defaulted and written down	18.8 %	452	26.1 %	486
Total	**4.5 %**	**43 719**	**5.5 %**	**39 797**

Group	Average unsecured exposure (%) 2015	Total commitment 2015	Average unsecured exposure (%) 2014	Total commitment 2014
Low risk	4.9 %	31 115	5.3 %	28 122
Medium risk	17.3 %	15 224	11.8 %	13 595
High risk	9.2 %	2 654	12.3 %	2 734
Defaulted and written down	19.2 %	532	21.9 %	487
Total	**9.1 %**	**49 525**	**7.9 %**	**44 939**

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

Note 13 Maximum credit risk exposure, not taking into account assets pledged as security

The table below shows maximum exposure to credit risk. Exposure is shown gross before any assets pledged as security or permitted off-sets.

Parent bank			Group	
2014	2015		2015	2014
		Assets		
642	148	Deposits with central banks	148	642
4 856	5 701	Loans to and receivables from credit institutions	864	675
35 144	38 175	Gross loans to and receivables from customers	43 779	39 936
-120	-119	- Individual write-downs	-132	-129
-101	-103	- Write-downs to cover groups of loans	-120	-116
34 923	37 953	Net loans to and receivables from customers	43 526	39 693
4 017	6 133	Certificates and bonds	6 133	4 017
531	455	Financial derivatives	455	531
44 969	**50 390**	**Credit risk exposure, balance sheet**	**51 127**	**45 557**
		Liabilities		
1 062	1 049	Contingent liabilities (guarantees provided)	929	942
4 074	5 123	Unutilised credit lines	4 604	4 061
459	542	Loans approved not disbursed	542	459
5 595	**6 714**	**Total financial guarantees, off balance sheet items**	**6 075**	**5 462**
50 564	**57 105**	**Total credit risk exposure**	**57 202**	**51 019**

Credit risk exposure on financial assets distributed by geographic area

Parent bank			Group	
2014	2015		2015	2014
		Banking activities		
32 983	35 331	Hedmark	31 306	29 943
3 059	4 140	Oppland	4 992	3 777
2 861	3 626	Akershus	4 676	3 804
7 113	7 436	Rest of Norway	9 658	8 960
133	126	Abroad	126	133
-221	-222	Provisions for losses, undistributed	-252	-245
88	80	Accrued interest, undistributed	109	98
46 016	**50 517**	**Total banking activities**	**50 614**	**46 470**
		Financial market activities		
3 898	4 843	Norway	4 843	3 898
597	1 689	Europe	1 689	597
53	57	USA	57	53
4 548	**6 588**	**Total financial market activities**	**6 588**	**4 548**
50 564	**57 105**	**Total distributed by geographic area**	**57 202**	**51 019**

Note 14 Financial instruments and offsetting

In accordance with IFRS 7.13 A-F it should be disclosed about the financial instruments the bank considers to fulfill the requirements for off-setting, cf.IAS 32.42, and what financial instruments they have signed netting on.

The Bank has no financial instruments booked on a net basis in the financial statesments.

Sparebanken Hedmark has two sets of agreements which regulate counterparty risk and netting of derivatives. For retail and corporate customers, use is made of framework agreements requiring provision of collateral. For customers engaged in trading activity, only cash deposits are accepted as collateral. The agreements are unilateral, i.e it is only the customers that provide collateral. As regards financial institutions, the bank enters into standardised and mainly bilateral ISDA agreements. Additionally the bank has entered into supplementary agreements on the provision of collateral (CSA) with two institutional counterparties.

The assets and liabilities below may be offset.

				Amounts not presented on the balance sheet on a net basis		
31.12.2015	**Gross financial assets/(liabilities)**	**Recognised on a net basis**	**Net financial assets/(liabilities) on the balance sheet**	**Financial instruments**	**Cash collateral given/(received)**	**Net amount**
Derivatives as assets	455	0	455	-48	0	407
Derivatives as liabilities	-320	0	-320	48	116	-157

31.12.2014	**Gross financial assets/(liabilities)**	**Recognised on a net basis**	**Net financial assets/(liabilities) on the balance sheet**	**Financial instruments**	**Cash collateral given/(received)**	**Net amount**
Derivatives as assets	531	0	531	-57	0	474
Derivatives as liabilities	-330	0	-330	57	112	-161

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

Note 15 Credit quality per class of financial assets

Parent bank		Neither defaulted nor written down				
2015	Notes	**Low risk**	**Medium risk**	**High risk**	**Defaulted or individually written down**	**Total**
Loans to and receivables from credit institutions	7	5 701				**5 701**
Gross loans to and receivables from customers measure d to amoritisert cost						
Retail market	8	16 373	2 495	442	182	**19 492**
Corporate market	8	6 523	7 938	1 256	258	**15 975**
Gross loans to and receivables from customers and cre dit institutions classified as financial assets at fair value through profit and loss on initial recognition						
Retail market	8	1 970	297	53	2	**2 322**
Corporate market	8	253	123	9		**385**
Total gross lending		**30 820**	**10 853**	**1 760**	**442**	**43 875**
Financial investments						
Certificates and bonds	30	6 122	8	4		**6 133**
Total financial investments		**6 122**	**8**	**4**		**6 133**
Total lending-related assets		**36 942**	**10 861**	**1 764**	**442**	**50 008**

Group 2015	Notes	Neither defaulted nor written down Low risk	 Medium risk	 High risk	Defaulted or individually written down	Total
Loans to and receivables from credit institutions	7	864				**864**
Gross loans to and receivables from customers measured to amoritisert cost						
Retail market	8	17 305	3 815	610	209	**21 939**
Corporate market	8	6 689	8 377	1 351	263	**16 679**
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value through profit and loss on initial recognition						
Retail market	8	1 996	365	61	7	**2 429**
Corporate market	8	1 027	1 395	362	44	**2 828**
Total gross lending		**27 881**	**13 952**	**2 384**	**523**	**44 740**
Financial investments						
Certificates and bonds	30	6 122	8	4		**6 133**
Total financial investments		**6 122**	**8**	**4**		**6 133**
Total lending-related assets		**34 003**	**13 960**	**2 387**	**523**	**50 873**

Parent bank 2014	Notes	Neither defaulted nor written down Low risk	 Medium risk	 High risk	Defaulted or individually written down	Total
Loans to and receivables from credit institutions	7	4 856				**4 856**
Gross loans to and receivables from customers measured to amoritisert cost						
Retail market	8	14 876	3 051	616	210	**18 753**
Corporate market	8	5 637	7 117	1 427	252	**14 433**
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value through profit and loss on initial recognition						
Retail market	8	1 413	279	51	1	**1 744**
Corporate market	8	157	48	9		**214**
Total gross lending		**26 939**	**10 495**	**2 103**	**463**	**40 000**
Financial investments						
Certificates and bonds	30	3 999	8	10		**4 017**
Total financial investments		**3 999**	**8**	**10**		**4 017**
Total lending-related assets		**30 938**	**10 503**	**2 113**	**463**	**44 017**

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

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

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

Note 16 Market risk related to interest rate risk

Interest risk arises because the individual assets and liabilities have different remaining fixed rate terms.

The Board has agreed limits for the total interest rate risk, both with regard to basis risk and yield curve risk. The Bank steers interest rate risk towards the desired level on investments and funding by means of fixed interest rates and through the use of interest rate derivatives.

Basis risk is the change in the value of the Group's assets and liabilities that arises when there is a parallel shift in the entire yield curve. This risk is shown in the table below by calculating the interest rate risk as the effect on the financial instruments' fair value of a change in interest rates assuming a parallel shift in the entire yield curve of one percentage point. Administrative interest rate risk has not been taken into account, i.e. the effect of the fact that in practice there will be a lapse between a change in market interest rates and the bank having adjusted the terms and conditions for deposits and loans at floating rates of interest.

The Group's interest rate risk is related primarily to shifts in the yield curve for Norwegian kroner (NOK).

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

Basis risk	Interest rate risk, 1 percent change 2015	 2014
Certificates and bonds	-43	-16
Fixed-rate loans	-53	-32
Fixed-rate deposits	1	0
Certificate-based loans	1	0
Bond loans	144	126
Other fixed-rate funding and investments	1	1
Derivatives	-62	-90
Total interest rate risk, effect on profit after tax and equity	**-10**	**-11**

Negative figures indicates that the Bank incurs a loss on an increase in interest rates.

Although the calculations above show that the Bank will incur a loss from an increase in interest rates, the way in which the increase in interest rates happens is not insignificant. The table below shows yield curve risk, i.e. the risk of the yield curve shifting differently within the different time periods when there is a change in interest rates, by measuring the Bank's net interest rate exposure within the different periods

Yield curve risk	Interest rate risk, 1 percent change 2015	 2014
0–1 month	1	1
1–3 months	2	4
3–6 months	1	-2
6–12 months	0	0
1–3 years	-11	-12
3–5 years	-2	9
5–10 years	0	-11
Total interest rate risk, effect on profit after tax and equity	**-10**	**-11**

Note 17 Market risk related to currency exposure

Currency risk is the risk of the Group incurring a loss as a result of changes in currency exchange rates.
Currency risk arises when the Group has differences in assets and liabilities in an individual currency.

Foreign exchange trading shall always comply with adopted guidelines, limits and authorisations. The Group's limits define quantitative goals for maximum currency exposure, measured in NOK. The Group has set limits for the net exposure in each individual currency and limits for aggregate net currency exposure and total absolute sum of net positions per currency:

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

Currency risk is quantified and monitored at all times. The Group's currency risk throughout the year and at year-end is limited.
At 31 December, the net positions in the most important currencies, based on fair value of the underlying assets, was as follows:

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

Net currency exposure NOK	2015	2014
USD	4	5
EUR	3	2
SEK	2	2
GBP	2	3
CHF	2	
DKK	1	-1
PLN	1	1
Other		
Total	**14**	**14**
Effect on after-tax profit/loss and equity of a 3 percent change in Fx-rates		
Effect on after-tax profit/loss and equity of a 10 percent change in Fx-rates	1	1

Note 18 Liquidity risk

Parent bank

2015	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Cash flows related to liabilities						
Liabilities to credit institutions		-2	-6	-95	-592	-695
Deposits from and liabilities to customers	-31 620	-1 740	-148			-33 501
Liabilities arising from issuance of securities		-516	-1 658	-8 407	-1 667	-12 247
Subordinated loan capital		-4	-11	-521		-535
Derivatives related to liabilities		19	50	124	30	224
Current tax liabilities			-163			-163
Other liabilities		-97	-47	-34	-263	-440
Total cash flows related to liabilities	**-31 620**	**-2 340**	**-1 982**	**-8 931**	**-2 492**	**-47 365**

Group

2015	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Cash flows related to liabilities						
Liabilities to credit institutions		-2	-6	-95	-592	-695
Deposits from and liabilities to customers	-31 570	-1 740	-148			-33 458
Liabilities arising from issuance of securities		-516	-1 658	-8 407	-1 667	-12 247
Subordinated loan capital		-4	-11	-521		-535
Derivatives related to liabilities		19	50	124	30	224
Current tax liabilities			-167			-167
Other liabilities		-128	-69	-34	-280	-510
Total cash flows related to liabilities	**-31 570**	**-2 371**	**-2 008**	**-8 932**	**-2 509**	**-47 390**

Parent bank

2014	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Cash flows related to liabilities						
Liabilities to credit institutions	-35	-20	-8	-104	-613	-780
Deposits from and liabilities to customers	-31 036		-49			-31 085
Liabilities arising from issuance of securities		-74	-1 217	-7 051	-987	-9 329
Subordinated loan capital		-4	-12	-539		-556
Derivatives related to liabilities		19	49	124	31	223
Current tax liabilities			-146			-146
Other liabilities		-77	-123	-19	-362	-581
Total cash flows related to liabilities	**-31 071**	**-156**	**-1 506**	**-7 590**	**-1 930**	**-42 254**

Group

2014	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Cash flows related to liabilities						
Liabilities to credit institutions	-35	-20	-6	-104	-613	-778
Deposits from and liabilities to customers	-31 021		-49			-31 070
Liabilities arising from issuance of securities		-74	-1 217	-7 051	-987	-9 329
Subordinated loan capital		-4	-12	-539		-556
Derivatives related to liabilities		19	49	124	31	223
Current tax liabilities			-150			-150
Other liabilities		-61	-175	-19	-384	-639
Total cash flows related to liabilities	**-31 056**	**-140**	**-1 560**	**-7 590**	**-1 952**	**-42 299**

Cash flows relating to liabilities with agreed maturity based on notional contract sizes including estimated interest payments until maturity.

