



Interim Report

Interim Report

Q1 2015



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Main figures

Result summary (NOK mill and % of average assets)	Q1-2015		Q1-2014		31.12.14	
	Amount	%	Amount	%	Amount	%
Net interest income	265	2,09%	240	2,04%	1 043	2,08%
Net commissions and other (non-interest) income	171	1,35%	186	1,58%	663	1,32%
Net income from financial investments	121	0,96%	93	0,79%	573	1,14%
Total income	557	4,40%	519	4,41%	2 279	4,55%
Total operating expenses before losses on loans and guarantees	258	2,04%	242	2,05%	981	1,96%
Profit before losses on loans and guarantees	299	2,36%	277	2,35%	1 298	2,59%
Losses on loans and guarantees	5	0,04%	12	0,10%	66	0,13%
Profit/loss before tax	294	2,32%	265	2,25%	1 232	2,46%
Tax charge	54	0,43%	38	0,32%	192	0,38%
Results for the accounting period	240	1,90%	227	1,93%	1 040	2,08%
Minority interests			1	0,01%	2	0,00%
Profitability						
Return on equity capital ¹⁾		12,5 %		13,4 %		14,4 %
Cost-income ratio ²⁾		46,3 %		46,6 %		43,0 %
From the Balance Sheet						
Gross loans to customers	40 484		36 885		39 936	
Gross loans to customers including loans transferred to covered bond companies ³⁾	56 619		52 579		55 930	
Lending growth during the last 12 months		9,8 %		3,7 %		7,4 %
Lending growth in last 12 months including loans transferred to covered bond companies		7,7 %		7,3 %		6,8 %
Deposits from customers	31 054		29 948		31 070	
Deposit-to-loan ratio ⁴⁾		76,7 %		81,2 %		77,8 %
Deposit growth during the last 12 months		3,7 %		2,7 %		3,2 %
Total assets	51 101		46 869		49 934	
Losses and commitments in default						
Losses on loans as a percentage of gross loans		0,1 %		0,1 %		0,2 %
Commitments in default as a percentage of total commitments		0,7 %		0,7 %		0,8 %
Other bad and doubtful commitments as a percentage of total commitments		0,5 %		0,7 %		0,5 %
Net commitment in default and commitments with loss provisions as a percentage of total commitments ⁵⁾		0,8 %		1,1 %		0,9 %
Financial strength						
Common equity Tier 1 capital ratio		15,3 %		15,1 %		14,8 %
Tier 1 Capital ratio		15,8 %		15,5 %		15,2 %
Capital adequacy ratio		17,6 %		15,5 %		17,1 %
Net subordinated capital	6 318		5 076		6 273	
Equity ratio		15,4 %		15,0 %		15,3 %
Leverage Ratio		8,5 %				8,2 %
LCR ⁶⁾		78,0 %		34,0 %		88,0 %

1) Net profit as a percentage of average equity

2) Total operating expenses as a percentage of total operating income

3) Covered bond companies used are SpareBank 1 Boligkreditt AS og SpareBank 1 Næringskreditt AS

4) Deposit from customers as a percentage of gross loans to customers (excl. Loans transferred to covered bond companies)

5) Net defaulted and doubtful commitments equals the sum of commitments in default and doubtful commitments minus individual writedowns

6) Liquidity Coverage Ratio; measure the size of banks' liquid assets in relation to net liquidity output 30 days ahead given a stress

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Summary

The Sparebanken Hedmark Group's profit after tax was NOK 240 (227) million after the first quarter (last year's figure in brackets). The return on equity was 12.5 (13.4) per cent. The Group achieved net interest income of 2.09 (2.04) per cent of average total assets.

Operating costs as a percentage of income were 46.3 (46.6) per cent. The twelve-month growth figures for lending, including loans transferred to the covered bond companies, were 7.7 (7.3) per cent, while deposits grew by 3.7 (2.7) per

cent. At the end of the quarter, the deposit coverage ratio was 76.7 (81.2) per cent. The Group's equity amounted to 15.4 (15.0) per cent of the unweighted balance sheet. The core equity tier 1 ratio was 15.3 (15.1) per cent and the total capital ratio was 17.6 (15.5) per cent.

The Parent Bank's profit for the first quarter was NOK 218 (149) million after tax. The core equity tier 1 ratio was 22.4 (19.0) per cent.

Sparebanken Hedmark – group

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

The Group consists of Sparebanken Hedmark and the consolidated, wholly owned subsidiaries EiendomsMegler 1 Hedmark Eiendom AS, SpareBank 1 Finans Østlandet AS, Vato AS and SpareBank 1 Regnskapshuset Østlandet AS. The Bank owns 40.5 per cent of Bank 1 Oslo Akershus AS, 11 per cent of SpareBank 1 Gruppen AS, 16.8 per cent of SpareBank 1 Markets AS, 8.7 per cent of SpareBank 1 Kredittkort AS, 9.5 per cent of SpareBank 1 Boligkreditt AS and 3.8 per cent of SpareBank 1 Næringskreditt AS (the covered bond companies). The profit/loss attributable to these companies is recognised in the Bank's consolidated financial statements proportionate to the Bank's ownership interest.

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

Parent Bank's profit after tax	218
Eliminated dividends from subsidiaries and associates	94

Share of the result from:

SpareBank 1 Gruppen AS	34
Bank 1 Oslo Akershus AS	31
SpareBank 1 Boligkreditt AS	22
EiendomsMegler 1 Hedmark Eiendom AS	1
Sparebank 1 Finans Østlandet AS	18
SpareBank 1 Regnskapshuset Østlandet AS	10

Consolidated profit after tax **240**

The Group's return on equity after tax was 12.5 (13.4) per cent for the first quarter.

Net interest, commissions and other operating income

Net interest income in the first quarter was NOK 265 (240) million. Interest income from loans transferred to the cover-

red bond companies (SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS) is recognised as commission income in the Bank's accounts. Total net interest income, including commissions from loans transferred to the covered bond companies, amounted to NOK 317 (303) million. This corresponds to an increase of 4.3 per cent over the previous year. In connection with the establishment of SpareBank 1 Kredittkort AS, the Bank sold its credit card portfolio with a book value of NOK 306 million to this company in the first quarter of 2014. The return on the Bank's credit card portfolio was previously included in net interest income. After the sale, net interest income from the credit card portfolio is recognised as commissions, based on the same principle applied to loans transferred to the home covered bond company. This has a negative effect on the Bank's net interest income and net interest margin.

Net commissions and other operating income decreased from NOK 186 million in the first quarter of 2014 to NOK 171 million in the first quarter of 2015. The increase in revenues in subsidiaries amounted to NOK 18 million. This represents a decrease in commissions from the retail and corporate covered bond companies amounting to NOK 12 million. In addition, a gain of NOK 25 million from the sale of the credit card portfolio was recognised last year.

