



Interim Report

# Interim Report

Q3 2015



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# Main figures

| Result summary (NOK mill and % of average assets)   | Q3-2015      |               | Q3-2014      |               | 31.12.14     |               |
|---|--------------|---------------|--------------|---------------|--------------|---------------|
|   | Beløp        | %             | Beløp        | %             | Beløp        | %             |
| Net interest income   | 815          | 2,09 %        | 771          | 2,12 %        | 1 043        | 2,14 %        |
| Net commissions and other (non-interest) income   | 492          | 1,26 %        | 505          | 1,39 %        | 663          | 1,36 %        |
| Net income from financial investments   | 411          | 1,05 %        | 447          | 1,23 %        | 573          | 1,17 %        |
| <b>Total income</b>   | <b>1 718</b> | <b>4,40 %</b> | <b>1 723</b> | <b>4,74 %</b> | <b>2 279</b> | <b>4,67 %</b> |
| <b>Total operating expenses before losses on loans and guarantees</b>   | <b>758</b>   | <b>1,94 %</b> | <b>718</b>   | <b>1,98 %</b> | <b>981</b>   | <b>2,01 %</b> |
| <b>Profit before losses on loans and guarantees</b>   | <b>960</b>   | <b>2,46 %</b> | <b>1 005</b> | <b>2,77 %</b> | <b>1 298</b> | <b>2,66 %</b> |
| Losses on loans and guarantees  | 38           | 0,10 %        | 42           | 0,12 %        | 66           | 0,14 %        |
| <b>Profit/loss before tax</b>   | <b>922</b>   | <b>2,36 %</b> | <b>963</b>   | <b>2,65 %</b> | <b>1 232</b> | <b>2,52 %</b> |
| Tax charge  | 186          | 0,48 %        | 136          | 0,37 %        | 192          | 0,39 %        |
| <b>Results for the accounting period</b>  | <b>736</b>   | <b>1,88 %</b> | <b>826</b>   | <b>2,27 %</b> | <b>1 040</b> | <b>2,13 %</b> |
| <b>Minority interests</b>   |              |               | <b>2</b>     | <b>0,01 %</b> | <b>2</b>     | <b>0,01 %</b> |
| <b>Profitability</b>  |              |               |              |               |              |               |
| Return on equity capital <sup>1)</sup>  |              | 12,3 %        |              | 15,5 %        |              | 14,4 %        |
| Cost-income ratio <sup>2)</sup>   |              | 44,1 %        |              | 41,7 %        |              | 43,0 %        |
| <b>From the Balance Sheet</b>   |              |               |              |               |              |               |
| Gross loans to customers  | 42 793       |               | 39 233       |               | 39 936       |               |
| Gross loans to customers including loans transferred to covered bond companies <sup>3)</sup>                      | 59 437       |               | 54 806       |               | 55 930       |               |
| Lending growth during the last 12 months  |              | 9,1 %         |              | 5,3 %         |              | 7,4 %         |
| Lending growth in last 12 months including loans transferred to covered bond companies                            |              | 8,4 %         |              | 6,2 %         |              | 6,8 %         |
| Deposits from customers   | 33 052       |               | 31 575       |               | 31 070       |               |
| Deposit-to-loan ratio <sup>4)</sup>   |              | 77,2 %        |              | 80,5 %        |              | 77,8 %        |
| Deposit growth during the last 12 months  |              | 4,7 %         |              | 6,3 %         |              | 3,2 %         |
| Total assets  | 54 501       |               | 49 751       |               | 49 934       |               |
| <b>Losses and commitments in default</b>  |              |               |              |               |              |               |
| Losses on loans as a percentage of gross loans  |              | 0,1 %         |              | 0,1 %         |              | 0,1 %         |
| Commitments in default as a percentage of total commitments   |              | 0,7 %         |              | 0,8 %         |              | 0,8 %         |
| Other bad and doubtful commitments as a percentage of total commitments   |              | 0,4 %         |              | 0,5 %         |              | 0,5 %         |
| Net commitment in default and commitments with loss provisions as a percentage of total commitments <sup>5)</sup> |              | 0,8 %         |              | 0,9 %         |              | 0,9 %         |
| <b>Financial strength</b>   |              |               |              |               |              |               |
| Common equity Tier 1 capital ratio  |              | 17,1 %        |              | 14,5 %        |              | 14,8 %        |
| Tier 1 Capital ratio  |              | 17,5 %        |              | 14,9 %        |              | 15,2 %        |
| Capital adequacy ratio  |              | 18,8 %        |              | 16,3 %        |              | 17,1 %        |
| Net subordinated capital  | 7 030        |               | 5 992        |               | 6 273        |               |
| Equity ratio  |              | 15,5 %        |              | 15,0 %        |              | 15,3 %        |
| Leverage Ratio  |              | 9,8 %         |              | 8,2 %         |              | 8,2 %         |
| LCR <sup>6)</sup>   |              | 108 %         |              | 37,0 %        |              | 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 and 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 write-downs