Note 19 Maturity analysis of assets and liabilities

Parent bank

2015	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	264					264
Loans to and receivables from credit institutions	4 883	2	499	317		5 701
Gross loans to and receivables from customers	14 280	403	1 338	5 334	16 820	38 175
- Individual write-downs	-44	-2	-11	-32	-31	-119
- Write-downs of groups of loans				-103		-103
Net loans to and receivables from customers	14 236	401	1 327	5 199	16 789	37 953
Certificates and bonds		435	848	3 878	973	6 133
Financial derivatives		92	5	215	143	455
Shares, units and other equity interests					294	294
Investments in associates and joint ventures					2 457	2 457
Investments in subsidiaries					859	859
Property, plant and equipment				76	237	314
Goodwill and other intangible assets			9	30	65	104
Deferred tax asset				13		13
Other assets		17	101	123	73	314
Total assets	**19 383**	**947**	**2 789**	**9 851**	**21 890**	**54 861**
Liabilities						
Deposits from and liabilities to credit institutions	27	1	19	65	549	661
Deposits from and liabilities to customers	31 620	1 740	148			33 508
Liabilities arising from issuance of securities	6	439	1 704	7 827	1 600	11 576
Financial derivaties	43	46	23	-6	216	320
Current tax liabilities			163			163
Other debt and liabilities recognised in the balance sheet		56	106	16	263	440
Subordinated loan capital				496		496
Total liabilities	**31 696**	**2 282**	**2 162**	**8 397**	**2 628**	**47 166**

Group

2015	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	264					264
Loans to and receivables from credit institutions	46	2	499	317		864
Gross loans to and receivables from customers	14 190	514	1 685	8 733	18 656	43 779
- Individual write-downs	-44	-2	-11	-45	-31	-132
- Write-downs of groups of loans				-120		-120
Net loans to and receivables from customers	14 147	512	1 674	8 569	18 625	43 526
Certificates and bonds		435	848	3 878	973	6 133
Financial derivatives		92	5	215	143	455
Shares, units and other equity interests					294	294
Investments in associates and joint ventures					3 386	3 386
Property, plant and equipment				91	250	341
Goodwill and other intangible assets			10	31	170	211
Deferred tax asset						0
Other assets		17	283	123	73	497
Total assets	**14 457**	**1 058**	**3 319**	**13 223**	**23 913**	**55 971**
Liabilities						
Deposits from and liabilities to credit institutions	27	1	18	65	549	660
Deposits from and liabilities to customers	31 569	1 740	148			33 458
Liabilities arising from issuance of securities	6	439	1 704	7 827	1 600	11 576
Financial derivatives	43	46	23	-6	216	320
Current tax liabilities			167			167
Defered tax liabilities				65		65
Other debt and liabilities recognized in the balance sheet		92	123	16	280	510
Subordinated loan capital					496	496
Total liabilities	**31 645**	**2 317**	**2 183**	**7 966**	**3 141**	**47 253**

Parent bank

2014	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	748					748
Loans to and receivables from credit institutions	4 216	2	80	558		4 856
Gross loans to and receivables from customers	14 705	335	1 124	4 587	14 393	35 144
- Individual write-downs	-58	-7	-14	-12	-29	-120
- Write-downs of groups of loans				-101		-101
Net loans to and receivables from customers	14 647	328	1 110	4 474	14 364	34 923
Certificates and bonds		307	445	2 732	533	4 017
Financial derivatives		23	41	224	244	531
Shares, units and other equity interests					239	239
Investments in associates and joint ventures					2 323	2 323
Investments in subsidiaries					668	668
Property, plant and equipment				65	249	315
Goodwill and other intangible assets			8	30	72	110
Deferred tax asset				72		72
Other assets		16	55	116	73	260
Total assets	**19 611**	**675**	**1 739**	**8 271**	**18 766**	**49 061**
Liabilities						
Deposits from and liabilities to credit institutions	33	1	18		615	667
Deposits from and liabilities to customers	31 036		49			31 085
Liabilities arising from issuance of securities			1 045	6 881	1 025	8 951
Financial derivatives		66	7	102	155	330
Current tax liabilities			146			146
Other debt and liabilities recognised in the balance sheet		77	123	19	362	581
Subordinated loan capital				505		505
Total liabilities	**31 069**	**144**	**1 389**	**7 506**	**2 156**	**42 265**

Group

2014	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	748					748
Loans to and receivables from credit institutions	35	2	80	558		675
Gross loans to and receivables from customers	14 705	541	1 666	7 597	15 427	39 936
- Individual write-downs	-58	-7	-14	-21	-29	-129
- Write-downs of groups of loans				-116		-116
Net loans to and receivables from customers	14 647	534	1 652	7 460	15 398	39 691
Certificates and bonds		307	445	2 732	533	4 017
Financial derivatives		23	41	224	244	531
Shares, units and other equity interests					239	239
Investments in associates and joint ventures					3 073	3 073
Property, plant and equipment				80	256	336
Goodwill and other intangible assets			9	33	143	185
Deferred tax asset				33		33
Other assets		16	201	116	73	406
Total assets	**15 430**	**882**	**2 428**	**11 235**	**19 959**	**49 934**
Liabilities						
Deposits from and liabilities to credit institutions	33	1	16		615	665
Deposits from and liabilities to customers	31 021		49			31 070
Liabilities arising from issuance of securities			1 045	6 881	1 025	8 951
Financial derivatives		66	7	102	155	330
Current tax liabilities			150			150
Other debt and liabilities recognised in the balance sheet		61	175	19	384	639
Subordinated loan capital				505		505
Total liabilities	**31 054**	**128**	**1 442**	**7 506**	**2 179**	**42 310**

Note 20 Net interest income

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
		Interest income		
154	165	Interest on loans to and receivables from credit institutions	68	70
1 611	1 475	Interest on loans to and receivables from customers	1 796	1 902
104	88	Interest on certificates and bonds	88	104
25	20	Interest income from written-down loans charged to income	20	25
1 894	**1 748**	**Total interest income**	**1 972**	**2 101**
		Interest expenses		
36	31	Interest on debt to credit institutions	31	36
764	567	Interest on deposits from and liabilities to customers	564	759
220	232	Interest on securities issued	232	220
18	15	Interest on subordinated loan capital	15	18
21	22	Fees to the Banks' Guarantee Fund	25	21
		Other interest expenses and similar expenses		5
1 059	**868**	**Total interest expenses**	**867**	**1 058**
835	**880**	**Total net interest income**	**1 105**	**1 043**

Note 21 Net commission income and other operating income

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
		Commission income		
14	17	Guarantee commissions	16	13
6	7	Securities trading	7	6
164	132	Payment transmission	132	163
75	81	Insurance services	81	75
228	188	Commission from loans transferred to covered bond companies	188	228
		Commission from real estate brokerage	80	79
11	10	Other commission income	10	11
497	**435**	**Total commission income**	**514**	**575**
		Commission expenses		
23	21	Payment transmission	21	23
8	6	Other commission expenses	32	27
31	**27**	**Total commission expenses**	**53**	**50**
		Other operating income		
5	7	Operating income from real estate	5	2
		Income from accounting	164	127
1	1	Rental income	1	1
	7	Income payroll	7	5
	1	Gains on fixed assets	10	
11	6	Other operating income	5	3
16	**21**	**Total other operating income**	**190**	**138**
482	**429**	**Total net commission income and other operating income**	**651**	**663**

Note 22 Net income from financial assets and liabilities

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
		Change in value of interest rate instruments		
21	-75	Bonds and certificates at fair value through profit and loss	-75	21
-181	294	Securities at fair value through profit and loss	294	-181
28	15	Fixed-rate loans to customers at fair value through profit and loss	15	28
00	0	Fixed-rate deposits from customers at fair value through profit and loss	0	0
		Change in value of derivatives		
-5	7	Net change in value of derivatives related to bonds (assets)	7	-5
129	-42	Net change in value of derivatives related to funding loans	-42	129
5	-3	Guarantee liability – Eksportfinans ASA	-3	5
1	-3	Net change in value of other derivatives	-3	1
-2	**193**	**Total net income from financial assets and liabilities at fair value**	**193**	**-2**
13	9	Net income from equity instruments available for sale	9	13
158		Gains / losses on realisation of equity instruments available for sale		158
0		Write-down of and reversal of previous write-down of equity instruments available for sale		0
170	**8**	**Total net income from equity instruments available for sale**	**8**	**170**
117	**259**	**Net income from ownership interests, see note 40**	**301**	**394**
10	**12**	**Net income from currency trading**	**12**	**10**
295	**472**	**Total net income from financial assets and liabilities**	**514**	**572**

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

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
260	271	Payroll	440	397
40	43	Employers' National Insurance contribution	67	58
47	46	Pension costs (note 24)	54	54
26	22	Social security expenses	30	34
374	**381**	**Total personnel expenses**	**590**	**543**
482	484	Average no. of employees	735	715
459	470	No. of fulltime equivalents at 31 December	728	673
478	490	No. of employees at 31 December	762	707

Payments to Group management 2015 (NOK thousands)

2015 Title / name	**Salaries and other short-term benefits**	**Other remunera-tion**	**Accrued pen-sion entitle-ments in the last 12 months**	**Board fees in subsidi-aries etc.**	**Loans**	**Guarantees**
Chief Executive Officer Richard Heiberg *)	2 940	134	1 563	529	800	
Director, Corporate Market Vegard Sæten *)	1 491	31	88	95	1 135	
Director, Retail Market Kari E. Gisnås	1 422	33	317	260	3 397	
CFO Tore Anstein Dobloug	1 356	33	268	256		
Director of Organisation and HR Eldar Kjendlie	1 311	29	169	45		
Director, Operations and IT Dag-Arne Hoberg	1 311	34	364	50	1 865	
Director, Risk Management Vidar Nordheim	1 272	33	194	55	3 239	
Bank Manager Tor Morten Nygård	1 115	35	267		3 593	
Director of PR and Communications Siv Stenseth	1 140	34	304		5 242	
Managing Director, EiendomsMegler 1 Hedmark Eiendom AS Magnus Aasen	1 107	33	211	50	1 832	
Managing Director, SpareBank 1 Finans Østlandet AS Hans Olav Wedvik	1 317	33	224		18 692	
Managing Director, SpareBank 1 Regnskapshuset Østlandet AS Ove Jahnsen *)	1 456	73	72			

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

2014 Title / name	**Salaries and other short-term benefits**	**Other remunera-tion**	**Accrued pen-sion entitle-ments in the last 12 months**	**Board fees in subsidi-aries etc.**	**Loans**	**Guarantees**
Chief Executive Officer Richard Heiberg *)		160	1 430	467	2 700	
Director, Corporate Market Vegard Sæten - from 01.10.2013 *)		27	63		1 184	
Director Nils Arne Nordheim - to 30.04.2014		9			1 992	
Director, Retail Market Kari E. Gisnås		23	234	85	1 999	
CFO Tore Anstein Dobloug		30	200	219		
Director of Organisation and HR Eldar Kjendlie		23	123			
Director, Operations and IT Dag-Arne Hoberg		27	281	50	2 036	
Director, Risk Management Vidar Nordheim		30	135	55	1 724	
Bank Manager Tor Morten Nygård		30	206		3 349	
Director of PR and Communications Siv Stenseth		23	196		3 355	
Managing Director, EiendomsMegler 1 Hedmark Eiendom AS Magnus Aasen		24	135	50	1 949	
Managing Director, SpareBank 1 Finans Østlandet AS Hans Olav Wedvik		24	161		15 936	
Managing Director, Consis AS Ove Jahnsen *)		6	65			

*)Managers with defined contribution scheme. Other managers have defined benefit scheme.
Of the total lending to Group management, NOK 0.5 million was transferred to SpareBank 1 Boligkreditt AS in 2015 (NOK 9 million in 2014).