The Group's lending margin, including loans transferred to the covered bond companies, was 2.89 (3.11) per cent for the first quarter. The deposit margin was minus 0.48 (-0.72) per cent. The Group's interest margin was 2.41 (2.39) per cent for the first quarter.

Net result from financial assets and liabilities

The net result from financial assets and liabilities was NOK 121 (93) million for the first quarter. This consisted of profit from ownership interests of NOK 88 (114) million, dividends of NOK 7 (12) million and a result from other financial items of NOK 26 (-33) million.

The share of the profit from Bank 1 Oslo Akershus AS accounted for NOK 31.2 (85.1) million of the profit from ownership interests. In the first quarter of 2014, the Bank included a write-up of the shares in Nets AS of NOK 122 million in the result, which amounted to NOK 49 million for Sparebanken Hedmark's stake. The share of the profit from SpareBank 1 Gruppen AS totalled NOK 34 (27) million.

The net result from other financial assets and liabilities was NOK 26 (-33) million, and this was primarily attributable to market value fluctuations. The Bank's securities issued, fixed-income investments and fixed-rate loans are assessed at fair value through profit and loss pursuant to IAS 39, and changes in the market value are recognised in profit and loss. The total net market value fluctuations for fixed-income securities amounted to NOK 23 (-39) million for the first quarter. The unrealised losses on the Bank's borrowing portfolio recognised in the result at the end of the quarter amounted to NOK 161 million. The accumulated unrealised gains on interest-bearing securities recognised in the result were NOK 19 million.

Costs and losses

The Group's total operating costs were NOK 258 (242) million. The higher level of activity in the subsidiaries contributed to higher costs, while the Parent Bank saw an increase in costs for the twelve-month period of NOK 1 (4) million. The Group's operating costs amounted to 46.3 (46.6) per cent of the total income in the first quarter. The growth in costs for the Group over the last twelve months was 6.5 (4.3) per cent.

Due to the recognition of income, net loan loss provisions were positive in the amount of NOK 5 (12) million. Credit risk measured as a percentage of problem loans declined. Problem loans (non-performing and other impaired commitments) as a percentage of gross commitments, including loans transferred to covered bond companies, was 0.9 (1.0) per cent at the end of the quarter. Based on the Group's balance sheet seen in isolation, the percentage declined from 1.4 per cent to 1.2 per cent.

For a detailed specification of the first quarter results, please see page 11 of the interim report.

Assets and liabilities

Gross lending to customers, including loans transferred to the covered bond companies, totalled NOK 56.6 (52.6) billion. At the end of the quarter, loans totalling NOK 16.1 (15.7) billion had been transferred to the covered bond companies,

and this corresponds to 28.5 (29.8) per cent of all loans. Retail customer loans transferred to the covered bond companies as a percentage of the overall retail customer loans (loans on a separate balance sheet and transferred loans) was 41.1 (42.7) per cent.

Including the transferred loans, the Group's twelve-month lending growth was 7.7 (7.3) per cent. At the end of the quarter, the Bank's customer deposits totalled NOK 31.0 (29.9) billion. The growth in deposits over the past twelve months was 3.7 (2.7) per cent. Deposits as a percentage of gross loans were 76.7 (81.2) per cent.

Debt to credit institutions and debt arising from securities issued was NOK 10.5 (8.5) billion. The average term to maturity of the Bank's long-term funding was 4.1 (4.3) years. The average term to maturity for all borrowing was 3.6 (4.2) years.

At the end of the quarter, the Bank had adequate funding for continued normal operations for 17 (17) months without any new external funding. This scenario assumes 5.9 per cent lending growth and 2.6 per cent growth in deposits. The Bank's combined due loan repayments in the next twelve months total NOK 1.49 billion. There is good interest in the Bank's bonds. In the opinion of the Board of Directors, the Bank's liquidity risk is low.

Capital adequacy and financial strength

The Group's equity was NOK 7.9 (7.1) billion as at the first quarter, which is equivalent to 15.4 (15) per cent of the balance sheet. 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 can now use 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 home mortgages, meaning that the overall effect of these two changes was a 0.65 percentage point improvement in the core equity tier 1 ratio.

The core equity tier 1 ratio was 15.3 (15.1) per cent at the end of the quarter. The reported leverage ratio was 8.5 per cent.

Rating

On 17 March 2015, Moody's Investor Service changed Sparebanken Hedmark's rating from A2 Negative Outlook to A2 Review for Upgrade. The change was due to changes in rating methodology.

Sparebanken Hedmark – Parent Bank and subsidiaries

Results and underlying banking operations

Profit after tax was NOK 218 (149) million. Profit from banking operations was NOK 132 (119) million. Profit from banking operations is defined as the result after losses less the profit from ownership interests and dividends, as well as financial assets and liabilities. The profit is adjusted for non-recurring

effects. The banking operations showed an improvement of 11 per cent compared with the same period in the previous year.

Interest income and margins

Net income from lending and deposit activities, including loans transferred to the covered bond companies, increased

from NOK 256 million to NOK 258 million. Loans totalling NOK 16.1 (15.7) billion had been transferred by the end of the quarter, NOK 15.5 (15.0) billion of which was to the home covered bond company and NOK 0.6 (0.7) billion of which was to the commercial covered bond company. The net margin for home covered bond loans transferred to the home covered bond company, recognised as commissions, was 1.33 (1.65) per cent.

The net interest margin on a separate balance sheet (excluding currency loans) was 2.38 (2.47) per cent for the quarter. The Parent Bank's lending margin was 2.86 (3.19) per cent. The deposit margin was minus 0.48 (-0.72) per cent.

The interest margin for the retail market was 2.28 (2.34) per cent, while in the corporate market it was 2.61 (2.69) per cent.

Net commissions and other operating income

Net commissions and other operating income amounted to NOK 105 (137) million. The decrease was due to the NOK 25 million gain last year from the sale of the credit card portfolio to SpareBank 1 Kredittkort AS. The commissions from the covered bond companies were NOK 12 million lower in the first quarter this year due to contracted margins.

Net result from financial assets and liabilities

The net income from this area was NOK 127 million (36 million). Dividends from financial investments were NOK 7 (12) million. Dividends from ownership interests were NOK 94 (57) million. The net result from other financial assets and liabilities was NOK 26 (-33) million. The net change in the market value of investments, fixed-rate loans and funding was NOK 23 (-39) million.