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

# Interim report 3. quarter 2015

## Summary

The Sparebanken Hedmark Group posted a profit after tax for the third quarter of NOK 307 (403) million (last year's figure in brackets). The return on equity in the quarter was 14.7 (21.8) per cent. The core equity tier 1 ratio was 17.1 (14.5) per cent.

Profits from ordinary operations after losses were NOK 187 million, an improvement of NOK 7 million compared with the same quarter last year. Credit premiums for Norwegian financial securities rose significantly in the third quarter. This resulted in a drop in prices for securities, which in turn had a positive net effect of NOK 138 million in the financial statements. Securities investments lost NOK 30 million while securities issued gained NOK 168 million. Corrected for these effects from fixed income securities, inclusive of derivatives, the return on equity for the quarter was 9.8 per cent.

The Sparebanken Hedmark Group's profit after tax was NOK 736 (826) million after three quarters. The return on equity was 12.3 (15.5) per cent. Exclusive of the return on securities and derivatives, the return on equity was 10.3 per cent.

The Group's unweighted equity ratio was 15.5 (15.0) per cent at the end of the third quarter.

The Group achieved a net interest margin of 2.44 (2.44) per cent, including home mortgages in the covered bond company. The twelve-month growth in lending and deposits was 8.4 (6.2) per cent and 4.7 (6.3) per cent, respectively. At the end of the quarter, the deposit coverage ratio was 77.2 (80.5) per cent.

The Parent Bank's profit after tax for the third quarter was NOK 218 (284) million. Accumulated profits after three quarters were NOK 683 (582) million.

## Sparebanken Hedmark – Consolidated profit in the third quarter

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

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

The Bank owns 40.5 per cent of Bank 1 Oslo Akershus AS, 11 per cent of SpareBank 1 Gruppen AS, 6.2 per cent of SpareBank 1 Markets AS and 8.7 per cent of SpareBank 1 Kredittkort AS. The Bank also owns 9.5 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.

The Group's profit for the third quarter amounted to NOK 307 (403) million. The return on equity was 14.7 (21.8) per cent. Exclusive of the return on securities and derivatives, the return on equity was 9.8 per cent.

The profit after tax was NOK 96 million lower than for the corresponding period last year. Net interest income improved by NOK 7 million, while net commissions and other operating income were unchanged. The result from other financial assets and liabilities was NOK 68 million lower. Operating costs rose by NOK 13 million,

while loss costs were NOK 11 million lower. The total tax cost was NOK 35 million higher.

The combined net return on financial investments, consisting of ownership interests and securities, was NOK 208 (276) million in the third quarter. The value of ownership interests fell by NOK 36 million compared with last year. Bank 1 Oslo Akershus AS contributed NOK 25 (30) million to net returns, while SpareBank 1 Gruppen AS contributed NOK 30 (61) million.

The net result from securities (other financial assets and liabilities) amounted to NOK 142 (173) million. Last year this item included NOK 158 million in profit from the sale of the shares in Nets Holding ASA. The financial statement for the third quarter this year recognise NOK 138 million in income from changes in the value of securities.

Sparebanken Hedmark's securities issued and purchased bonds and certificates are measured at fair value through profit or loss. This means that unrealised changes in fair value are recognised as gains or losses on the line "Net result from financial assets and liabilities" in the financial statements. Changes in fair value occur due to interest rate changes and/or spread changes. The so-called trading spread for Norwegian financial securities was heavily affected in the third quarter. For a five-year, senior issue in a Norwegian regional savings bank, the market's premium above NIBOR rose from around 65 basis points to around 120 basis points. 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 was a price gain on fixed income securities, inclusive of hedging transactions, of NOK 138 million in the third quarter, of which NOK 135 million was unrealised. The positive effect of NOK 138 million comes from a gain of NOK 168 million on securities issued and a loss from securities investments of NOK 30 million. Cumulatively, an unrealised loss of NOK 116 million at the end of the second quarter has turned into an unrealised gain of NOK 19 million at the end of the third quarter. 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, experience unrealised losses of NOK 19 million at a rate of around NOK 6 million per year.