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

2015 Title / name	Fees	Other remuneration	Loans	Guarantees
Board:				
Chairman Siri J. Strømmevold	293		1 955	
Vice Chairman Bjørnar Håkensmoen	209		10 000	
Board member Aud Christensen	162			
Board member Nina Cecilie Lier	219		2 049	
Board member Erik Garaas	225			
Board member Morten Herud	149			
Board member Espen B. Larsen (employee, incl. in salary)	766	58	4 408	
Deputy Sverre Andreas Lang-Ree			4 861	
Deputy Alexander S. Lund	31			
Deputy Ola Reidar Gulli (employee, incl. in salary)	602	28	1 448	
Control Committee:	141			
Chairman Vidar Brobakken	71			
Vice Chairman Mikael Løken	76			
Bodil Helene Andersen	65			
Ingunn Gråbergsveen	54			
Jan Erik Myrvold	5			
Deputy Marit Johnsrud				
Deputy Anne Kristin Sandnes				
Deputy Svein Nymoen				
Deputy Anne Grete Melbye				
Deputy Gry Torgals				

2014 Title / name	Fees	Other remuneration	Loans	Guarantees
Board:				
Chairman Siri J. Strømmevold	260	4	2 041	
Vice Chairman Bjørnar Håkensmoen	177			
Board member Aud Christensen	144			
Board member Nina Cecilie Lier	165		2 292	
Board member Erik Garaas	175			
Board member Morten Herud	146			
Board member Espen B. Larsen (employee, incl. in salary)	723	31	4 422	
Deputy Sverre Bjørnstad				
Deputy Alexander S. Lund	7			
Deputy Ola Reidar Gulli (employee, incl. in salary)	572	25	1 779	
Control Committee:				
Chairman Vidar Brobakken	136			
Vice Chairman Mikael Løken	62			
Bodil Helene Andersen	47			
Ingunn Gråbergsveen	53			
Jan Erik Myrvold	69			
Gro Svarstad from 27.04.2014	16			
Valborg Berthelsen to 27.04.2014	16			
Deputy Marit Johnsrud			2 970	
Deputy Anne Kristin Sandnes				
Deputy Svein Nymoen			2 307	
Deputy Anne Grete Melbye				
Deputy Gry Torgals			1 218	

Remuneration to the Board of Representatives (NOK thousands)	2015	2014
Chairman Pål Jan Stokke	0	0
Other members	2-36	2-50

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

Remuneration in accordance with the 'Regulation on Remuneration Arrangements in Financial Institutions, Investment Firms and Management Companies'

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

Executive personnel and others covered by the regulation's definition receive remuneration in the form of a fixed salary. They are members of the Bank's ordinary pension schemes. No schemes involving variable pay elements or other special administrative schemes have been established for this group of employees. The company has no form of bonus scheme or any obligations concerning considering bonuses for the chief executive or chairman of the board. There are no incentive schemes in the company or obligations concerning share value based remuneration for the benefit of employees or elected officers.

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

The Remuneration Committee also receives a briefing on the assessments that have been made concerning the pay conditions of the managing directors of the Bank's subsidiaries. The chief executive's terms are set by the Board following recommendations from the Remuneration Committee.

The chief executive has an agreement on possible early retirement from the age of 62. If the company decides to exercise the option of early retirement, the company will pay an annual early retirement pension that amounts to 70 per cent of the applicable fixed salary on the retirement date. Should the chief executive wish to retire between the ages of 62 to 67, the company will pay an annual early retirement pension that amounts to 60 per cent of the applicable fixed salary on the retirement date. Early retirement pensions that are being paid, including previous adjustment supplements, are adjusted upwards on 1 May each year by the percentage-wise increase in the National Insurance Scheme's basic amount (G). From age 67 to 77, a service pension equivalent to 5.47 times the National Insurance Scheme's basic amount (G) has been agreed in addition to the company's ordinary defined contribution scheme, in which the ceiling for pensionable income is 12 G.

Note 24 Pensions

Defined benefit scheme
The pension scheme is administered by a separate pension fund and gives entitlement to future pension benefits from the age of 67, but it is possible to receive a pension from age 62 The scheme also covers a disability pension subject to specific rules. The Group's defined benefit pension scheme guarantees most of the members a pension of approximately 70 percent of their final salary, up to a maximum of 12G. The defined benefit scheme is closed to new members.

Defined contribution scheme
Defined contribution pension schemes entail that the Group does not guarantee a future pension of a given size, and that the Group pays instead an annual contribution to the employees' collective pension savings plan. The future pension will depend on the size of the contribution and the annual return on the pension savings. The Group does not have any further obligation related to work performed after the annual contribution has been paid. There are no provisions for accrued pension liabilities in such schemes. Defined contribution pension schemes are recognised directly as an expense. The Group has offered a defined contribution pension scheme to its employees since 1 July 2008.

Early retirement pension scheme
The banking and financial services industry has entered into an early retirement pension (AFP) scheme contract. This scheme covers early retirement from the age of 62 to 67. The Bank is responsible for 100 percent of the pension that is paid from the age of 62 to 64 and 60 percent of the pension that is paid from the age of 65 to 67. Admission of new pensioners ceased with effect from 1 January 2011. There is no one left in the scheme per 31.12.2015.

New early retirement pension scheme
The Act on state subsidies to employees who take out an early retirement pension in the private sector (Early Retirement Subsidy Act) entered into force on 19 February 2010. Employees who take out early retirement from an implementation date in 2011 or later, will receive benefits in accordance with the new scheme. The new early retirement pension (AFP) scheme is a lifelong addition to National Insurance benefits and can be taken out from age 62. The employers' premium is determined as a percentage of salary payments up to 7.1G. In accordance with the recommendations of the Norwegian Accounting Standards Board, no provisions have been set aside for the Group's real early retirement pension (AFP) scheme liabilities.

In addition, the Group has pension liabilities in relation to early retirement pensioners and employees with a salary over 12G.

For further details of the Group's pension plans see note 2 Accounting Principles and note 23 Payroll expenses.

Defined-contribution pension from 1 July 2008

Salary between 1 and 6 times the National Insurance basic amount (G)	5%
Salary between 6 and 12 times the National Insurance basic amount (G)	8%

Salary includes regular supplements, but does not include overtime, taxable benefits in kind and other remuneration of expenses.

The discontinued pension scheme includes	Parent bank	Group
Employees	267	299
Pensioners	282	289

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

Assumptions 31 December	01.01.2016	01.01.2015	01.01.2014
Discount rate	2.70 %	2.30 %	4.00 %
Expected return on assets	2.70 %	2.30 %	4.00 %
Expected future wage development	2.25 %	2.50 %	3.75 %
Expected adjustment of the basic amount (G)	2.25 %	2.50 %	3.50 %
Expected pension adjustment	2.25 %	2.50 %	3.50 %
Employers' National Insurance contribution	14.10 %	14.10 %	14.10 %
Expected voluntary retirement	2.00 %	2.00 %	2.00 %
Expected contractual early retirement from 62 years	0.00 %	0.00 %	0.00 %
Disability table applied	IR02	IR02	IR02
Mortality table applied	K2013 BE	K2013 BE	K2013 BE

The dates used above indicate the date from which the liability is calculated with changed assumptions. For example, this means that the pension liability at 31 December 2015 has been discounted on the basis of the assumptions that apply on 1 January 2016, whereas the annual cost for 2015 is based on the assumptions that applied at the beginning of the year.

The Norwegian Accounting Standards Board (NASB) reassessed the market for corporate bonds in 2012 as a result of input form market actors with regard to the growth of the covered bond market. These actors had found that the covered bond market was deep enough and that the pricing was reliable. The NASB can accordingly not deny use of the covered bond market interest rate for calculation of the disco-unt rate. Sparebanken Hedmark decided on this basis to use the covered bond interest rate as its discount rate as of 31 December 2012.

Pension cost

SECURED SCHEME

Parent bank			Group	
2014	**2015**		**2015**	**2014**
21	21	Present value of pension accruals for the year	26	26
29	18	Interest cost of pension liability	19	30
-18	-11	- Return on pension assets	-11	-18
		Adminstrative cost		
3	4	Accrued employer contributions	4	3
35	**33**	**Net pension cost**	**39**	**41**

Actual return on pension assets:

3,2 %	3,2 %	3.2 %	3.2 %

UNSECURED PENSION SCHEME

Parent bank			Group	
2014	**2015**		**2015**	**2014**
2	2	Present value of pension accruals for the year	2	2
1	1	Interest cost of pension liability	1	1
5	6	Defined-contribution pension charged to profit and loss	6	5
4	4	Effect of new AFP scheme charged to profit and loss	4	4
1		Accrued employer contributions		1
13	**13**	**Net pension cost**	**13**	**13**

TOTAL SECURED AND UNSECURED SCHEMES

Parent bank			Group	
2014	**2015**		**2015**	**2014**
23	23	Present value of pension accruals for the year	28	28
30	19	Interest cost of pension liability	20	31
-18	-11	Return on pension assets	-11	-18
5	6	Defined-contribution pension charged to profit and loss	7	6
4	4	Effect of new AFP scheme charged to profit and loss	4	4
4	4	Accrued employer contributions	5	4
47	**46**	**Net pension cost**	**53**	**54**

Pension liability

SECURED SCHEME

Parent bank			Group	
2014	**2015**		**2015**	**2014**
791	869	Gross liabilities at 1 January	912	825
20	21	Pension accruals for the year	25	25
29	18	Interest on pension liability	19	30
-20	-24	Benefits paid	-24	-20
49	-82	Actuarial differences included in equity	-87	52
869	**802**	**Gross liability at 31 December**	**844**	**912**
557	583	Pension assets at 1 January	605	578
21	44	Paid into the scheme	48	26
21	11	Expected return on pension assets	11	18
-20	-24	Benefits paid	-24	-20
4	-14	Actuarial gains and losses included in equity	-14	4
583	**599**	**Pension assets at 31 December**	**626**	**605**
33	40	Employers' National Insurance contribution liability at 1 January	42	35
-3	-6	Employers' National Insurance contribution on pension premium paid in	-6	-3
6	-10	Employers' National Insurance contribution on actuarial differences	-10	6
4	4	Employers' National Insurance contribution on the pension cost for the year	4	4
40	**28**	**Employers' National Insurance contribution liability at 31 December**	**30**	**42**
267	326	Net pension liability secured scheme at 1 January	348	282
326	231	Net pension liability secured scheme at 31 December	249	348

Premium transfers in 2016 are estimated to NOK 40 million for the parent bank and NOK 43 million for the Group.

UNSECURED PENSION SCHEME

Parent bank			Group	
2014	**2015**		**2015**	**2014**
32	30	Gross liabilities at 1 January	30	32
2	2	Pension accruals for the year	2	2
1	1	Interest on pension liability	1	1
-6	-4	Benefits paid	-4	-6
2	-2	Actuarial differences included in equity	-2	2
30	**27**	**Gross liability at 31 December**	**27**	**30**
5	5	Employers' National Insurance contribution liability at 1 January	5	5
-1	-1	Employers' National Insurance contribution on paid benefits	-1	-1
		Employers' National Insurance contribution on actuarial differences		
		Employers' National Insurance contribution on the pension cost for the year		
5	**4**	**Employers' National Insurance contribution liability at 31 December**	**4**	**5**
37	35	Net pension liability unsecured scheme at 1 January	35	37
35	31	Net pension liability unsecured scheme at 31 December	31	35

TOTAL SECURED AND UNSECURED SCHEMES

Parent bank			Group	
2014	2015	Summary of pension liability	2015	2014
304	361	Net pension liability at 1 January	383	319
361	262	Net pension liability at 31 December	280	383

ACTUARIAL GAINS AND LOSSES (CHANGES IN ESTIMATES)

Parent bank			Group	
2014	2015		2015	2014
-51	79	Actuarial gains and losses and pre-tax losses in equity capital for the period	85	-87
194	115	Cumulative actuarial gains and losses and pre-tax losses in equity capital	140	225

Parent bank	2015	2014	2013	2012	2011
Present value of pension liability	862	944	861	773	885
Fair value of pension assets	599	583	558	524	490
Deficit / surplus	**262**	**361**	**303**	**249**	**395**
Experienced adjustments to pension liabilities	-74	63	73	-129	90
Experienced adjustments to pension assets	-17	6	-3	-18	-23

Group	2015	2014	2013	2012	2011
Present value of pension liability	906	989	897	801	925
Fair value of pension assets	626	605	578	541	507
Deficit / surplus	**280**	**384**	**319**	**260**	**418**
Experienced adjustments to pension liabilities	-78	65	78	-148	93
Experienced adjustments to pension assets	-16	5	-5	-24	-24

See note 3 for sensitivity analysis of pension liabilities.