Operating costs and losses

Total operating costs were NOK 179 (178) million. Compared with the previous year, costs were 0.9 per cent higher. Personnel costs increased by 0.6 per cent. Costs amounted to 40.8 (48.6) per cent of income.

At the end of the quarter, the Parent Bank had 461 full time equivalents, compared with 466 a year ago.

The net loan loss provisions amounted to the recognition of NOK 2 (-8) million as income. Net income of NOK 0.3 (-3.3) million was recognised within the retail market division and NOK 1.2 (-11.7) million was recognised within the corporate market division.

Lending

Gross lending to customers totalled NOK 35.5 (32.7) billion as at the first quarter. Including loans transferred to the covered bond companies, the lending volume was NOK 51.6 (48.4) billion.

Lending growth over the past twelve months, including transferred loans, was 6.6 (6.8) per cent. Growth in the retail market was 6.9 (6.2) per cent, including transferred loans, while it was 5.8 (8.2) per cent in the corporate market, including transferred loans. Lending growth on a separate balance sheet was 9.7 (2.2) per cent in the retail market and 6.6 (3.7) per cent in the corporate market. The risk profile of the Bank's granting of credit did not change during the last quarter.

Deposits

Deposits from and liabilities to customers totalled NOK 31.1 (30.0) billion at the end of the quarter. In the last twelve-month period, deposits increased by 3.8 (2.7) per cent, divided between 7.6 (2.1) per cent in the retail market and -2.7 (3.8) per cent in the corporate market.

Capital adequacy and financial strength

The core equity tier 1 ratio was 22.4 (19.0) per cent. The Bank's equity of NOK 7.0 (6.5) billion consists entirely of retained earnings and represents 14 (14) per cent of the unweighted balance sheet. The reported leverage ratio was 11.4 per cent.

Subsidiaries and partly owned companies

The leasing and finance company SpareBank 1 Finans Østlandet AS reported a profit after tax of NOK 18 (16) million. The financing company's gross loans at the end of the quarter totalled NOK 5.0 (4.2) billion.

SpareBank 1 Regnskapshuset Østlandet AS reported revenues of NOK 47 (37) million and achieved a profit after tax of NOK 10 (3) million for the first quarter. The real estate brokerage company EiendomsMegler 1 Hedmark Eiendom AS reported revenues of NOK 17 (17) million and achieved a profit after tax of NOK 1 (2) million.

The Bank 1 Oslo Akershus AS Group (40.5 per cent ownership interest) achieved a profit after tax of NOK 76 (210) million. This represents a return on equity of 10 (32) per cent. SpareBank 1 Gruppen AS (11 per cent ownership interest) achieved a consolidated profit after tax of NOK 303 (248) million. The return on equity was 17.8 (16.7) per cent.

Outlook for 2015

Economic activity in Norway is expected to remain around its current level. Sparebanken Hedmark's primary market is the Interior Region. This region has traditionally been less exposed to cyclical fluctuations than other regions.

However, international developments may affect the situation in Norway and thus the Interior Region as well. We see no special Norwegian circumstances that could have significant consequences for the Interior Region in the short-term. With good funding, a high deposit coverage ratio, stable earnings and a high equity level, the Bank is well prepared.

Board of Directors of Sparebanken Hedmark

– Hamar, 29 April 2015

Siri J. Strømmevold
Board Chair

Bjørnar Håkensmoen

Erik Garaas

Espen Bjørklund Larsen

Nina C. Lier

Aud Christensen

Morten Herud

Richard Heiberg
CEO

Income statement (not audited)

Parent Bank			(NOK million)	Notes	Group		
31.12.14	31.03.14	31.03.15			31.03.15	31.03.14	31.12.14
1 894	465	442	Interest income		501	512	2 101
1 059	272	236	Interest expenses		236	272	1 058
835	193	206	Net interest income		265	240	1 043
497	143	105	Commission income		123	142	496
31	8	7	Commission expenses		13	12	50
16	2	7	Other operating income		61	56	217
482	137	105	Net commission and other income		171	186	663
13	12	7	Dividends		7	12	13
117	57	94	Net profit from ownership interests		88	114	394
166	-33	26	Net profit from other financial assets and liabilities		26	-33	166
296	36	127	Net income from financial assets and liabilities		121	93	573
1 613	366	438	Total net income		557	519	2 279
374	92	92	Personnel expenses		147	136	543
353	86	87	Other operating expenses		111	106	438
726	178	179	Total operating expenses before losses on loans and guarantees		258	242	981
886	188	259	Profit before losses on loans and guarantees		299	277	1 298
52	8	-2	Losses on loans and guarantees	6	5	12	66
835	180	261	Profit/loss before tax		294	265	1 232
159	31	43	Tax charge		54	38	192
676	149	218	Results for the accounting period		240	227	1 040
			Majority interests		240	226	1 038
			Minority interests			1	2
676	149	218	Statement of comprehensive income according to IAS 1		240	227	1 040
-51	-4		Actuarial gains / losses on pensions			-3	-81
14	1		Tax effect of actuarial gains / losses on pensions			1	20
			Share of other comprehensive income from associates and joint ventures		1	1	10
-37	-3	0	Total items not reclassified through profit or loss		1	-1	-51
142	110	25	Change in value of financial assets available for sale		25	110	144
			Financial assets available for sale transferred to profit and loss on write-down due to permanent impairment of value				
			Financial assets available for sale transferred to profit and loss on realisation				-158
-158			Share of other comprehensive income from associates and joint ventures				
-16	110	25	Total items reclassified through profit or loss		25	110	-14
-53	107	25	Total profit and loss items recognised in equity		26	109	-65
623	257	243	Total profit / loss for the accounting year		266	336	975
			Majority share of comprehensive income		266	335	973
			Minority interest of comprehensive income			1	2

Balance sheet (not audited)