Operating costs were NOK 11 million higher in the third quarter compared with the same quarter last year, which corresponds to an increase of 4.6 per cent. The increase was largely a consequence of greater activity and new hirings in subsidiaries, as well cost growth in the Parent Bank of 0.6 per cent. Costs amounted to 39 (34) per cent of the Group's total income in the quarter.

The Group's losses amounted to NOK -2 (9) million in the period and the percentage of problem loans was 1.1 (1.3) per cent.

For further details about the third quarter in isolation, please see page 13 of the report, "Results from the interim financial statements".

### Sparebanken Hedmark – consolidated profit after three quarters

The Group's profit after tax after three quarters totalled NOK 736 (826) million. The return on equity was 12.3 (15.5) per cent. Exclusive of the return on securities and derivatives, the return on equity was 10.3 per cent.

### Specification of the consolidated profit after tax in NOK million:

|   |     |        |
|---|-----|--------|
| Parent Bank's profit after tax                            | 683 | (582)  |
| Dividends received from subsidiaries/associated companies | 259 | (-135) |

### Share of the result from:

|  |     |       |
|--|-----|-------|
| SpareBank 1 Gruppen AS                         | 103 | (146) |
| Bank 1 Oslo Akershus AS                        | 84  | (149) |
| SpareBank 1 Boligkreditt and Næringskreditt AS | 33  | (15)  |
| EiendomsMegler 1 Hedmark Eiendom AS            | 9   | (8)   |
| SpareBank 1 Finans Østlandet AS                | 58  | (53)  |
| SpareBank 1 Regnskapshuset Østlandet AS        | 14  | (5)   |
| Other associated companies/joint ventures      | 11  | (3)   |

**Consolidated profit after tax** **736 (826)**

The profit after tax was NOK 91 million lower than for the corresponding period last year. Net interest income improved by NOK 45 million, while net commissions and other operating income decreased by NOK 13 million. The result from other financial assets and liabilities was NOK 36 million lower. Operating costs rose by NOK 41 million and loss costs decreased by NOK 4 million. The tax cost was NOK 50 million higher.

### Interest income and other operating income

Total net interest income, inclusive of commissions from loans and credit transferred to partly-owned companies (recognised as commissions), amounted to NOK 958 (946) million. This represents an increase of 1.3 (6.1) per cent compared with the same period in 2014. Lending growth made a positive contribution of NOK 92 million, while the lending margin made a negative contribution of NOK 81 million. Deposit margins produced a positive effect of NOK 55 million, while deposit growth made a negative contribution of NOK 6 million. The reduced margin for transferred loans had an effect of NOK -33 million, while other effects were negative in the amount of NOK 15 million.

The Group's lending margin, including home mortgages in the covered bond company, but exclusive of interest income from the credit card portfolio, amounted to 2.74 (2.99) per cent after the first nine months of 2015. The deposit margin was minus 0.30 (-0.55) per cent. The Group's net interest margin was 2.44 (2.44) per cent.

Net commissions and other operating income decreased from NOK 505 million last year to NOK 492 million this year. In addition to the NOK 33 million reduction in commissions from the covered bond company, commissions from credit cards were NOK 30 million lower. Last year saw extraordinary income from credit cards of NOK 34 million. Income from the accounting firm increased by NOK 30 million, while income from the estate agency increased by NOK 22 million. Other operating incomes were NOK 2 million lower.

### Net result from financial assets and liabilities

The net profit from financial assets and liabilities was NOK 411 (447) million.

Dividends amounted to NOK 8 (13) million, while the net profit from ownership interests was NOK 231 (294) million. The profit contribution from Bank 1 Oslo Akershus AS totalled NOK 84 (149) million. The profit contribution from SpareBank 1 Gruppen AS totalled NOK 103 (146) million. Therefore, the combined result from Bank 1 Oslo Akershus and SpareBank 1 Gruppen was a reduction of NOK 108 million or 37 per cent.

The net profit from securities was NOK 172 (140) million. The change in value for securities issued was positive in the amount of NOK 208 million, while the change in value and realisation of fixed income securities was negative in the amount of NOK 47 million.

Other items showed a profit of NOK 12 million. Please also see the separate report on the area of securities under "Consolidated profit in the third quarter".

#### Costs, losses and problem loans

The Group's operating costs were NOK 758 (718) million. This represents an increase of 5.5 (5.4) per cent, compared with the corresponding period last year. NOK 37 million of the NOK 40 million increase was due to increased costs in subsidiaries due to low growth. Operating costs as a percentage of total income were 44.1 (41.7) per cent.