Composition of the Group's pension assets	2015	2014
Fixed income funds	47.2 %	55.4 %
Shares	6.4 %	5.8 %
Short-term bonds	24.6 %	14.4 %
Certificates/bonds	5.7 %	5.7 %
Money market	15.7 %	17.7 %
Other	0.5 %	1.0 %

Note 25 Other operating expenses

Parent bank			Group	
2014	2015		2015	2014
44	53	External services	59	48
45	46	External data processing	47	46
43	47	Marketing	71	69
22	21	Postage, courier, telephone, computer lines	27	26
76	81	IT equipment, software	85	79
33	36	Depreciation (notes 33 and 34)	46	41
13	14	Rent	33	29
16	15	Operating expenses property	16	16
22	7	Wealth tax	7	22
38	42	Other operating expenses	71	62
353	**362**	**Total other operating expenses**	**462**	**438**
		Auditor's fee (NOK thousands)		
1 885	809	Statutory audit	1 547	3 169
		Other attestation services	18	
		Other services	295	111
1 885	**809**	**Total, including VAT**	**1 860**	**3 280**

Note 26 Taxes

Parent bank			Group	
2014	2015		2015	2014
835	1 003	Profit before taxes	1 163	1 232
-262	-255	+/- permanent differences*	-295	-519
-40		+/- group contribution		-40
54	-248	+/- changes in temporary differences	-368	-60
-51	79	+/- tax effect recorded directly against equity	85	-53
536	**579**	**Tax base / taxable income for the year**	**585**	**560**
146	156	Of which is tax payable 27 %	161	150
-1	71	Change in deferred tax	104	28
1		Tax at source		1
	1	Excess/insufficient tax allocation in previous years	1	
-1	-2	Excess/insufficient deferred tax allocation in previous years	-2	-1
14	-20	- of which change not recorded in income statement	-31	14
159	**207**	**Total tax charge**	**233**	**192**
		Explanation of why the tax charge for the year is not 27 % of the year's profit before tax		
225	271	27% tax on profit before tax	314	332
-67	-66	27% of permanent differences*	-77	-140
1		Tax at source		1
	1	Excess/insufficient tax allocation in previous years	1	
-1	-2	Excess/insufficient deferred tax allocation in previous years	-2	-1
	3	Reduction in the tax rate for deferred tax assets from 27% to 25%	-3	
159	**207**	**Estimated tax charge**	**233**	**192**
19 %	**21 %**	**Effective tax rate (%)**	**20 %**	**16 %**
		Deferred tax assets		
-131	-66	Deferred tax assets that reverses in more than 12 months	-70	-138
-2	-1	Deferred tax assets that reverses within 12 months	-6	-15
-132	**-67**	**Total deferred tax assets**	**-77**	**-153**
60	53	Deferred tax that reverses in more than 12 months	141	121
		Deferred tax that reverses within 12 months		
60	**53**	**Total deferred tax**	**141**	**121**
-72	**-14**	**Net deferred tax/deferred tax asset**	**65**	**-33**
		Specification of temporary differences		
12	10	Gains and loss account	17	12
-362	-263	Pension liabilities	-280	-384
99	78	Operating equipment	408	324
40		Group contribution		40
-71	93	Differences in finacial items	93	-71
15	27	Other temporary differences	42	14
		Carry forward tax loss	-23	-54
-267	**-54**	**Total temporary differences**	**257**	**-120**
27 %	25 %	Tax rate applied	25 %	27 %

*) Includes tax-exempted dividends, non-tax-deductible expenses, net tax-exempt gains on realisation of shares in the European Economic Area (EEA), and tax allowances for profit attributable to associated companies (the percentage of the profit is extracted as it has already been taxed in the individual company).

Note 27 Determination of fair value of financial instruments

The table below shows the financial instruments at fair value by the measurement method.
The different levels are defined as follows:

- Level 1: Quoted prices for similar asset or liability on an active market.
- Level 2: Valuation based on other observable factors either direct (price) or indirect (deduced from prices) than the quoted price (used on level 1) for the asset or liability.
- Level 3: Valuation based on factors not based on observable market data (non-observable inputs).

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

2015 Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
- Derivatives		455		455
- Bonds and certificates		6 133		6 133
- Fixed-rate loans to customers		2 771		2 771
Financial assets available for sale				
- Equity instruments	154		139	294
- Other financial assets (Visa Norge)			40	40
Total assets	**154**	**9 359**	**180**	**9 693**

Liabilities	Nivå 1	Nivå 2	Nivå 3	Total
Financial liabilities at fair value through profit and loss				
- Derivatives		317	3	320
- Securities issued		11 576		11 576
- Subordinated loan capital		496		496
- Fixed-rate deposits from customers		89		89
- Term deposits			61	61
Total liabilities	**0**	**12 479**	**64**	**12 543**

2014 Assets	Nivå 1	Nivå 2	Nivå 3	Total
Financial assets at fair value through profit and loss				
- Derivatives		529	3	531
- Bonds and certificates		4 017		4 017
- Fixed-rate loans to customers		1 793		1 793
- loans with interest-rate guarantees to customers			1	1
Financial assets available for sale				
- Equity instruments	131		108	239
Total assets	**131**	**6 339**	**112**	**6 581**

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

Fair value of financial instruments traded on active markets is based on the market value on the balance sheet day. A market is considered active if the market prices are easily and regularly available, and these prices represent actual and regularly occurring arm's-length market transactions. The market price used for financial assets is the current purchase price; for financial liabilities the current selling price is used. Instruments included in level 1 include only equity instruments listed on Oslo Børs or the New York Stock Exchange.

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

If one or more important inputs required to determine the fair value of an instrument are 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 Nordic Bond Pricing or Reuters pricing service.
- Fair value of fixed-rate deposits and loans is calculated as the present value of the estimated future cash flow based on an observable swap yield curve, plus an implicit mark-upcalculated as the difference between the reference rate and the interest rate indicated by the Bank's price list on balance sheet day.
- Other methods, such as multiplier models, have been used to determine the fair value of the remaining financial instruments..

The table below presents the changes in value of the instruments classified in level 3:

2015	Loans with interest-rate guarantees	Equity instru-ments	Derivatives	Fixed-rate deposits from customers	Other financial assets	Total
Opening balance	1	108	3			**112**
Investments in the period		30		-61		**-30**
Sales/redemption in the period	-1	-2	-3			**-6**
Gains/losses recognised through profit and loss			-3			**-3**
Gains/losses recognised directly against comprehensive income		3			40	**43**
Closing balance	0	139	-3	-61	40	**116**
Gains/losses for the period included in the profit for assets owned on the balance sheet day			-3			**-3**

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

Gains and losses on instruments classified in level 3 recognised in profit and loss are included in their entirety under Net profit from other financial assets and liabilities in the income statement.

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

For fixed-rate loans to customers, the higher credit markups in 2015 have reduced the fair value of the Bank's receivables by an estimated NOK 10 million. This estimate is the difference between the book value of the loans and the estimated fair value of the contractual cash flows at the balance sheet date discounted at the balance sheet interest rate curve and applicable credit spreads at the beginning. For fixed-rate deposits from customers the same effect is insignificant.

Note 28 Classification of financial instruments

Parent bank 2015	Financial investments at fair value through profit and loss: Held for trading	Financial investments at fair value through profit and loss: To be recognised at fair value	Financial investments held to maturity	Financial instruments assessed at amortised cost	Total
Assets					
Cash and deposits with central banks				264	264
Loans to and receivables from credit institutions				864	864
Gross loans to and receivables from customers		2 771		35 404	38 175
- Individual write-downs				-119	-119
- Write-downs of groups of loans				-103	-103
Net loans to and receivables from customers	0	2 771	0	35 182	37 953
Certificates and bonds		6 133			6 133
Financial derivatives	455				455
Shares, units and other equity interests			294		294
Total assets	**455**	**8 904**	**294**	**36 310**	**45 963**
Liabilities					
Deposits from and liabilities to credit institutions				659	659
Deposits from and liabilities to customers		150		33 359	33 508
Liabilities arising from issuance of securities		11 576			11 576
Financial derivatives	320				320
Subordinated loan capital		496			496
Total liabilities	**320**	**12 222**	**0**	**34 018**	**46 561**

Group 2015	Financial investments at fair value through profit and loss: Held for trading	Financial investments at fair value through profit and loss: To be recognised at fair value	Financial investments held to maturity	Financial instruments assessed at amortised cost	Total
Assets					
Cash and deposits with central banks				264	264
Loans to and receivables from credit institutions				864	864
Gross loans to and receivables from customers		2 771		41 009	43 779
- Individual write-downs				-132	-132
- Write-downs of groups of loans				-120	-120
Net loans to and receivables from customers	0	2 771	0	40 757	43 526
Certificates and bonds		6 133			6 133
Financial derivatives	455				455
Shares, units and other equity interests			294		294
Total assets	**455**	**8 904**	**294**	**41 885**	**51 538**
Liabilities					
Deposits from and liabilities to credit institutions				659	659
Deposits from and liabilities to customers		150		33 309	33 458
Liabilities arising from issuance of securities		11 576			11 576
Financial derivatives	320				320
Subordinated loan capital		496			496
Total liabilities	**320**	**12 222**	**0**	**33 968**	**46 511**

Parent bank 2014	Financial investments at fair value through profit and loss: Held for trading	Financial investments at fair value through profit and loss: To be recognised at fair value	Financial investments held to maturity	Financial instruments assessed at amortised cost	Total
Assets					
Cash and deposits with central banks				748	748
Loans to and receivables from credit institutions				675	675
Gross loans to and receivables from customers		1 793		33 351	35 144
- Individual write-downs				-120	-120
- Write-downs of groups of loans				-101	-101
Net loans to and receivables from customers	0	1 793	0	33 130	34 923
Certificates and bonds		4 017			4 017
Financial derivatives	531				531
Shares, units and other equity interests			239		239
Total assets	**531**	**5 810**	**239**	**34 553**	**41 133**
Liabilities					
Deposits from and liabilities to credit institutions				665	665
Deposits from and liabilities to customers		50		31 035	31 085
Liabilities arising from issuance of securities		8 951			8 951
Financial derivatives	330				330
Subordinated loan capital		505			505
Total liabilities	**330**	**9 505**	**0**	**31 700**	**41 535**

Group 2014	Financial investments at fair value through profit and loss: Held for trading	Financial investments at fair value through profit and loss: To be recognised at fair value	Financial investments held to maturity	Financial instruments assessed at amortised cost	Total
Assets					
Cash and deposits with central banks				748	748
Loans to and receivables from credit institutions				675	675
Gross loans to and receivables from customers		1 793		38 143	39 936
- Individual write-downs				-129	-129
- Write-downs of groups of loans				-116	-116
Net loans to and receivables from customers	0	1 793	0	37 898	39 691
Certificates and bonds		4 017			4 017
Financial derivatives	531				531
Shares, units and other equity interests			239		239
Total assets	**531**	**5 810**	**239**	**39 321**	**45 901**
Liabilities					
Deposits from and liabilities to credit institutions				665	665
Deposits from and liabilities to customers		50		31 021	31 070
Liabilities arising from issuance of securities		8 951			8 951
Financial derivatives	330				330
Subordinated loan capital		505			505
Total liabilities	**330**	**9 505**	**0**	**31 686**	**41 521**

Note 29 Information about fair value

Parent bank	Book value 2015	Fair value 2015	Level in the valuation hierarchy	Book value 2014	Fair value 2014	Level in the valuation hierarchy
ASSETS						
Loans to and receivables from credit institutions	5 701	5 701	2	4 856	4 856	2
Net loans to and receivables from customers						
RM	21 756	21 756	3	20 428	20 428	3
CM	16 196	16 196	3	14 495	14 495	3
Securities	6 427	6 427	1,2,3	4 255	4 255	1,2,3
Derivatives	455	455	2	531	531	2
Total financial assets	**50 535**	**50 535**		**44 565**	**44 565**	
LIABILITIES						
Liabilities to credit institutions	661	661	2	667	667	2
Deposits from and liabilities to customers	33 508	33 508	3	31 085	31 085	3
Liabilities arising from issuance of securities	11 576	11 576	2	8 951	8 951	2
Derivatives	320	320	2	330	330	2
Subordinated loan capital	496	496	2	505	505	2
Total financial liabilities	**46 563**	**46 563**		**41 537**	**41 537**	

Group	Book value 2015	Fair value 2015	Level in the valuation hierarchy	Book value 2014	Fair value 2014	Level in the valuation hierarchy
ASSETS						
Loans to and receivables from credit institutions	864	864	2	675	675	2
Net loans to and receivables from customers						
RM	24 215	24 215	3	22 717	22 717	3
CM	19 311	19 311	3	16 975	16 975	3
Securities	6 427	6 427	1,2,3	4 256	4 256	1,2,3
Derivatives	455	455	2	531	531	2
Total financial assets	**51 272**	**51 272**		**45 154**	**45 154**	
LIABILITIES						
Liabilities to credit institutions	660	660	2	665	665	2
Deposits from and liabilities to customers	33 458	33 458	3	31 070	31 070	3
Liabilities arising from issuance of securities	11 576	11 576	2	8 951	8 951	2
Derivatives	320	320	2	330	330	2
Subordinated loan capital	496	496	2	505	505	2
Total financial liabilities	**46 511**	**46 511**		**41 521**	**41 521**	

GENERAL
Financial instruments assessed at fair value
Financial instruments – with the exception of loans to and deposits from customers with floating rates of interest, and debts to credit institutions – are assessed at fair value. For a more detailed description, see notes 2 and 3.