Parent Bank			(NOK million)	Notes	Group		
31.12.14	31.03.14	31.03.15			31.03.15	31.03.14	31.12.14
ASSETS							
748	376	490	Cash and deposits with central banks		490	376	748
4 856	4 507	5 063	Loans to and receivables from credit institutions		659	791	675
34 923	32 476	35 282	Loans to and receivables from customers	5,6	40 242	36 640	39 691
4 017	4 402	4 725	Certificates, bonds and fixed-income funds		4 725	4 402	4 017
531	321	537	Financial derivatives	7	537	321	531
239	477	264	Shares, units and other equity interests		264	477	239
2 323	2 184	2 329	Investments in associates and joint ventures		3 157	2 727	3 073
668	585	697	Investments in subsidiaries				
			Assets held for sale			1	
315	263	315	Property, plant and equipment		339	285	336
110	115	108	Goodwill and other intangible assets		212	191	185
72	81	77	Deferred tax asset		26	70	33
260	425	270	Other assets	10	450	588	406
49 061	46 212	50 157	Total assets		51 101	46 869	49 934
LIABILITIES							
667	662	662	Deposits from and liabilities to credit institutions		659	662	665
31 085	29 963	31 105	Deposits from and liabilities to customers	11	31 054	29 948	31 070
8 951	7 808	9 863	Liabilities arising from issuance of securities	12	9 863	7 808	8 951
330	157	292	Financial derivatives	7	292	157	330
146	86	184	Current tax liabilities		197	105	150
581	570	519	Other debt and liabilities recognised in the balance sheet	13	642	632	639
505	505	505	Subordinated loan capital	12	505	505	505
42 265	39 751	43 130	Total liabilities		43 212	39 817	42 310
EQUITY CAPITAL							
6 645	6 010	6 639	Primary capital		6 639	6 159	6 645
42	67	36	Endowment fund		36	67	42
109	235	134	Fund for unrealised gains		135	235	110
			Other equity		839	348	827
	149	218	Results for the accounting year		240	226	
			Minority interests			17	
6 796	6 461	7 027	Total equity capital		7 889	7 052	7 624
49 061	46 212	50 157	Total liabilities and equity capital		51 101	46 869	49 934

Changes in equity capital

Parent Bank

(NOK million)	Earned equity capital			Total equity capital
	Primary capital	Endowment fund	Fund for unrealised gains	
Equity at 1 January 2014	6 013	71	125	6 209
Results for the accounting year	149			149
Actuarial gains / losses on pensions	-3			-3
Change in value of financial assets available for sale			110	110
Donations distributed from profit 2013				
Grants from endowment fund in 2014		-4		-4
Equity at 31 March 2014	6 159	67	235	6 461
Equity capital at 1 January 2014	6 013	71	125	6 209
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	6 645	42	109	6 796
Equity capital at 1 January 2015	6 645	42	109	6 796
Results for the accounting year	218			218
Actuarial gains / losses on pensions				
Change in value of financial assets available for sale			25	25
Donations distributed from profit 2014	-6			-6
Grants from endowment fund in 2015		-6		-6
Equity capital at 31 March 2015	6 857	36	134	7 027

Group

(NOK million)	Earned equity capital			Other equity	Minority interests	Total equity capital
	Primary capital	Endowment fund	Fund for unrealised gains			
Equity at 1 January 2014	6 013	71	126	494	14	6 718
Results for the accounting year	149			77	1	227
Actuarial gains / losses on pensions	-3			1		-2
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss				1		1
Change in value of financial assets available for sale			110			110
Adjustment to equity from associated companies and joint ventures				1		1
Change in the group composition					2	1
Donations distributed from profit 2013						
Grants from endowment fund in 2014		-4				-4
Equity at 31 March 2014	6 159	67	235	573	17	7 052
Equity capital at 1 January 2014	6 013	71	126	494	14	6 718
Results for the accounting year	676			364		1 040
Actuarial gains / losses on pensions	-38			-23		-61
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss				10		10
Change in value of financial assets available for sale			-16	1		-14
Adjustment to equity from associated companies and joint ventures				-4		-4
Change in the group composition				-15	-14	-29
Donations distributed from profit 2013	-6					-6
Grants from endowment fund in 2014		-29				-29
Equity capital at 31 December 2014	6 645	42	110	827	0	7 624
Equity capital at 1 January 2015	6 645	42	110	827	0	7 624
OB correction: Correction of previous years' errors				12		12
Adjusted equity capital at 1 January 2015	6 645	42	110	839	0	7 636
Results for the accounting year	218			22		240
Actuarial gains / losses on pensions						
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss				1		1
Change in value of financial assets available for sale			25			25
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss						
Adjusted equity in associated companies and joint ventures				-1		-1
Change in the group composition						
Donations distributed from profit 2014	-6					-6
Grants from endowment fund in 2015		-6				-6
Equity capital at 31 March 2015	6 857	36	135	861	0	7 889

Cash flow statement

Parent Bank			(NOK million)	Group		
31.12.14	31.03.14	31.03.15		31.03.15	31.03.14	31.12.14
11 012	2 120	3 188	This year's downpayment on repayment loans etc. to customers	3 756	2 551	12 905
			Change in advance rent leasing		2	19
-10 394	-2 082	-3 268	Newly discounted repayment loans etc. to customers for the year	-4 004	-2 590	-12 979
-118	-2	74	Change in balances of foreign currency lending	74	-2	-118
-2 883	77	-357	Change in balances of credits	-357	77	-2 883
1 541	376	364	Interest and commission income on lending	443	460	1 848
5	4	1	Included in previous years' realised losses on lending	1	4	9
			Net cash flow from assets held for sale			1
-837	493	2	Cash flow from lending operations (A)	-87	502	-1 198
715	-601	-66	Change in balances of deposits from customers at call	-108	-597	714
279	302	-47	Change in balances of deposits from customers with agreed maturity dates	-47	302	279
-766	-47	-38	Interest payments to customers	-37	-47	-763
228	-346	-151	Cash flow from deposit operations (B)	-192	-342	231
914	519	-737	Net cash flow from securities held short term	-737	519	914
122	1	-17	Cash flow linked to exchange rate gains / losses on securities held short term	-17	1	122
97	12	12	Interest received on bonds and certificates	12	12	97
1 134	532	-742	Cash flow from investments in securities (C)	-742	532	1 134
-592	-215	-212	Change in receivables from credit institutions with agreed maturity dates	12	-54	33
116	26	27	Interest received on deposits in credit institutions	27	26	116
-476	-189	-185	Cash flow from deposits in credit institutions (D)	39	-28	149
619	160	135	Other income	199	214	821
-696	-181	-169	Operating expenses payable	-253	-251	-979
-146	-86	-73	Tax payments	-73	-87	-159
-35	-4	-12	Donations	-12	-4	-35
		-40	Contributions from the Group			
68	116	-1	Net cash flow from change in other assets	-33	-17	-37
248	80		Net cash flow from change in accruals	-20	57	147
14	41	-12	Net cash flow from change in other liabilities	13	-83	-121
72	125	-172	Remaining cash flow from current operations (E)	-179	-173	-361
121	616	-1 248	CASH FLOW FROM OPERATIONS (A+B+C+D+E=F)	-1 161	492	-46
17	29	5	Change in deposits from credit institutions	-21	49	33
2 053	750	1 100	Receipts arising from issuance of securities	1 100	750	2 053
-1 388	-1 088		Payments arising from redemption of securities issued		-1 088	-1 388
-262	-277	-160	Buy-back of own securities	-160	-277	-262
-225	-24	-49	Interest payments on financing	-49	-24	-225
195	-609	896	Cash flow from financing activities (G)	870	-589	211
-77	-4	-6	Investments in fixed assets and intangible assets	-12	-5	-83
1			Sales of fixed assets and intangible assets at sales price			1
-222	-64	-5	Purchase of long-term securities	-5	-64	-222
280	10		Sale of long-term securities		10	280
147	70	101	Share dividends from securities held long term	28	12	85
130	12	90	Cash flow from investments (H)	11	-48	61
-27			Liquidity effect of acquisition and sale of ownership interests (I)	18	-16	-43
-235	-178		Liquidity effect from placements in subsidiaries (L)		2	
184	-159	-262	CHANGE IN CASH AND CASH EQUIVALENTS (F+G+H+I+L)	-262	-159	184
599	599	783	Cash and cash equivalents at 1 January	783	599	599
783	440	521	Cash and cash equivalents at the end of period	521	440	783
			Cash and cash equivalents comprise:			
748	376	490	Cash and deposits with central banks	490	376	748
35	63	31	Deposits etc. at call with banks	31	63	35
783	440	521	Cash and cash equivalents at the end of period	521	440	783