After three quarters losses amounted to NOK 38 (42) million. Non-performing loans accounted for 0.7 (0.8) per cent of gross commitments on the Bank's own balance sheet, while other impaired commitments accounted for 0.4 (0.5) per cent of gross commitments. Overall, the Group's problem loans accounted for 1.1 (1.3) per cent of gross commitments on its balance sheet.

Less than 0.1 per cent of the Bank's loans are linked to oil-related activities.

#### Assets and funding

Gross lending to customers, including loans transferred to the covered bond companies, totalled NOK 59.4 (54.8) billion. At the end of the third quarter, loans totalling NOK 16.0 (15.0) 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, including transferred loans, was 8.4 (6.2) per cent.

Customer deposits totalled NOK 33.0 (31.6) billion. The growth over the past twelve-month period was 4.7 (6.3) per cent.

Deposits represented 77.2 (80.5) per cent of gross lending.

Debt to financial institutions and debt arising from securities issued amounted to NOK 11.5 (9.2) billion. The average term to maturity of the Bank's long-term funding was 3.7 (4.0) years. The average term to maturity for all borrowing was 3.5 (3.8) years. The average risk premium on the Bank's borrowing portfolio inclusive subordinated loan capital at the end of the third quarter was 79 (87) basis points. The Bank's access to liquidity has been good despite a more challenging market for Norwegian senior bank funding during the third quarter. At the end of the third quarter, the Bank could use its liquidity reserves to operate normally for 15 (17) months without requiring additional external funding. In the next twelve months, a total of NOK 1.2 billion of the Bank's debt is due for repayment. In the opinion of the Board, the Bank's liquidity risk is low.

#### Capital adequacy and financial strength

The Group's equity at the end of the third quarter amounted to NOK 8.5 (7.5) billion, which is equivalent to 15.5 (15.0) per cent of the balance sheet. The Group's core equity tier 1 ratio was 17.1 (14.5) per cent. The capital adequacy ratio was 18.8 (16.3) per cent.

The Group's leverage ratio at the end of the quarter was 9.8 per cent.

The Bank has reported its capital adequacy in accordance with the new CRD IV regulations since the third quarter of 2014.

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 the Bank has permission to 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 has increased from 15.3 per cent in the first quarter to 17.0 per cent in the second quarter and 17.1 per cent at the end of the third quarter. The result for three quarters, less distributed gifts, has been recognised in primary capital.

The calculation basis increased by NOK 978 million or 2.7 per cent from the second to the third quarter. The increase was primarily related to increased commitments within the corporate market and households.

The combined effect of the higher core equity tier 1 capital and the changed calculation basis was an improvement in the core equity tier 1 ratio of 0.1 percentage points from the second to the third quarter.

#### 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 reduced Sparebanken Hedmark 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.

# Sparebanken Hedmark – Parent Bank

## Results

The profit after tax after three quarters totalled NOK 683 (582) million. Banking operations, defined as net interest income plus commissions and other operating income minus operating costs and losses, achieved a profit of NOK 396 (391) million, adjusted for non-recurring effects. This was an improvement of 1 per cent. The accumulated net interest margin after three quarters was 2.40 (2.50) per cent. In the third quarter in isolation the margin was 2.41 per cent. The Parent Bank's net interest margin has developed positively during 2015, even though the relative net interest income has been falling. The lending margin for the year-to-date was 2.70 (3.05) and the deposit margin was -0.30 (-0.55) per cent.

The Parent Bank's operating costs have risen by 0.6 per cent in the last twelve months.

## Net interest income

Net interest income, including loans transferred to the covered bond companies, amounted to NOK 786 (795) million. The main reason for the lower net interest income was the reduced margins for lending.

The net interest margins year-to-date within the retail and corporate segments were 2.28 (2.38) per cent and 2.62 (2.71) per cent, respectively. Lending margins have fallen throughout the quarter, but better deposit margins have compensated for this.

## Net commissions

NOK 142 (175) million of the NOK 319 (367) million in net commissions came from commissions on loans transferred to the covered bond companies. The net margin for the portfolio transferred to SpareBank 1 Boligkreditt AS in the year-to-date was 1.20 (1.51) per cent.

## Net result from financial assets and liabilities

Income from this area was NOK 439 (269) million. Income from dividends amounted to NOK 8 (13) million. The profit after tax from ownership interests, primarily dividends, amounted to NOK 259 (117) million. SpareBank 1 Gruppen AS contributed NOK 107 million in dividends, SpareBank 1 Finans Østlandet AS NOK 73 million, and Bank 1 Oslo Akershus AS NOK 51 million. The net result from other financial assets and liabilities amounted to NOK 172 (140) million. Please see the separate report under "Consolidated profit in the third quarter".