Financial instruments assessed at amortised cost
Financial instruments that are not assessed at fair value are recognised at amortised cost. See note 2 for a more detailed description. Amortised costs entails assessing balance sheet items after originally agreed cash flows and, as applicable, adjusted for write-downs.

Assessment at fair value will always be subject to uncertainty.

Assessment at fair value of items recognised at amortised cost
In connection with assessment at fair value of items recognised at amortised cost, we divide items into the following categories: loans to and receivables from credit institutions, loans to retail and corporate customers, deposits from and liabilities to customers, and liabilities to credit institutions.

Differing pricing methods are used for loans to customers and loans to credit institutions. Below is a summary of the various pricing models for the different categories:
• Loans to and receivables from credit institutions are priced using NIBOR.
• Loans to retail market customers are priced using floating and fixed customer interest rates.
• Loans to corporate market customers are priced using floating and fixed customer interest rates, and a number of loans are priced using NIBOR.

All fixed-rate loans are recognised at fair value in the bank's accounts.

It is the Bank's view that loans in the retail and corporate market with floating interest rates always have a fair market price. The justification for this is that floating interest is subject to continuous assessment and adjustment to the interest rates in the capital market and changes in the competition situation. In the banks opinion the portfolio has a correct marketprice. The other NIBOR loans can be renegotiated continuously. The bank endevaors that these loans have the right market value at any time.

Liabilities to credit institution and deposits from customers
For deposits to customers and liabilities to credit institutions, fair value is estimated to be equal to book value, since they generally have floating rates of interest.In the light of these assessments, there is no difference between book value and fair value in the table above.

Note 30 Certificates, bonds and fixed-income funds

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

Certificates and bonds by sector of issuers	2015	2014
Government		
nominal value	150	150
fair value	159	160
Other public sector issuers		
nominal value	1 082	505
fair value	1 080	527
Financial institutions		
nominal value	4 658	3 084
fair value	4 686	3 161
Non-financial institutions		
nominal value	209	172
fair value	207	169
Total fixed-income, nominal value	**6 098**	**3 911**
Total fixed-income at fair value through profit	**6 133**	**4 017**

Fair value is presented including accrued interest (dirty price). Accrued interest amounts to NOK 26 million i 2015 and NOK 27 million in 2014.

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

Note 31 Financial derivatives

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

Assessment at fair value through profit and loss	2015		
Currency instruments	**Contract sum**	**Fair value Assets**	**Fair value Liabilities**
Currency forward contracts	626	12	10
Currency swaps	1 988	3	27
Total currency instruments	**2 614**	**15**	**37**
Interest rate instruments			
Interest rate swaps (including cross currency swaps)	10 465	435	281
Others	150	6	
Total interest rate instruments	**10 615**	**441**	**281**
Other derivatives			
Guarantee liability in respect of Eksportfinans ASA	66	0	3
Total currency and interest rate instruments			
Total currency instruments	**2 614**	**15**	**37**
Total interest rate instruments	**10 615**	**441**	**281**
Total other derivatives	**66**	**0**	**3**
Total	**13 295**	**455**	**320**

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

Note 32 Shares, units and other equity interests

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

	2015	2014
Available for sale (AFS)	**294**	**239**
– Listed	154	131
– Unlisted	139	108
Total shares and units	**294**	**239**

Listed companies	Classification	Ownership (%)	No. of shares	Cost of acquisition (NOK thousands)	Market value/ book value (NOK thousands)
Visa Inc. (Shares, NYSE)	AFS	0.0 %	54 840	5 891	37 802
Totens Sparebank (Equity capital certificates, OSE)	AFS	23.5 %	1 440 530	94 782	116 683
Total listed shares and equity certificates				**100 673**	**154 485**

Unlisted companies	Classification	Ownership (%)	No. of shares	Cost of acquisition (NOK thousands)	Market value/ book value (NOK thousands)
Eiendomskreditt AS	AFS	1.1 %	32 510	3 446	4 064
Eksportfinans ASA	AFS	1.3 %	3 499	52 127	74 179
Norgesinvestor IV AS	AFS	1.7 %	79 000	7 308	7 426
Norgesinvesto Proto AS	AFS	16.9 %	150 000	15 000	16 437
SpareBank 1 Markets AS	AFS	6.2 %	139 454	47 485	29 285
Other	AFS			7 106	7 870
Total unlisted shares and units				**132 472**	**139 261**
Total shares, units and equity certificates				**233 145**	**293 746**

Note 33 Goodwill and other intangible assets

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
		Goodwill		
22	22	Acquisition cost at 1 January	115	99
		Acquisitions	32	16
		Disposals	19	
22	22	Acquisition cost at 31 December	128	115
		Accumulated write-downs at 1 January	20	20
		Current year's write-downs		
		Accumulated write-downs at 31 December	20	20
22	**22**	**Goodwill incorporated in the balance sheet at 31 December**	**108**	**95**

Parent Bank

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

On acquisition of the portfolio from Bank 1 Oslo Akershus AS in 2006, the names of the customers who were transferred to Sparebanken Hedmark were noted to enable them to be identified at a later time. The remaining customers in the portfolio are therefore regarded as the smallest identifiable group of assets for a cash-generating unit. When testing the value of this portfolio for impairment, in principle an estimate is made of the net cash flows expected to arise from the portfolio by determining it´s earnings from loans and deposits, and the costs and revenues derived from mutual funds and insurance products. Furthermore, an estimate is made of expected losses on the portfolio. The cash flow is calculated over 20 years and is discounted using a risk free interest rate with the addition of a premium that reflects the risk associated with similar businesses. The calculations show that the present value of the discounted future cash flows connected to the portfolio acquired from Bank 1 Oslo Akershus AS exceeds the carrying value of goodwill.

Group

Goodwill in the group is linked to the acquisition of office from Bank 1 Oslo Akershus AS in 2006, a minor post goodwill EiendomsMegler 1 Hedmark Eiendom AS, and the goodwill of the subsidiary SpareBank 1 Regnskapshuset Østlandet AS that have arisen in connection with various acquisitions of new offices. There is also a goodwill item linked to the Bank's acquisition of SpareBank 1 Regnskapshuset Østlandet AS in April 2011. The residual value of this item is NOK 4 million.

The value of goodwill in subsidiaries, associated companies and joint ventures has been tested as at 31 December 2015. Given the equity and expected future earnings of the companies, goodwill was not written down in the consolidated profit for 2015. Disposals of goodwill due to sale of accounting offices that belonged to SpareBank 1 RegnskapshusetAS.

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
		Other intangible assets		
130	130	Acquisition cost at 1 January	133	133
	2	Acquisitions	21	
		Disposals		
130	132	Acquisition cost at 31 December	154	133
35	43	Accumulated depreciation at 1 January	43	35
		Disposals accumulated depreciation		
8	8	Current year's depreciation	8	8
43	51	Accumulated depreciation at 31 December	51	43
87	**82**	**Other intangible assets at 31 December**	**103**	**90**

Other intangible assets consist primarily of NOK 43 million related to the acquisition of the customer portfolio of Bank 1 Oslo Akershus AS's Hamar office in 2006, NOK 19 million related to the acquisition of the customer portfolio from SpareBank1 Ringerike Hadeland in October 2011, as well as NOK 17 million related to the acquisition of the customer portfolio from Bank1 Oslo Akershus AS in Årnes in October 2012. The portfolios will be amortised over 20 years and 14 years, respectively.

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
110	**104**	**Total intangible assets at 31 December**	**211**	**185**

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

Note 34 Acquisition of businesses/business combinations

On 1 January 2015, Sparebanken Hedmark's subsidiary SpareBank 1 Regnskapshuset Østlandet AS required 100 percent of the shares in the three accounting firms Hauge Regnskap AS, Stenberg Regnskap & Økonomi AS, and Frostad & Skyrud AS. The objective of the acquisition is to secure the company's assets, protect local jobs and contribute to long-term operations and development.

Frostad & Skyrud AS is treated as a subsidiary of SpareBank 1 Regnskapshuset Østlandet AS. SpareBank 1 Regnskapshuset AS has paid the following remuneration at fair value in connection with the acquisitions:

Acquisition analysis	
Remuneration 1 January 2015	38
The book value of identifiable assets and liabilities as a result of the acquisition	
Intangible assets	
Property, plant and equipment	1
Current assets	5
Bank deposits, cash, etc.	11
Long-term debt to credit institutions	
Current debt to credit institutions	
Other current liabilities	-16
Total identifiable net assets	**1**

Excess value of NOK 37 million was paid for the company. Of this excess value, NOK 22 million is classified as goodwill. The remaining NOK 15 million is classified as an intangible asset and linked to the aquired customer portfolio in Frostad & Skyrud AS. Including the tax effect of the excess value in the customer portfolio, the intangible asset is worth NOK 18 million.

Hauge Regnskap AS and Stenberg Regnskap & Økonomi AS have been merged with other units in Hamar and will together make up a departmental account. The acquisitions have resulted in goodwill in the Sparebanken Hedmark Group of a total of NOK 10 million. See the acquisition analysis below.

SpareBank 1 Regnskapshuset AS has paid the following remuneration at fair value in connection with the acquisitions:

Acquisition analysis Hauge Regnskap AS	
Remuneration 1 January 2015	2
The book value of identifiable assets and liabilities as a result of the acquisition	
Current assets	1
Other current liabilities	-1
Total identifiable net assets	**0**

Excess value of NOK 2 million was paid for the company. The entire amount of excess value is classified as goodwill.

Acquisition analysis Stenberg Regnskap & Økonomi AS	
Remuneration 1 January 2015	9
The book value of identifiable assets and liabilities as a result of the acquisition	
Current assets	2
Bank deposits, cash, etc.	1
Other current liabilities	-2
Total identifiable net assets	**1**

Excess value of NOK 8 million was paid for the company. Of this excess value, NOK 5 million is classified as goodwill and NOK 3 million is classified as an intangible asset.

Costs related to the acquisition are recognised in the Bank's income statement for 2015.

Note 35 Property, plant and equipment

Parent bank				Group		
Buildings, land and other property	**Fixtures, fittings and vehicles**	**Total**		**Buildings, land and other property**	**Fixtures, fittings and vehicles**	**Total**
350	228	578	Acquisition cost at 1 January 2014	414	278	692
62	20	81	Acquisitions	62	25	86
8	28	36	Disposals	8	28	36
404	**219**	**622**	**Acquisition cost at 31 December 2014**	**468**	**274**	**742**
145	167	312	Accumulated depreciation and write-downs at 1 January 2014	201	203	404
10	16	26	Current year's depreciation	10	23	33
6	25	31	Current year's disposal	6	25	31
149	**157**	**307**	**Accumulated depreciation and write-downs at 31 December 2014**	**205**	**201**	**406**
254	**61**	**315**	**Book value at 31 December 2014**	**263**	**73**	**336**
404	219	622	Acquisition cost at 1 January 2015	468	274	742
7	22	29	Acquisitions	17	27	44
1	8	9	Disposals	1	8	9
409	**233**	**642**	**Acquisition cost at 31 December 2015**	**483**	**294**	**777**
		307	Accumulated depreciation and write-downs at 1 January 2015	205	201	406
11	18	28	Current year's depreciation	14	24	38
1	6	7	Current year's disposal	1	6	7
10	**12**	**328**	**Accumulated depreciation and write-downs at 31 December 2015**	**218**	**219**	**438**
399	**221**	**314**	**Book value at 31 December 2015**	**265**	**75**	**341**

Collateral security

The bank has not pledged or accepted any other limitations on it´s right to dispose of the fixed assets.