Results from the quarterly accounts

Group

	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
(Isolated figures in NOK million)	2015	2014	2014	2014	2014	2013	2013	2013	2013
Interest income	501	527	536	526	512	531	535	520	498
Interest expenses	236	255	264	267	272	269	269	268	271
Net interest income	265	272	272	259	240	262	266	252	227
Commission income	123	116	117	121	142	112	116	99	88
Commission expenses	13	12	13	12	12	12	12	10	11
Other operating income	61	54	51	57	56	46	49	48	46
Net commission and other income	171	158	155	165	186	146	153	137	123
Dividends	7	1	1		12	3		18	
Net profit from ownership interests	88	97	103	80	114	120	98	53	54
Net profit from other financial assets and liabilities	26	29	173	-3	-33	-3	-19	26	-88
Net income from financial assets and liabilities	121	126	277	77	93	120	79	97	-34
Total net income	557	556	703	501	519	528	498	486	316
Personnel expenses	147	146	132	129	136	124	122	115	125
Other operating expenses	111	118	104	110	106	111	101	112	106
Total operating expenses before losses on loans and guarantees	258	263	236	239	242	235	223	227	231
Profit before losses on loans and guarantees	299	293	466	262	277	293	275	259	85
Losses on loans and guarantees	5	24	9	21	12	43	4	22	3
Profit/loss before tax	294	269	457	241	265	250	271	237	82
Tax charge	54	56	54	45	38	38	49	51	9
Results for the accounting period	240	214	403	197	227	212	222	186	74

Notes to the accounts

Note 1 Accounting principles

1.1 Basis of preparation

The financial statements for Sparebanken Hedmark comprise the period 01.01-31.03.2015. The financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, currently valid IFRS standards and IFRIC interpretations. The consolidated financial statements have been prepared according to IFRS rules and regulations since 1 January 2007.

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

The financial statements in this interim report have been prepared using the same principles and calculation methods as used in the most recent annual financial statements.

The interim financial statements do not contain all of the information required for complete annual financial statements, and should be read in conjunction with the annual financial statements for 2014. Further, the Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts, except:

IAS 37, interpretation: IFRIC 21

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, which is an interpretation of IAS 37, 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 example, in the Bank's financial statements, this means that wealth tax should first be recognised in its entirety in annual financial statements and not in interim financial statements.

1.2 Critical accounting estimates and judgements

The preparation of the consolidated accounts requires management estimates, judgments and assumptions that affect the application of accounting principles. This will affect the reported amounts of assets, liabilities, income and costs. The annual financial statements for 2014 provide a detailed account of critical estimates and judgements in relation to the application of accounting policies in note 3.

Note 2 Changes in the Group composition

2015

There has been no changes in the Group structure in the first quarter 2015.

2014

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

Sparebanken Hedmark increased its stake in SpareBank 1 Markets AS from

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

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

Note 3 Segment information

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

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

Group	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Eiendomsmegler 1 Hedmark Eiendom	SpareBank 1 Regnskapshuset Østlandet	Other	Total
31.03.15							
Income statement							
Net interest income	112	94	60			-1	265
-of which internal items			-21			21	
Net commission and other income	82	19	-6	17	55	4	171
-of which internal items							
Net return on financial investments						121	121
Operating expenses*	62	26	22	16	42	90	258
Profit before losses by segment:	132	87	32	1	13	34	299
Losses on loans and guarantees	-1	-1	7				5
Profit / loss per segment	133	88	25	1	13	34	294
Tax charge			7		3	44	54
Profit / loss after tax charge per segment	133	88	18	1	10	-10	240
Balance sheet							
Gross lending to customers	20 280	14 611	5 003			590	40 484
-of which internal items					27	-27	
Individual loan write-downs	-34	-79	-11				-124
Collective loan write-downs	-31	-72	-15				-118
Other assets	129	1	77	22	187	10 443	10 859
Total assets per segment	20 344	14 461	5 054	22	187	11 033	51 101
Deposits from and liabilities to customers	19 841	10 708				505	31 054
-of which internal items			-3		-48	51	
Other liabilities and equity	503	3 753	5 054	22	187	10 528	20 047
Total equity and liabilities per segment	20 344	14 461	5 054	22	187	11 033	51 101

Group			SpareBank 1		SpareBank 1		
31.03.14	Retail banking	Corporate banking	Finans Østlandet	Eiendomsmegler 1 Hedmark Eiendom	Regnskapshuset Østlandet	Other	Total
Income statement							
Net interest income	95	86	48			11	240
-of which internal items			-21			21	
Net commission and other income	114	18	-5	17	37	5	186
-of which internal items							
Net return on financial investments						93	93
Operating expenses*	61	25	18	14	34	90	242
Profit before losses by segment:	148	79	25	3	3	19	277
Losses on loans and guarantees	-3	11	4				12
Profit / loss per segment	151	68	21	3	3	19	265
Tax charge			5	1		32	38
Profit / loss after tax charge per segment	151	68	16	2	3	-13	227

Balance sheet							
Lending to customers	18 425	13 711	4 222			527	36 885
-of which internal items					40	-40	
Individual loan write-downs	-41	-87	-9				-137
Collective loan write-downs	-24	-71	-13				-108
Other assets	102	2	107	33	111	9 874	10 229
Total assets per segment	18 462	13 555	4 307	33	111	10 401	46 869
Deposits from and liabilities to customers	18 653	11 007		-6	-3	288	29 948
-of which internal items		6				3	
Other liabilities and equity	-191	2 548	4 307	33	111	10 113	16 921
Total equity and liabilities per segment	18 462	13 555	4 307	33	111	10 401	46 869