## Operating costs

Total operating costs were NOK 537 (534) million. Costs increased by 0.6 (4.0) per cent compared with the previous year.

At end of September, the Parent Bank had 470 (455) full time equivalents.

Operating costs represented 38 (42) per cent of total income.

## Losses on loans and guarantees

The net loss on lending and guarantees was NOK 25 (29) million after three quarters. NOK 2 (10) million of this was in the retail market, while NOK 23 (19) million was in the corporate market. The Bank recognised net income of NOK 3 million in the third quarter.

## Lending

Gross lending to customers, inclusive of loans transferred to the covered bond companies, totalled NOK 54.0 (50.2) billion as at 30 September 2015. The Parent Bank's lending growth for the last twelve months, inclusive of loans transferred to the covered bond companies, was 7.6 (6.0) per cent.

Growth, including transferred loans, was 7.7 (6.0) per cent in the retail market and 7.3 (6.1) per cent in the corporate market. The risk profile for the Bank's granting of credit did not change in the third quarter.

## Deposits

Deposits from and liabilities to customers as at 30 September 2015 totalled NOK 33.1 (31.6) billion. The growth in deposits over the past twelve months was 4.8 (6.3) per cent. NOK 21.5 (19.9) billion of deposits came from the retail market, while NOK 11.6 (11.7) billion came from the corporate market.

## Subsidiaries

The financing company SpareBank 1 Finans Østlandet AS posted a profit after tax of NOK 58 (53) million. The financing company's gross loans at the end of the quarter totalled NOK 5.5 (4.7) billion. Gross lending growth over the past twelve months was 17.9 (8.7) per cent.

SpareBank 1 Regnskapshuset Østlandet AS posted earnings of NOK 135 (98) million and achieved a result after tax of NOK 14 (5) million.

The estate agency EiendomsMegler 1 Hedmark Eiendom AS posted earnings of NOK 62 (57) million and achieved a profit after tax of NOK 9 (8) million.

## Partly-owned companies

SpareBank 1 Gruppen AS (11 per cent stake) posted a consolidated profit after tax of NOK 939 (1,343) million after three quarters. The return on equity was 16.8 (28.0) per cent. The decrease in profit is primarily attributable to higher compensation payouts for natural disasters and lower profits in the P&C insurance company, as well as weaker financial income.

In the same period, Bank 1 Oslo Akershus AS (40.5 per cent stake) posted a profit after tax of NOK 207 (367) million. This profit corresponds to a return on equity of 9.2

(17.9) per cent. The profit was NOK 62 million and the return on equity 8.2 per cent in the third quarter. At the end of the quarter, Bank 1's gross lending totalled NOK 47.6 (41.6) billion, including loans transferred to SpareBank 1 Boligkreditt AS. Lending growth over the past twelve months was 14.6 (3.2) per cent. The core equity tier 1 ratio was 14.0 (13.8) per cent.

#### Financial strength

The core equity tier 1 ratio was 24.2 (21.0) per cent at the end of the quarter.

The Parent Bank's equity of NOK 7.5 (6.7) billion consists entirely of retained earnings and represents 14.1 (13.7) per cent of the balance sheet.

#### Outlook for the rest of the year

Somewhat weaker economic growth is expected in Norway. Sparebanken Hedmark's primary market is the Interior Region and its main market is the County of Hedmark. This region has traditionally been less exposed to cyclical fluctuations than other regions. The Interior Region has no coastline and the business sector has little direct 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.