Acquisition cost of depreciated assets

The acquisition cost of fully depreciated assets still in use in the Bank in 2015 was NOK 172 million. The corresponding figure for 2014 was NOK 158 million.

Gross value of fixed assets temporarily not in operation

The Group did not have any fixed assets temporarily out off operation at 31 December 2015.

Investment properties (NOK thousands)

Parent bank									**Group**
Value 01.01.15	**Acqu./ depr.**	**Value 31.12.15**	**Rent**	**Rented on 31.12.2015**	**Value 01.01.15**	**Acqu./ depr.**	**Value 31.12.15**	**Rent**	**Rented on 31.12.15**
6 722	-132	6 590	559	100 % Brugata 7 – Brumunddal	6 722	-132	6 590	445	66 %
6 722	**-132**	**6 590**	**559**	**Total**	**6 722**	**-132**	**6 590**	**445**	
		8 391		Fair value			8 391		

Parent bank									**Group**
Value 01.01.14	**Acqu./ depr.**	**Value 31.12.14**	**Rent**	**Rented on 31.12.2014**	**Value 01.01.14**	**Acqu./ depr.**	**Value 31.12.14**	**Rent**	**Rented on 31.12.14**
6 827	-105	6 722	436	100 % Brugata 7 – Brumunddal	6 827	-105	6 722	223	66 %
6 827	**-105**	**6 722**	**436**	**Total**	**6 827**	**-105**	**6 722**	**223**	
		9 036		Fair value			9 036		

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

Note 36 Other assets

Parent bank			Group	
2014	2015		2015	2014
73	73	Capital payments into pension fund	73	73
19	17	Accrued income, not yet received	21	19
23	27	Prepaid costs, not yet incurred	27	15
144	197	Other assets	376	299
260	**314**	**Other assets**	**497**	**406**

Note 37 Deposits from and liabilities to customers

Parent bank			Group	
2014	2015	**Deposits from and liabilities to customers**	2015	2014
31 035	31 618	Deposits from and liabilities to customers at call	31 570	31 021
49	1 888	Deposits from and liabilities to customers with agreed maturity dates	1 888	49
1	2	Accrued interest		
31 085	**33 508**	**Total deposits from and liabilities to customers**	**33 458**	**31 070**
		Of total deposits, deposits stated at fair value through profit and loss (FVO):		
50	89	Fixed-rate deposits, book value	89	50
49	88	Fixed-rate deposits, nominal value	88	49
	61	Term deposits, book value	61	
	60	Term deposits, nominal value	60	

2014	2015	Deposits by sector and industry	2015	2014
19 047	20 396	Private customers	20 396	19 047
3 666	4 126	Public sector	4 126	3 666
927	921	Primary industries	921	927
101	104	Paper and pulp industries	104	101
514	503	Other industry	503	514
671	806	Building and construction	806	671
118	124	Power and water supply	124	118
665	882	Wholesale and retail trade	882	665
95	131	Hotel and restaurants	131	95
1 565	1 487	Real estate	1 487	1 565
3 452	3 756	Commercial services	3 706	3 437
258	268	Transport and communications	268	258
6	4	Other operations	4	6
31 085	**33 508**	**Total deposits by sector and industry**	**33 458**	**31 070**

2014	2015	Deposits by geographic area	2015	2014
26 012	27 683	Hedmark County	27 635	25 997
691	1 002	Oppland County	1 002	691
1 259	1 393	Akershus County	1 393	1 259
2 748	2 995	Rest of Norway	2 995	2 748
375	433	Abroad	433	375
0	2	Accrued interest, undistributed		
31 085	**33 508**	**Total deposits by geographic area**	**33 458**	**31 070**

Note 38 Liabilities arising from issuance of securities

Parent bank and Group	2015	2014
Certificate-based debt		
- nominal value	500	
- fair value	501	
Bond debt		
- nominal value	10 814	8 410
- fair value	11 076	8 951
Subordinated loan capital		
- nominal value	500	500
- fair value	496	505
Total liabilities arising from issuance of securities, nominal value	**11 314**	**8 410**
Total subordinated loan capital, nominal value	**500**	**500**
Total liabilities arising from issuance of securities, fair value	**11 576**	**8 951**
Total subordinated loan capital, fair value	**496**	**505**
Average interest rate on certificate-based debt	1.3 %	1.9 %
Average interest rate on bond debt	2.3 %	2.8 %
Average interest rate on subordinated loan capital	3.2 %	3.6 %

Liabilities from issuance of securities by maturity date	2015	2014
2015		1 012
2016	1 884	1 468
2017	1 900	1 900
2018	2 680	2 480
2019	1 650	1 150
2020	2 100	300
2021	1 000	
2022	200	200
2023	400	400
Total liabilities from issuance of securities, nominal value	**11 814**	**8 910**

Parent bank and Group

Changes in liabilities from issuance of securities	31.12.15	Issued	Due / redeemed	Other changes	31.12.2014
Certificate-based debt, nominal value	500	500			0
Bond debt, nominal value	10 814	3 500	-1 205	110	8 410
Subordinated loan capital, nominal value	500				500
Accrued interest	136			4	131
Adjustments	123			-291	415
Total debt raised through issuance of securities and subordinated loan capital, fair value	**12 073**	**4 000**	**-1 205**	**-178**	**9 455**

Changes in liabilities from issuance of securities	31.12.2014	Issued	Due / redeemed	Other changes	31.12.2013
Certificate-based debt, nominal value	0		-300		300
Bond debt, nominal value	8 410	2 050	-1 250	-108	7 718
Subordinated loan capital, nominal value	500				500
Accrued interest	131			-33	164
Adjustments	415			196	219
Total debt raised through issuance of securities and subordinated loan capital, fair value	**9 455**	**2 050**	**-1 550**	**54**	**8 901**

Securities issued are presented net own holdings. Fair value includes accrued interest (dirty price). All debts from issuance of securities are raised in Norwegian kroner (NOK).

Increased level of revenue spreads in 2015 in isolation reduced the real value of the bank's securities by an estimated NOK 222 million. The estimate corresponds to the calculated difference between the market value of the debt securities based on the spread curve on the date of the balance sheet and the estimated market value of the same holdings based on the spread curve at the end of 2014, possibly with initial recognition of debt that was issued in 2015. All other factors remain the same.

By comparison resulted in narrower spreads in 2014 led to an increase in the fair value of debt securities by an estimated 46 million.

As of 31.12.2015 a cumulative realized gains was recorded, including hedging derivatives, 81 million relating to the assessment of the bank's securities at fair value.

Note 39 Other debt and liabilities

Parent bank			Group	
2014	**2015**	**Other debt and liabilities recognised in the balance sheet**	**2015**	**2014**
362	263	Pension liabilities (note 24)	280	384
14	14	Guarantee provisions	14	14
9	7	Banker's drafts	7	9
37	34	Accounts payable	41	42
159	121	Other	167	190
581	**440**	**Total other debt and liabilities recognised in the balance sheet**	**510**	**639**
		Guarantee commitments etc. (amounts guaranteed)		
627	593	Payment guarantees	473	507
385	363	Contract guarantees	362	385
5	5	Guarantees for taxes	5	5
45	88	Other guarantees	88	45
1 062	**1 049**	**Total guarantees**	**928**	**942**
		Other liabilities - not on the balance sheet		
4 074	5 123	Unutilized credit lines	4 818	4 061
459	542	Loans approved (not discounted)	542	459
		Other liabilities		
4 533	**5 665**	**Total other liabilities**	**5 360**	**4 520**
6 176	**7 155**	**Total liabilities**	**6 798**	**6 101**

Buildings	**Securities**	**Total**	**Assets pledged as security**	**Buildings**	**Securities**	**Total**
	3 275	3 275	Assets pledged as security in 2014*		3 275	3 275
			Related liabilities 2014			
	2 575	2 575	Assets pledged as security in 2013*		2 575	2 575
			Related liabilities 2013			

* Bonds in escrow as collateral for loan access from Norges Bank.

SpareBank 1 Boligkreditt AS
Together with the other shareholders of SpareBank 1 Boligkreditt AS, Sparebanken Hedmark agreed in 2010 to provide a liquidity facility to SpareBank 1 Boligkreditt AS. This involves the banks committing themselves to buying residential mortgage bonds with a maximum total value corresponding to SpareBank 1 Boligkreditt's debt maturing over the next twelve months minus the firm's own holdings of liquidity. The agreement means that each shareholderhas principal responsibility for his share of the requirement, and secondary responsibility for double the value of his principal responsibility. The bonds can be deposited with Norges Bank, which means that they do not significantly increase the Bank's risk exposure.

Ongoing lawsuits
The Group is involved in some legal disputes whose financial implications are deemed not to have significant impact on its financial position. The Group has made provisions for losses in the cases in which there is a probability that it will suffer losses as a consequence of the lawsuits..

Note 40 Investments in subsidiaries, associates and joint ventures

Company	**Type of business**	**Date of acquisition**	**Business office, [2] headquarters**	**Percentage [1] ownership**
Investments in subsidiaries				
Shares owned by the parent bank				
EiendomsMegler 1 Hedmark Eiendom AS	Real estate	1988	Hamar, Norway	100.00 %
SpareBank 1 Finans Østlandet AS	Financing	1995	Hamar, Norway	100.00 %
SpareBank 1 Regnskapshuset Østlandet AS	Accounting	2011	Hamar, Norway	100.00 %
Vato AS	Rental of real estate	1981	Hamar, Norway	100.00 %
Investments in associated companies				
Bank 1 Oslo Akershus AS	Banking	2010	Oslo, Norway	40.50 %
SpareBank 1 Boligkreditt AS	Coverd bond company	2007	Stavanger, Norway	9.96 %
SpareBank1 Næringskreditt AS	Coverd bond company	2012	Stavanger, Norway	3.84 %
SpareBank 1 Kredittkort AS	Credit card	2012	Trondheim, Norway	8.66 %
SpareBank 1 Mobilbetaling AS	Payment services.	2015	Oslo, Norway	12.60 %
KOMM-IN AS	Consulting	2013	Raufoss, Norway	23.10 %
Investments in joint ventures				
Torggt 22 AS	Rental of real estate	2001	Hamar, Norway	50.00 %
SpareBank 1 Gruppen AS	Financial holding company	2006	Tromsø, Norway	11.00 %
SpareBank 1 Banksamarbeidet DA	Develop and coordinate cooperation in SpareBank 1 Alliansen	2006	Oslo, Norway	11.30 %

[1] The voting share corresponds to the ownership interest in all the companies.
[2] Registered office and head quarters are the same for all companies exept SpareBank 1 Gruppen AS whose headquarters is placed in Oslo.

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

2015	**The company's share capital**	**No. of shares**	**Assets *)**	**Short-term debt**	**Long-term debt**	**Total income**	**Total expenses**	**Company profit**	**Book value 2015**
SpareBank 1 Finans Østlandet AS	750.0	750 000	5 766	92	4 846	226	111	74	750
Total investments in credit institutions			**5 766**	**92**	**4 846**	**226**	**111**	**74**	**750**
EiendomsMegler 1 Hedmark Eiendom AS	0.5	12 400	6	21		81	74	5	20
SpareBank 1 Regnskapshuset Østlandet AS	13.8	1 250 000	99	43	24	171	154	11	80
Vato AS	0.6	352	14	3	13	3	2	1	9
Total investments in other subsidiaries			**119**	**67**	**37**	**255**	**230**	**17**	**109**
Total investments in Group companies parent bank			**5 885**	**159**	**4 883**	**481**	**341**	**91**	**859**

2014	**The company's share capital**	**No. of shares**	**Assets *)**	**Short-term debt**	**Long-term debt**	**Total income**	**Total expenses**	**Company profit**	**Book value 2014**
SpareBank 1 Finans Østlandet AS	600.0	600 000	4 938	71	4 192	209	95	73	600
Total investments in credit institutions			**4 938**	**71**	**4 192**	**209**	**95**	**73**	**600**
EiendomsMegler 1 Hedmark Eiendom AS	0.5	500	3	26		79	67	8	8
SpareBank 1 Regnskapshuset Østlandet AS	13.8	1 250 000	108	29	41	124	118	4	51
Vato AS	0.6	352	11	1		2	1	1	9
Total investments in other subsidiaries			**145**	**56**	**41**	**205**	**186**	**13**	**68**
Total investments in Group companies parent bank			**5 083**	**127**	**4 233**	**395**	**261**	**86**	**668**

*) Assets classified as fixed assets

Investments in associates and joint ventures

Investments in associates and joint ventures are recognised at cost in the parent bank. Consolidated figures are presented according to the equity method of accounting.