Group			SpareBank 1		SpareBank 1		
31.12.14	Retail banking	Corporate banking	Finans Østlandet	Eiendomsmegler 1 Hedmark Eiendom	Regnskapshuset Østlandet	Other	Total
Income statement							
Net interest income	420	368	210		-3	48	1 043
-of which internal items			-84		-3	87	
Net commission and other income	390	74	-20	79	126	14	663
-of which internal items			-1			1	
Net return on financial investments						573	573
Operating expenses*	247	100	75	67	118	374	981
Profit before losses by segment:	563	342	115	12	5	261	1 298
Losses on loans and guarantees	15	37	14			-	66
Profit / loss per segment	548	305	101	12	5	261	1 232
Tax charge			28	4	1	159	192
Profit / loss after tax charge per segment	548	305	73	8	4	102	1 040

Balance sheet							
Gross lending to customers	20 037	14 474	4 827			598	39 936
-of which internal items					39	-39	
Individual loan write-downs	-35	-85	-9				-129
Collective loan write-downs	-33	-68	-15				-116
Other assets	118	1	60	26	108	9 931	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		-4	-9	446	31 070
-of which internal items			-2			15	
Other liabilities and equity	360	3 424	4 863	26	108	10 083	18 864
Total equity 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 4 Capital adequacy

Parent Bank			Group			
Basel III	Basel II	Basel III		Basel III	Basel II	Basel III
31.12.14	31.03.14	31.03.15		31.03.15	31.03.14	31.12.14
6 645	6 010	6 639	Primary capital	6 639	6 159	6 645
42	67	36	Endowment fund	36	67	42
109	235	134	Revaluation fund / equalisation reserve	135	235	110
	149	218	Results for the accounting period	240	226	
			Other equity	839	348	827
			Minority interests		17	
6 796	6 461	7 027	Total equity carried	7 889	7 052	7 624
			Tier 1 capital			
		-218	Results for the accounting year not included	-240		
-110	-196	-108	Deferred tax (Basel II), goodwill and other intangible assets	-225		-197
-109	-235		Unrealised value change due to reduced / increased value of liabilities (Basel II/transitional adj.)			-110
-230	-279	-190	Positive value of expected losses under the IRB approach	-229		-271
	-618		Deduction for subordinated capital in other financial institutions (Basel II)			
			Capital adequacy reserve (Basel II)			
-109		-226	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	-1 666		-1 602
			Cumulative gains and losses due to changes in own credit risk on fair valued liabilities			
-7		-8	Value adjustments due to the requirements for prudent valuation	-11		-10
-229		-181	Excess of deduction from AT1 items over AT1 Capital			
6 003	5 133	6 096	Total common equity Tier 1 capital	5 518		5 434
			Additional Tier 1 capital			
			Hybrid capital	162	142	162
-229		-181	AT1 instruments of financial sector entities where the institution does not have a significant investment			
			AT1 instruments of financial sector entities where the institution does have a significant investment	-2		-2
			Excess of deduction from T2 items over AT1 Capital			
229		181	Excess of deduction from AT1 items over AT1 Capital			
0	0	0	Total additional Tier 1 capital	160	142	160
			Supplementary capital in excess of core capital			
39	106		36 per cent (45 per cent under Basel III) of unrealised gain on shares classified as available for sale			40
500	500	500	Non-perpetual additional T1 capital	784		783
			Deduction for expected losses on IRB, net of write-downs (Basel II)			
	-606		Deduction for subordinated capital in other financial institutions (Basel II)			
			Capital adequacy reserve (Basel II)			
-297		-248	T2 instruments of financial sector entities where the institution does not have a significant investment			
			T2 instruments of financial sector entities where the institution does have a significant investment	-144		-144
			Excess of deduction from T2 items over AT1 Capital			
242	0	252	Total supplementary capital	640		679
6 245	5 133	6 348	Net subordinated capital	6 318	5 076	6 273
4 323		3 363	Corporates - SME*	3 805		4 791
6 953	6 448	6 172	Corporates - Specialised Lending*	8 132	6 448	9 019
675	5 462	783	Corporates - Other*	874	6 141	855
682	778	821	SME exposure	857	824	723
5 683	5 228	6 337	Retail mortgage exposure	8 525	7 095	7 738
591	621	702	Other retail exposure	794	686	669
	2 150		Equity investments		2 003	
18 907	20 688	18 179	Risk-weighted assets credit risk IRB	22 987	23 196	23 795
6 513	5 664	6 816	Exposures calculated using the standardised approach	9 394	8 495	9 534
			Market risk		131	
292		272	CVA	310		338
1 923	1 923	1 989	Operational risk	3 269	3 038	3 038
	-1 224		Deductions		-2 109	
27 635	27 051	27 256	Risk-weighted assets	35 960	32 752	36 705
2 211	2 164	2 180	Capital requirements (8 %)	2 877	2 620	2 936
			Buffer requirements			
691	676	681	Conservation buffer (2.5 %)	899	819	918
829	812	818	Systemic risk buffer (3 %)	1 079	983	1 101
1 520	1 488	1 499	Total buffer requirements for common equity (5.5 %)	1 978	1 801	2 019
3 239	2 428	3 371	Available common equity (net minimum requirement of 10 %)	1 922	1 658	1 764
			Capital adequacy ratio			
21,7 %	19,0 %	22,4 %	Common equity Tier 1 capital ratio	15,3 %	15,1 %	14,8 %
21,7 %	19,0 %	22,4 %	Tier 1 Capital ratio	15,8 %	15,5 %	15,2 %
22,6 %	19,0 %	23,3 %	Capital adequacy ratio	17,6 %	15,5 %	17,1 %

* IRB advanced from 01.01.2015

Note 5 Loans to and receivables from customers

Parent Bank				Group		
31.12.14	31.03.14	31.03.15		31.03.15	31.03.14	31.12.14
			Loans by type of receivable			
			Financial leasing	2 169	1 842	2 114
10 868	7 929	11 394	Overdraft facilities and operating credits	11 394	7 929	10 868
1 450	1 426	1 278	Building loans	1 278	1 426	1 450
22 738	23 249	22 742	Repayment loans	25 550	25 584	25 406
88	96	83	Accrued interest	93	105	98
35 144	32 700	35 498	Gross loans to and receivables from customers	40 484	36 885	39 936
221	223	215	Write-downs	242	245	245
34 923	32 476	35 282	Loans to and receivables from customers	40 242	36 640	39 691
			Loans by type of market			
20 496	19 058	20 761	Private customers	23 135	21 100	22 797
14 642	13 634	14 720	Corporate	17 153	15 630	16 958
6	8	17	Public sector	196	154	181
35 144	32 700	35 498	Gross loans to and receivables from customers	40 484	36 885	39 936
221	223	215	Write-downs	242	245	245
34 923	32 476	35 282	Loans to and receivables from customers	40 242	36 640	39 691