## The Board of Directors of Sparebanken Hedmark

Hamar, 29 October 2015

Siri J. Strømmevold  
Board Chair

Bjørnar Håkensmoen

Erik Garaas

Espen Bjørklund Larsen

Nina C. Lier

Aud Christensen

Morten Herud

Richard Heiberg  
CEO



# Income statement

| Parent Bank  |             |            |              |              | Group  |          |              |              |            |             |              |
|--------------|-------------|------------|--------------|--------------|--|----------|--------------|--------------|------------|-------------|--------------|
| 31.12.14     | Q3 2014     | Q3 2015    | 30.09.14     | 30.09.15     | (mill. kroner)   | Notes    | 30.09.15     | 30.09.14     | Q3 2015    | Q3 2014     | 31.12.14     |
| 1 894        | 484         | 439        | 1 423        | 1 319        | Interest income  |          | 1 491        | 1 574        | 497        | 536         | 2 101        |
| 1 059        | 265         | 218        | 803          | 675          | Interest expenses  |          | 675          | 803          | 218        | 264         | 1 058        |
| <b>835</b>   | <b>219</b>  | <b>221</b> | <b>620</b>   | <b>644</b>   | <b>Net interest income</b>   |          | <b>815</b>   | <b>771</b>   | <b>280</b> | <b>272</b>  | <b>1 043</b> |
| 497          | 117         | 111        | 381          | 325          | Commission income  |          | 385          | 380          | 132        | 117         | 575          |
| 31           | 9           | 7          | 24           | 20           | Commission expenses  |          | 39           | 38           | 14         | 13          | 50           |
| 16           | 5           | 5          | 10           | 14           | Other operating income   |          | 146          | 163          | 37         | 51          | 138          |
| <b>482</b>   | <b>113</b>  | <b>109</b> | <b>367</b>   | <b>319</b>   | <b>Net commission and other income</b>                                 |          | <b>492</b>   | <b>505</b>   | <b>155</b> | <b>155</b>  | <b>663</b>   |
| 13           | 1           |            | 13           | 8            | Dividends  |          | 8            | 13           |            | 1           | 13           |
| 117          | 17          |            | 117          | 259          | Net profit from ownership interests                                    |          | 231          | 294          | 66         | 103         | 394          |
| 166          | 158         | 142        | 140          | 172          | Net profit from other financial assets and liabilities                 |          | 172          | 140          | 142        | 173         | 166          |
| <b>296</b>   | <b>176</b>  | <b>142</b> | <b>269</b>   | <b>439</b>   | <b>Net income from financial assets and liabilities</b>                | <b>7</b> | <b>411</b>   | <b>447</b>   | <b>208</b> | <b>276</b>  | <b>573</b>   |
| <b>1 613</b> | <b>508</b>  | <b>472</b> | <b>1 256</b> | <b>1 401</b> | <b>Total net income</b>  |          | <b>1 718</b> | <b>1 723</b> | <b>643</b> | <b>702</b>  | <b>2 279</b> |
| 374          | 91          | 96         | 276          | 284          | Personnel expenses   |          | 435          | 397          | 145        | 132         | 543          |
| 353          | 84          | 80         | 257          | 254          | Other operating expenses   |          | 324          | 320          | 104        | 104         | 438          |
| <b>726</b>   | <b>175</b>  | <b>176</b> | <b>534</b>   | <b>537</b>   | <b>Total operating expenses before losses on loans and guarantees</b>  |          | <b>758</b>   | <b>718</b>   | <b>248</b> | <b>237</b>  | <b>981</b>   |
| <b>886</b>   | <b>333</b>  | <b>296</b> | <b>722</b>   | <b>864</b>   | <b>Profit before losses on loans and guarantees</b>                    |          | <b>960</b>   | <b>1 005</b> | <b>395</b> | <b>466</b>  | <b>1 298</b> |
| 52           | 2           | -3         | 29           | 25           | Losses on loans and guarantees   | <b>6</b> | 38           | 42           | -2         | 9           | 66           |
| <b>835</b>   | <b>331</b>  | <b>299</b> | <b>693</b>   | <b>839</b>   | <b>Profit/loss before tax</b>  |          | <b>922</b>   | <b>963</b>   | <b>397</b> | <b>456</b>  | <b>1 232</b> |