Parent bank			Group	
2014	2015		2015	2014
2 140	2 323	Book value at 1 January	3 073	2 565
183	134	Acquisitions/disposals	134	264
		Write-downs		
		Changes in equity	57	-14
		Share of the profit	301	393
		Dividend paid	-179	-135
2 323	**2 457**	**Book value at 31 December**	**3 386**	**3 073**

Income from investments in subsidiaries, associates and joint ventures

Parent bank			Group	
2014	2015		2015	2014
19	107	Dividend SpareBank 1 Gruppen AS		
27	51	Dividend Bank 1 Oslo Akershus AS		
25	19	Dividend SpareBank 1 Boligkreditt AS		
4	7	Dividend EM 1 Hedmark Eiendom AS		
58	73	Dividend SB 1 Finans Østlandet AS		
2	2	Dividend from others		
		Share of the profit SpareBank 1 Gruppen AS	142	202
		Share of the profit Bank 1 Oslo Akershus AS	103	183
		Share of the profit SpareBank 1 Boligkreditt AS	46	19
		Share of the profit from others	10	-11
-17		Impairment		
-1	0	Gains/losses on realisation of ownership investments		
117	**259**	**Total income**	**301**	**394**

The Group's stake in associates companies

2015	SpareBank 1 Gruppen AS	SpareBank 1 Banksamarbeidet DA	Torggt 22 AS	Total associated companies
Ownership in percent	11.00 %	11.30 %	50.00%	
Number of shares	215 204		8 000	
Current assets	4 743	17	2	
Fixed assets	1 638	68	19	
Total assets	**6 381**	**85**	**21**	
Short-term liabilities	270	25	0	
Long-term liabilities	5 236	46	5	
Equity capital	875	14	15	
Total equity capital and liabilities	**6 381**	**85**	**20**	
Income	1 343	107	2	
Operating expenses	1 166	102	1	
Profit/loss before tax	177	4	1	
Tax	36			
Result for the accounting year	**141**	**4**	**1**	
Comprehensive income	**20**			
Book value Group	**945**	**13**	**15**	**973**

2014	SpareBank 1 Gruppen AS	SpareBank 1 Banksamarbeidet DA	Torggt 22 AS	Oslo Eiendom Holding AS	Total associated companies
Ownership in percent	11.00 %	11.30 %	50.00 %	50.00%	
Number of shares	215 204		8 000	15 000	
Current assets	4 337	2	1	2	
Fixed assets	1 758	96	20		
Total assets	**6 095**	**98**	**21**	**2**	
Short-term liabilities	628	40	1		
Long-term liabilities	4 654	46	6		
Equity capital	813	12	14	2	
Total equity capital and liabilities	**6 095**	**98**	**21**	**2**	
Income	1 389	76	2		
Operating expenses	1 124	75	1		
Profit/loss before tax	265	1	1	-	
Tax	62				
Result for the accounting year	**203**	**1**	**1**	**-**	
Comprehensive income	**-5**				
Book value Parent Bank	**492**	**13**	**8**	**2**	**515**
Book value Group	**883**	**13**	**14**	**2**	**912**

The Group's stake in associates and joint ventures

2015	Bank 1 Oslo Akershus AS	SpareBank 1 Boligkreditt AS	SpareBank 1 Næringskreditt AS	SpareBank 1 Kredittkort AS	SpareBank 1 Mobilbetaling AS	Other associa-tes and joint ventures	Total associates and joint ventures
Ownership in percent	40.50 %	9.96 %	3.84 %	8.66 %	12.60 %		
Number of shares	1 854 126	6 143 099	560 000	250 098	1 046		
Current assets	15 147	26 813	610	454	83		
Fixed assets	639						
Total assets	**15 787**	**26 813**	**610**	**454**	**83**		
Short-term liabilities	10 308	3 805	3	19			
Long-term liabilities	4 210	22 040	533	349			
Equity capital	1 268	968	74	86	83		
Total equity capital and liabilities	**15 787**	**26 813**	**610**	**454**	**83**		
Income	426	65	5	80	0		
Operating expenses	298	3	0	67	0		
Profit/loss before tax	127	62	5	13			
Tax	32	17	1				
Result for the accounting year	**95**	**45**	**3**	**13**	**0**		
Comprehensive income	**30**						
Book value Group	**1 267**	**968**	**73**	**85**	**10**	**8**	**2 411**

2014	Bank 1 Oslo Akershus AS	Boligkreditt SpareBank 1 AS	Næringskreditt SpareBank 1 AS	SpareBank 1 Kredittkort AS	SpareBank 1 Markets AS	associated and Other joint ventures	associated and Total joint ventures
Ownership in percent	40.50 %	9.50 %	3.84 %	7.99 %	12.60 %		
Number of shares	1 854 126	5 237 544	560 000	204 922	110 033		
Current assets	13 875	21 621	697	381	74		
Fixed assets	533				21		
Total assets	**14 407**	**21 621**	**697**	**381**	**95**		
Short-term liabilities	9 221	2 702	2	7	64		
Long-term liabilities	3 999	18 114	620	312			
Equity capital	1 187	805	75	62	31		
Total equity capital and liabilities	**14 407**	**21 621**	**697**	**381**	**95**		
Income	503	30	7	17	18		
Operating expenses	284	3		16	46		
Profit/loss before tax	219	27	7	1	-28		
Tax	36	7	2		-9		
Result for the accounting year	**183**	**20**	**5**	**1**	**-19**		
Comprehensive income	**-9**						
Book value Parent Bank	**857**	**786**	**70**	**64**	**24**	**7**	**1 808**
Book value Group	**1 187**	**805**	**75**	**62**	**24**	**8**	**2 161**

Contingent liabilities related to investments in joint ventures and associates are disclosed in note 39.

Note 41 Material transactions with related parties

Transactions between related parties in this context, related parties are associated companies, joint ventures and subsidiaries. The Bank's business with employees and Board members is shown in notes 8 and 23. For the purchase of shares, se note 40.

Subsidiaries

2015	Loans	Bonds and sub-ordinated loans	Deposits	Interest income	Interest expences	Commission income	Other operating income	Operating expences	Guarantees
SpareBank 1 Finans Østlandet AS	4 837		2		98	1	3		120
EiendomsMegler 1 Hedmark Eiendom AS			8	3			1		
Other subsidiaries	37		24	0	2		3		1
Total subsidiaries	**4 874**	**0**	**34**	**3**	**0**	**1**	**6**	**0**	**121**

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

Associated companies and joint ventures

2015	Loans	Bonds and sub-ordinated loans	Deposits	Interest income	Interest expences	Commission income	Other operating income	Operating expences	Guarantees
Bank 1 Oslo Akershus AS									
SpareBank 1 Boligkreditt AS		544		17		183			
SpareBank 1 Næringskreditt AS		150		3		5			
SpareBank 1 Gruppen AS	446			9		81			
SpareBank 1 Kredittkort AS	370	8		12		26			
Other associated companies and joint ventures									
Total associated companies and joint ventures	**816**	**702**	**0**	**41**	**0**	**295**	**0**	**0**	**0**

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

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

Note 42 Dividends from subsidiaries

Dividends	**2015**	**2014**
Dividends received from:		
EiendomsMegler 1 Hedmark Eiendom AS	7	4
SpareBank 1 Finans Østlandet AS	73	58
Vato AS	0	1
Total dividends	**80**	**63**

Note 43 Equity capital certificates

Equity share capital as at 31.12.15 consisting of 79 740 000 equity certificates at NOK 50 each.

	31.12.2015
Equity capital certificates	3 987
Dividend equalisation fund	503
Premium reserve	
Fund for unrealised gains	81
A. The equity capital certificate owners´capital	**4 572**
Primary capital	3 019
Fund for unrealised gains	54
B. Total primary capital	**3 073**
Total equity captal	**7 695**
Endowment fund	50
Dividend declared	
Equity ex. Profit	**7 695**
Equity capital certificate ratio (A/(A+B))	**59,8 %**

Equity capital certificate ratio for distribution

Dividend
Dividend has not been allocated for the year 2015.

Owner of equity certificates:	No. Of EC's	Share in %
Sparebanken Hedmark Sparebankstiftelse	79 740 000	60 %

Note 44 Events after the balance sheet date

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

International success. Tom Stræte Lagergren has enjoyed great success, both nationally and internationally, under his artist name Matoma. The producer and musician from Flisa is making a name for himself within tropical house, a genre of summertime pop music, and has produced remixes of songs by several well-known artists. He is very busy travelling and playing music for his fans around the world.

Source: Sparebanken Hedmark's customer magazine, autumn 2015.

STATEMENT FROM THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

We confirm that according to our firm belief the annual accounts for the period from 1 January to 31 December 2015 have been prepared in accordance with international standards for financial reporting (IFRS) and that the information in the annual report gives a true picture of the Parent Bank's and Group's assets, liabilities, financial position and result as a whole, and a correct overview of the information mentioned in the Securities Trading Act, § 5-5.over opplysningene nevnt i vphl. § 5-5.

Sparebanken Hedmark's Board of Directors
Hamar, 3. March 2016

Siri J. Strømmevold
Chairman

Bjørnar Håkensmoen

Erik Garaas

Espen Bjørklund Larsen

Nina C. Lier

Aud Christensen

Morten Herud

Richard Heiberg
Chief Executive Officer

Report for 2015
TO
SUPERVISORY BOARD OF SPAREBANKEN HEDMARK

In accordance with the Financial Institutions Act, Savings Banks Act and its own instructions and working plan, the Control Committee has overseen the Bank's activities in 2015.

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

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

The Committee has received a report from the Bank's internal audit on selected areas of the Bank's activities in accordance with the set working instructions and schedule for control activities. The internal auditor has been invited to the Committee's meetings according to plan and answered the Committee's questions. As in previous years, there has been a special emphasis on risk management and credit issues, as well as compliance with legislation and regulations.

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

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

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

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

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

In the opinion of the Committee, the financial statements have been presented in accordance with the current rules and regulations and can be recommended to the Supervisory Board for approval as the Bank's financial statements for 2015.

Hamar, 7. March 2016
The Control Committee of Sparebanken Hedmark

Vidar Brobakken

Mikael Løken

Ingunn Gråbergsveen

Jan Erik Myrvold

Bodil Andersen

To the Supervisory board ("forstanderskapet") of Sparebanken Hedmark

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Sparebanken Hedmark, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2015, income statement, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for the parent company and the group Sparebanken Hedmark as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 4 March 2016
PricewaterhouseCoopers AS

Magne Sem
State Authorised Public Accountant (Norway)

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

Subsidiaries

EiendomsMegler 1 Hedmark Eiendom AS

In 2015, turnover grew by 3.6 per cent to NOK 81.4 million. Its operating profit was NOK 7.5 million, a decrease from NOK 11.4 million compared with the year before. The decrease was due to increased costs in connection with more staff and generally higher operating costs.

EiendomsMegler 1 Hedmark Eiendom AS has set itself the goals of capturing even greater market shares and investing in staffing to increase capacity. Its operations in 2015 amounted to 48.3 full-time equivalents, which represents staffing growth of 30 per cent in the last 4 years.

The company sold 1,657 properties worth a total of NOK 3.4 billion in 2015. This represents a 4 per cent increase in the number of properties compared with 2014. The market has been very good and almost 10 per cent more properties were sold on the open market in 2015. EiendomsMegler 1 Hedmark Eiendom AS sold about one third of these.