Parent Bank				Group		
31.12.14	31.03.14	31.03.15		31.03.15	31.03.14	31.12.14
22 088	20 399	22 483	Private customers	24 862	22 441	24 389
156	183	17	Public sector	196	329	331
3 835	3 632	3 928	Primary industries	4 127	3 848	4 072
291	309	321	Paper and pulp industries	340	335	307
769	626	783	Other industry	1 055	810	1 035
1 369	1 683	1 307	Building and construction	1 802	2 130	1 876
220	210	225	Power and water supply	335	356	361
1 115	1 102	1 097	Wholesale and retail trade	1 469	1 409	1 404
180	171	188	Hotel and restaurants	203	187	211
7 405	6 783	7 693	Real estate	7 744	6 869	7 505
2 064	2 264	1 947	Commercial services	2 366	2 621	2 466
284	272	287	Transport and communications	1 002	829	953
21	20	23	Other	31	28	29
39 797	37 654	40 301	Total commitments by sector and industry	45 534	42 192	44 939

Parent Bank				Group		
31.12.14	31.03.14	31.03.15		31.03.15	31.03.14	31.12.14
20 496	19 058	20 761	Private customers	23 135	21 100	22 797
6	8	17	Public sector	196	154	181
3 357	3 113	3 316	Primary industries	3 515	3 240	3 557
246	250	261	Paper and pulp industries	276	267	262
509	485	551	Other industry	780	644	739
874	1 013	823	Building and construction	1 286	1 410	1 317
190	185	197	Power and water supply	307	300	299
743	781	742	Wholesale and retail trade	1 024	1 043	1 010
161	153	166	Hotel and restaurants	181	161	172
6 988	6 088	7 087	Real estate	7 136	6 127	7 033
1 342	1 347	1 342	Commercial services	1 706	1 663	1 659
211	199	211	Transport and communications	910	756	880
21	20	23	Other	31	20	30
35 144	32 700	35 498	Total gross loans by sector and industry	40 484	36 885	39 936

Parent Bank				Group		
31.12.14	31.03.14	31.03.15		31.03.15	31.03.14	31.12.14
39	44	35	Private customers	41	47	44
2	3	2	Primary industries	2	3	2
1	1	1	Paper and pulp industries	1	1	1
6	13	6	Other industry	6	14	7
9	10	8	Building and construction	9	12	9
1		1	Power and water supply	1		1
21	19	19	Wholesale and retail trade	19	19	21
1	1	1	Hotel and restaurants	1	1	1
16	22	17	Real estate	18	22	16
24	15	23	Commercial services	24	15	25
			Transport and communications	2	3	1
120	128	112	Total individual write-downs by sector and industry	123	137	129

Note 6 Losses on loans and guarantees

Parent Bank				Group		
31.12.14	31.03.14	31.03.15		31.03.15	31.03.14	31.12.14
-7	-3	-10	Change in individual write-downs in the period	-8		-5
8	2	2	Change in collective write-downs in the period	2	2	10
35	8	4	Realised losses on commitments previously written down	7	9	46
21	5	3	Realised losses on commitments not previously written down	5	5	25
5	4	1	Recoveries on loans and guarantees previously written down	1	4	9
52	8	-2	Total losses on loans and guarantees	5	12	66

Parent Bank				Group		
31.12.14	31.03.14	31.03.15		31.03.15	31.03.14	31.12.14
143	143	134	Individual write-downs to cover losses on loans and guarantees at 1 January	143	149	149
35	7	4	Realised losses in the period on loans and guarantees previously written down individually	7	8	45
23	6	7	Reversal of write-downs in previous years	10	6	41
17	4		Increase in write-downs on commitments previously written down individually	1	4	19
32	7	1	Write-downs on commitments not previously written down individually	8	10	61
134	141	124	Individual write-downs to cover losses on loans and guarantees at the end of period *)	135	149	143

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

Parent Bank				Group		
31.12.14	31.03.14	31.03.15		31.03.15	31.03.14	31.12.14
93	93	101	Collective write-downs to cover losses on loans and guarantees at 1 January	116	106	106
8	2	2	Collective write-downs to cover losses on loans and guarantees in the period	2	2	10
101	95	103	Collective write-downs to cover losses on loans and guarantees	118	108	116

Parent Bank				Group		
31.12.14	31.03.14	31.03.15		31.03.15	31.03.14	31.12.14
263	250	218	Defaulted commitments	301	313	339
205	282	214	Other doubtful commitments	217	284	209
468	532	432	Total defaulted and doubtful commitments	518	597	548
134	141	124	Individual write-downs on loans and guarantees	135	149	143
334	391	308	Net defaulted and doubtful commitments	383	448	405

Note 7 Financial derivatives

Parent Bank and Grop

At fair market value through p & l account	31.03.2015		
	Contract sum	Fair market value	
		Assets	Liabilities
Foreign exchange instruments			
Forward exchange contracts	1 339	23	22
Currency swap contracts	2 041	29	29
Total foreign exchange instruments	3 379	52	51
Interest rate instruments			
Interest rate swaps (inc. int. rate & currency)	9 348	473	241
Other interest rate contracts	150	12	
Total interest rate instruments	9 498	485	241
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	66	0	0
Total curr.- and int. rate instruments			
Total currency instruments	3 379	52	51
Total interest rate instruments	9 498	485	241
Total other financial derivatives	66	0	0
Total	12 944	537	292

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

At fair market value through p & l account	31.12.2014		
	Contract sum	Fair market value	
		Assets	Liabilities
Foreign exchange instruments			
Forward exchange contracts	881	18	11
Currency swap contracts	1 386	14	57
Total foreign exchange instruments	2 267	32	67
Interest rate instruments			
Interest rate swaps (inc. int. rate & currency)	8 763	486	263
Other interest rate contracts	150	10	
Total interest rate instruments	8 913	497	263
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	66	3	0
Total curr. and int. rate instruments			
Total currency instruments	2 267	32	67
Total interest rate instruments	8 913	497	263
Total other financial instruments	66	3	0
Total	11 247	531	330

Note 8 Determination of fair value of financial instruments

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

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

All figures are identical for the Parent Bank and the Group.