| 159          | 47          | 81         | 111          | 156          | Tax charge   |          | 186          | 136          | 89         | 54          | 192          |
| <b>676</b>   | <b>284</b>  | <b>218</b> | <b>582</b>   | <b>683</b>   | <b>Results for the accounting period</b>                               |          | <b>736</b>   | <b>826</b>   | <b>307</b> | <b>403</b>  | <b>1 040</b> |
|              |             |            |              |              | Majority interests   |          | <b>736</b>   | <b>824</b>   | <b>307</b> | <b>403</b>  | <b>1 038</b> |
|              |             |            |              |              | Minority interests   |          |              | <b>2</b>     |            |             | <b>2</b>     |
| <b>676</b>   | <b>284</b>  | <b>218</b> | <b>582</b>   | <b>683</b>   | <b>Statement of comprehensive income according to IAS 1</b>            |          | <b>736</b>   | <b>826</b>   | <b>307</b> | <b>403</b>  | <b>1 040</b> |
| -51          | -7          | 11         | -40          | 51           | Actuarial gains / losses on pensions                                   |          | 99           | -42          | 20         |             | -81          |
| 14           | 2           | -3         | 11           | -14          | Tax effect of actuarial gains / losses on pensions                     |          | -27          | 12           | -6         |             | 20           |
|              |             |            |              |              | Share of other comprehensive income from associates and joint ventures |          | 1            |              |            |             | 10           |
| <b>-37</b>   | <b>-5</b>   | <b>8</b>   | <b>-29</b>   | <b>37</b>    | <b>Total items not reclassified through profit or loss</b>             |          | <b>73</b>    | <b>-30</b>   | <b>14</b>  |             | <b>-51</b>   |
| 142          | 24          | 3          | 140          | 30           | Change in value of financial assets available for sale                 |          | 30           | 140          | 3          | 25          | 144          |
|              |             |            |              |              | Actuarial gains / losses on pensions                                   |          |              |              |            |             |              |
|              | -1          |            | -1           |              | Tax effect of actuarial gains / losses on pensions                     |          |              | -1           |            | -5          |              |
| -158         | -158        |            | -158         |              | Share of other comprehensive income from associates and joint ventures |          |              | -158         |            | -158        | -158         |
|              |             |            |              |              | Total items not reclassified through profit or loss                    |          | 1            | 4            |            | 4           |              |
| <b>-16</b>   | <b>-134</b> | <b>4</b>   | <b>-18</b>   | <b>30</b>    | <b>Total items reclassified through profit or loss</b>                 |          | <b>31</b>    | <b>-15</b>   | <b>4</b>   | <b>-134</b> | <b>-14</b>   |
| <b>-53</b>   | <b>-140</b> | <b>12</b>  | <b>-47</b>   | <b>67</b>    | <b>Total profit and loss items recognised in equity</b>                |          | <b>104</b>   | <b>-45</b>   | <b>18</b>  | <b>-134</b> | <b>-65</b>   |
| <b>623</b>   | <b>144</b>  | <b>230</b> | <b>534</b>   | <b>751</b>   | <b>Total profit / loss for the accounting year</b>                     |          | <b>840</b>   | <b>782</b>   | <b>325</b> | <b>269</b>  | <b>975</b>   |
|              |             |            |              |              | Majority share of comprehensive income                                 |          | <b>840</b>   | <b>780</b>   | <b>325</b> | <b>269</b>  | <b>973</b>   |
|              |             |            |              |              | Minority interest of comprehensive income                              |          |              | <b>2</b>     |            |             | <b>2</b>     |