The profit after tax was NOK 5.4 million. The company expects further growth and improved profitability in 2016 and is currently working to strengthen its position as the largest real estate agent in the Interior Region.

About EiendomsMegler 1 Hedmark Eiendom AS

EiendomsMegler 1 Hedmark Eiendom AS is a wholly owned subsidiary of Sparebanken Hedmark and the largest local real estate agent in the Interior Region. The company has its own offices in the largest towns in Hedmark, including Hamar, Kongsvinger, Elverum, Trysil, Brumunddal, Stange, Moelv and Tynset, as well as Årnes in Akershus and Gjøvik in Oppland (1 January 2016).

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

SpareBank 1 Finans Østlandet AS

Demand for SpareBank 1 Finans Østlandet AS's products continued to grow well in 2015. New sales totalled NOK 3,284 million, an increase of NOK 591 million. The company achieved a good result in 2015.

Profit before tax totalled NOK 94 million. The result was negatively impacted by higher borrowing costs, while good growth in both loans and leasing is pulling in a positive direction. Costs are developing in line with the approved plan in accordance with the phase the company is currently in.

The company continued to grow in accordance with the long-term strategy. Total assets increased by 16 per cent and totalled NOK 5,765 million. The company's credit losses have been satisfactorily low in recent years, although they increased somewhat in 2015. The loss costs for 2015 were 0.36 per cent of the average gross lending.

The board is satisfied with the efforts being made to manage and limit losses. The company still has ambitions for further growth and expects to see positive effects from its increased presence in Eastern Norway. In recent years, the business has developed to become an important player in the company's focus areas in Eastern Norway. We currently have 57 employees, including temporary employees. The business is seeing increased activity within both the retail and the corporate markets, and is not directly affected by the downturn in the oil sector. Nonetheless, the company is aware that its customers may be impacted by ripple effects. This, combined with little capacity to withstand tough times, could present challenges for some actors.

About SpareBank 1 Finans Østlandet AS

SpareBank 1 Finans Østlandet AS was until the end of the year a wholly owned subsidiary of Sparebanken Hedmark with its head office in Hamar. On 1 January 2016, SpareBank 1 Ringerike Hadeland became a part-owner (5 per cent). The company has a presence with its own employees in Oslo, Akershus, Østfold, Buskerud, Vestfold, Hedmark and Oppland. This has made the company a significant actor within leasing and secured financing in Eastern Norway.

For more information, see www.sb1fo.no.

SpareBank 1 Regnskapshuset Østlandet AS

2015 saw good turnover and result growth. The company sold its three branches in Rogaland to SpareBank 1 SR-bank and at the same time strengthened its position in Hamar and Nedre Romerike through three strategic acquisitions. Turnover increased from NOK 127 million in 2014 to NOK 172 million in 2015.

The company strengthened its strategic position in Nedre Romerike with the acquisition of Frostad & Skyrud AS. At the same time, the company strengthened its position in Hamar with the acquisition of Stenberg Regnskap og Økonomi AS and Hauge Regnskap AS.

The accounting industry is facing major digital changes and the challenges this will entail. SpareBank 1 Regnskapshuset AS is well-equipped for such a change and the process is well under way.

Its profit before tax amounted to NOK 17 million, compared to NOK 6 million for 2014. Its profit after tax amounted to NOK 12 million, compared with NOK 4 million in 2014. The company wants to strengthen its position furt-

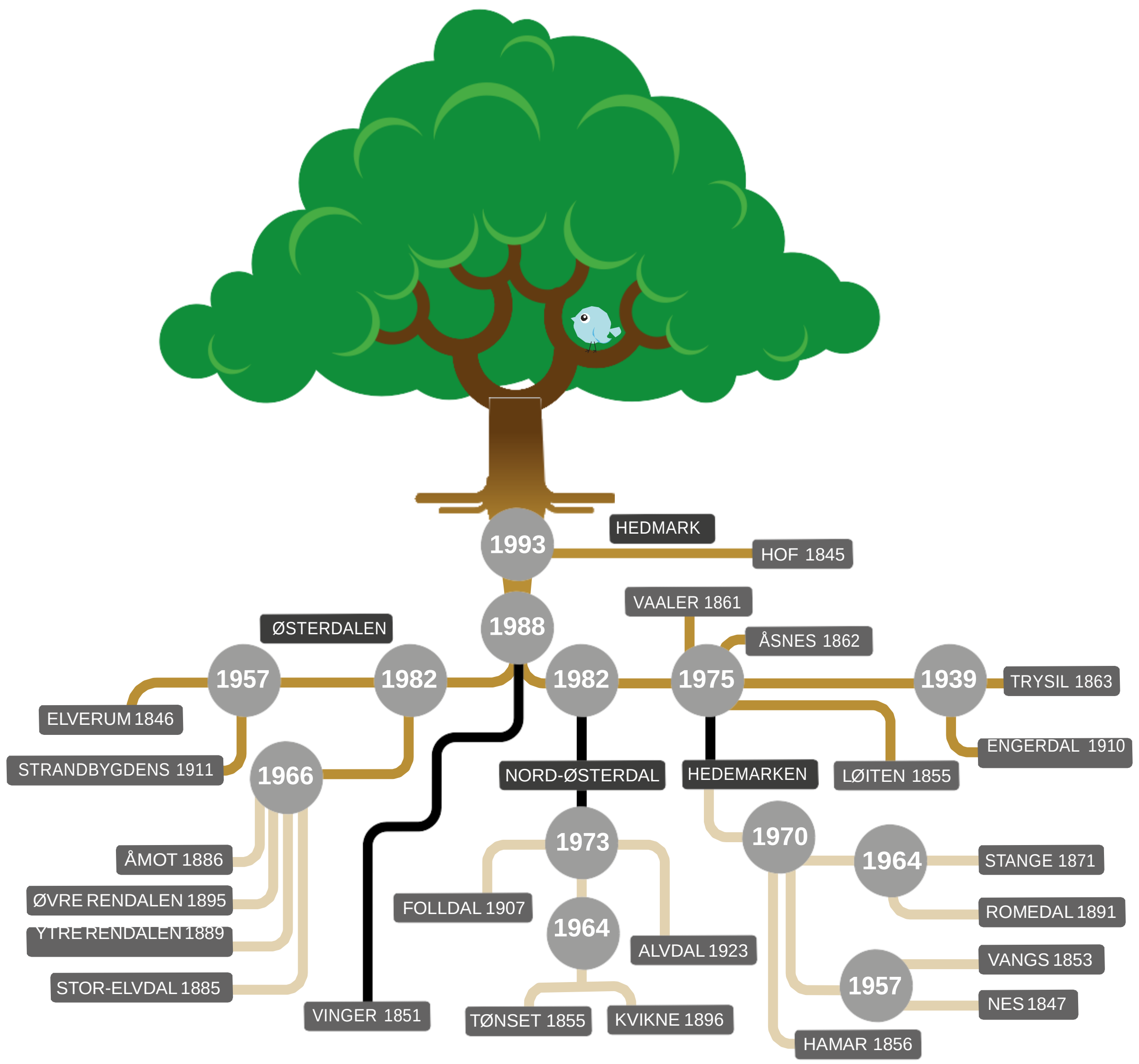
About SpareBank 1 Regnskapshuset Østlandet AS

SpareBank 1 Regnskapshuset Østlandet AS provides services within accounting, payroll, and advice to small and medium-sized companies within production, trade, and farming. The company is a wholly owned company of Sparebanken Hedmark and had 11 branches and one subsidiary (Frostad & Skyrud AS) at the end of the year. These are located in Ringebu, Lillehammer, Moelv, Hamar, Tynset, Elverum, Kongsvinger, Jessheim, Kjeller, Skjetten, Oslo and Fredrikstad. The company had 170 employees at the end of the year.

For more information, see www.sb1r.no.

New brew. Atlungstad Brenneri was established in 1855. Master distiller, Asbjørn Hoelstad, and general manager, Else Braseth, are the distillery's only two employees and together make 25,000 litres of 96 per cent proof spirits from potatoes a year. The new brew was made possible by a team effort with contributions from Sparebanken Hedmark, among others.

With roots in Hedmark



In the autumn of 2011, Sparebanken Hedmark expanded into the neighbouring county and the Bank now has branches in both Gjøvik and Lillehammer. In 2012, the Bank also established a presence in the Municipality of Nes in Akershus.

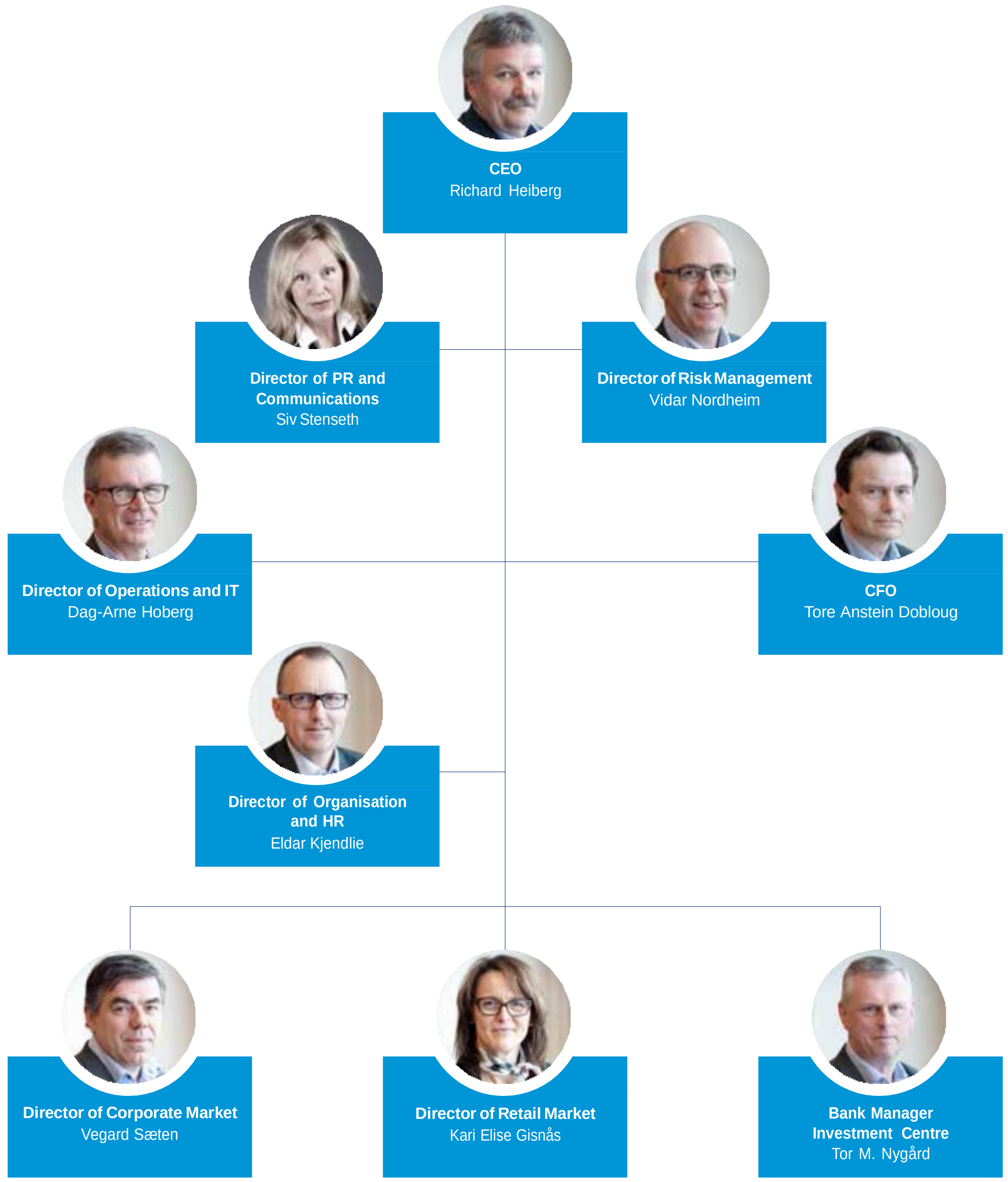
Telephone
02999

Email
Retail customer centre: kundesenter@sparebanken-hedmark.no
Corporate customer centre: bedrift@sparebanken-hedmark.no

Online bank
sparebanken-hedmark.no

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

Corporate management 2015



Creating together

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

Sparebanken
HEDMARK