31.03.2015	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Derivatives		537		537
- Bonds and certificates		4 723		4 723
- Fixed-rate loans		2 271		2 271
- Loans with interest-rate guarantees			1	1
Financial assets available for sale				
- Equity instruments	154		110	264
Total assets	154	7 531	111	7 796
Liabilities				
Financial liabilities at fair value through profit and loss				
- Derivatives		292		292
- Securities issued		9 863		9 863
- Subordinated loan capital		505		505
- Fixed-rate deposits		46		46
- Term deposit			60	60
Total liabilities		10 706	60	10 765

31.03.2014	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Derivatives		321		321
- Bonds and certificates		4 402		4 402
- Fixed-rate loans		1 943		1 943
- Loans with interest-rate guarantees			3	3
Financial assets available for sale				
- Equity instruments	105		372	477
Total assets	105	6 667	374	7 146
Liabilities				
Financial liabilities at fair value through profit and loss				
- Derivatives		157		157
- Securities issued		7 808		7 808
- Subordinated loan capital		505		505
- Fixed-rate deposits		47		47
Total liabilities	0	8 517	0	8 517

31.12.2014	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Derivatives		529	3	531
- Bonds and certificates		4 017		4 017
- Fixed-rate loans		1 793		1 793
- Loans with interest-rate guarantees			1	1
Financial assets available for sale				
- Equity instruments	131		108	239
Total assets	131	6 339	112	6 581
Liabilities				
Financial liabilities at fair value through profit and loss				
- Derivatives		330		330
- Securities issued		8 951		8 951
- Subordinated loan capital		505		505
- Fixed-rate deposits		50		50
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. considered active if the market prices are easily and regularly available from a stock exchange, dealer, broker, industrial group, A market is pricing service or regulatory authority and these prices represent actual and regularly occurring arm's-length market transactions. The market price used for financial assets is the current purchase price; for financial liabilities the current selling price is used. Instruments included in level 1 include only equity instruments listed on Oslo Børs or the New York Stock Exchange, classified as held for trading or available for sale.

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

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

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

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

	Loans with interest-rate guarantees	Equity instruments	Derivatives	Market-linked certificates of deposit (BMA)	Total
31.12.14-31.03.15					
Opening balance	1	108	3		112
Investments in the period				-60	-60
Sales / redemption in the period			-3		-3
Gains / losses recognised through profit and loss					1
Gains / losses recognised directly against comprehensive income		2			2
Closing balance	1	110	0	-60	51
Gains / losses for the period included in the profit for assets owned on the balance sheet day					0

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

	Loans with interest-rate guarantees	Equity instruments	Derivatives	Market-linked certificates of deposit (BMA)	Total
31.12.13-31.12.14					
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.

Note 9 Financial instruments and offsetting

As from 2013 the Bank is required to disclose financial instruments which the Bank considers to fulfil the requirements for netting under IAS 32.42, and financial instruments in respect of which offsetting agreements have been entered into. Both in accordance with IFRS 7.13 A-F.

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

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

The assets and liabilities below may be offset.

31.03.2015	Gross financial assets/(liabilities)	Recognised on a net basis	Net financial assets/ (liabilities) on the balance sheet	Amount not presented on the balance sheet on a net basis		Net amount
				Financial instruments	Cash collateral given/(received)	
Derivatives as assets	537	0	537	-86	0	451
Derivatives as liabilities	-292	0	-292	86	117	-88
31.03.2014						
Derivatives as assets	321	0	321	-56	0	265
Derivatives as liabilities	-157	0	-157	56	69	-32
31.12.2014						
Derivatives as assets	531	0	531	-67	0	465
Derivatives as liabilities	-330	0	-330	67	112	-151

All figures are identical for the Parent Bank and the Group.

Note 10 Other assets

Parent Bank				Group		
31.12.14	31.03.14	31.03.15		31.03.15	31.03.14	31.12.14
73	43	73	Capital payments into pension fund	73	43	73
19	222	20	Accrued income, not yet received	30	223	19
23	39	39	Prepaid costs, not yet incurred	39	39	15
145	121	138	Other assets	308	283	299
260	425	270	Other assets	450	588	406

Note 11 Deposits from liabilities to customers

Parent Bank				Group		
31.12.14	31.03.14	31.03.15		31.03.15	31.03.14	31.12.14
19 047	18 898	19 167	Private customers	19 167	18 898	19 047
3 666	3 975	3 690	Public sector	3 690	3 975	3 666
927	945	1 021	Primary industries	1 021	945	927
101	111	109	Paper and pulp industries	109	111	101
514	383	430	Other industry	430	383	514
671	566	655	Building and construction	655	566	671
118	209	228	Power and water supply	228	209	118
665	620	646	Wholesale and retail trade	646	620	665
95	80	100	Hotel and restaurants	100	80	95
1 565	1 583	1 478	Real estate	1 478	1 583	1 565
3 452	2 350	3 295	Commercial services	3 244	2 335	3 437
258	238	286	Transport and communications	286	238	258
6	5		Other operations		5	6
31 085	29 963	31 105	Total deposits by sector and industry	31 054	29 948	31 070

Note 12 Securities-related debt

Parent Bank and Grop

Changes in liabilities from issuance of securities	31.03.2015	Issued	Due / redeemed	Other changes	31.12.2014
Certificate-based debt, nominal value	0				0
Bond debt, nominal value	9 351	1 100		-159	8 410
Non- Perpetual additional Tier 2 capital, nominal value	500				500
Accrued interest	140			8	131
Adjustments	377			-37	415
Total debt raised through issuance of securities, fair value	10 368	1 100	0	-188	9 455

Changes in liabilities from issuance of securities	31.03.2014	Issued	Due / redeemed	Other changes	31.12.2013
Certificate-based debt, nominal value	300				300
Bond debt, nominal value	7 103	750	-1 250	-115	7 718
Non- Perpetual additional Tier 2 capital, nominal value	500				500
Accrued interest	138			-26	164
Adjustments	273			54	219
Total debt raised through issuance of securities, fair value	8 313	750	-1 250	-88	8 901

Changes in liabilities from issuance of securities	31.12.2014	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
Non- Perpetual additional Tier 2 capital, nominal value	500				500
Accrued interest	131			-33	164
Adjustments	415			196	219
Total debt raised through issuance of securities, fair value	9 455	2 050	-1 550	54	8 901

Note 13 Other debt and liabilities

Parent Bank				Group		
31.12.14	31.03.14	31.03.15		31.03.15	31.03.14	31.12.14
362	316	370	Pension liabilities	392	334	384
14	13	12	Guarantee provisions	12	12	14
9	6	6	Banker's drafts	6	6	9
37	52	25	Accounts payable	30	56	42
159	183	106	Other	202	224	190
581	570	519	Total other debt and liabilities recognised in the balance sheet	642	632	639



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