# Balance sheet

| Parent Bank           |               |               | (NOK million)  | Notes | Group         |               |               |
|-----------------------|---------------|---------------|--|-------|---------------|---------------|---------------|
| 31.12.14              | 30.09.14      | 30.09.15      |  |       | 30.09.15      | 30.09.14      | 31.12.14      |
| <b>ASSETS</b>         |               |               |  |       |               |               |               |
| 748                   | 713           | 644           | Cash and deposits with central banks                       |       | 644           | 713           | 748           |
| 4 856                 | 4 701         | 6 024         | Loans to and receivables from credit institutions          |       | 1 314         | 635           | 675           |
| 34 923                | 34 390        | 37 140        | Loans to and receivables from customers                    | 5,6   | 42 539        | 38 978        | 39 691        |
| 4 017                 | 4 687         | 5 052         | Certificates, bonds and fixed-income funds                 | 9     | 5 052         | 4 687         | 4 017         |
| 531                   | 399           | 481           | Financial derivatives                                      | 8,10  | 481           | 399           | 531           |
| 239                   | 237           | 292           | Shares, units and other equity interests                   | 9     | 292           | 237           | 239           |
| 2 323                 | 2 299         | 2 342         | Investments in associates and joint ventures               |       | 3 183         | 2 966         | 3 073         |
| 668                   | 585           | 847           | Investments in subsidiaries                                |       |               |               |               |
| Assets held for sale  |               |               |  |       |               |               |               |
| 315                   | 271           | 312           | Property, plant and equipment                              |       | 337           | 291           | 336           |
| 110                   | 111           | 106           | Goodwill and other intangible assets                       |       | 210           | 187           | 185           |
| 72                    | 88            | 26            | Deferred tax asset   |       |               | 75            | 33            |
| 260                   | 434           | 256           | Other assets   | 11    | 449           | 583           | 406           |
| <b>49 061</b>         | <b>48 915</b> | <b>53 521</b> | <b>Total assets</b>  |       | <b>54 501</b> | <b>49 751</b> | <b>49 934</b> |
| <b>LIABILITIES</b>    |               |               |  |       |               |               |               |
| 667                   | 677           | 649           | Deposits from and liabilities to credit institutions       |       | 648           | 677           | 665           |
| 31 085                | 31 592        | 33 101        | Deposits from and liabilities to customers                 | 12    | 33 052        | 31 575        | 31 070        |
| 8 951                 | 8 476         | 10 800        | Liabilities arising from issuance of securities            | 13    | 10 800        | 8 476         | 8 951         |
| 330                   | 189           | 301           | Financial derivatives                                      | 8,10  | 301           | 189           | 330           |
| 146                   | 118           | 115           | Current tax liabilities                                    |       | 146           | 152           | 150           |
| 581                   | 639           | 526           | Other debt and liabilities recognised in the balance sheet | 14    | 604           | 701           | 639           |
| 505                   | 511           | 500           | Subordinated loan capital                                  | 9,13  | 500           | 511           | 505           |
| <b>42 265</b>         | <b>42 202</b> | <b>45 992</b> | <b>Total liabilities</b>                                   |       | <b>46 052</b> | <b>42 281</b> | <b>42 310</b> |
| <b>EQUITY CAPITAL</b> |               |               |  |       |               |               |               |
| 6 645                 | 5 977         | 6 677         | Primary capital  |       | 6 676         | 5 977         | 6 645         |
| 42                    | 48            | 30            | Endowment fund   |       | 30            | 48            | 42            |
| 109                   | 106           | 139           | Fund for unrealised gains                                  |       | 139           | 106           | 110           |
|                       |               |               | Other equity   |       | 868           | 495           | 827           |
|                       | 582           | 683           | Results for the accounting year                            |       | 736           | 826           |               |
|                       |               |               | Minority interests   |       |               | 18            |               |
| <b>6 796</b>          | <b>6 713</b>  | <b>7 529</b>  | <b>Total equity capital</b>                                |       | <b>8 449</b>  | <b>7 470</b>  | <b>7 624</b>  |
| <b>49 061</b>         | <b>48 915</b> | <b>53 521</b> | <b>Total liabilities and equity capital</b>                |       | <b>54 501</b> | <b>49 751</b> | <b>49 934</b> |

## The Board of Directors of Sparebanken Hedmark

Hamar, 29 October 2015

Siri J. Strømmevold  
Board Chair

Bjørnar Håkensmoen

Erik Garaas

Espen Bjørklund Larsen

Nina C. Lier

Aud Christensen

Morten Herud

Richard Heiberg  
CEO

# Changes in equity capital

## Parent Bank

| (NOK million)  | Earned equity capital |                |                           | Total equity capital |
|--|-----------------------|----------------|---------------------------|----------------------|
|  | Primary capital       | Endowment fund | Fund for unrealised gains |                      |
| <b>Equity at 1 January 2014</b>                        | <b>6 012</b>          | <b>71</b>      | <b>125</b>                | <b>6 208</b>         |
| Results for the accounting year                        | 582                   |                |                           | 582                  |
| Actuarial gains / losses on pensions                   | -29                   |                |                           | -29                  |
| Change in value of financial assets available for sale |                       |                | -18                       | -18                  |
| Donations distributed from profit 2013                 | -6                    |                |                           | -6                   |
| Grants from endowment fund in 2014                     |                       | -23            |                           | -23                  |
| <b>Equity at 30 Sept 2014</b>                          | <b>6 559</b>          | <b>48</b>      | <b>106</b>                | <b>6 713</b>         |
| <b>Equity capital at 1 January 2014</b>                | <b>6 012</b>          | <b>71</b>      | <b>125</b>                | <b>6 208</b>         |
| 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                  |
| <b>Equity capital at 31 December 2014</b>              | <b>6 644</b>          | <b>42</b>      | <b>109</b>                | <b>6 796</b>         |
| <b>Equity capital at 1 January 2015</b>                | <b>6 644</b>          | <b>42</b>      | <b>109</b>                | <b>6 796</b>         |
| Results for the accounting year                        | 683                   |                |                           | 683                  |
| Actuarial gains / losses on pensions                   | 37                    |                |                           | 37                   |
| Change in value of financial assets available for sale |                       |                | 30                        | 30                   |
| Donations distributed from profit 2014                 | -6                    |                |                           | -6                   |
| Grants from endowment fund in 2015                     |                       | -12            |                           | -12                  |
| <b>Equity capital at 30 Sept 2015</b>                  | <b>7 359</b>          | <b>30</b>      | <b>139</b>                | <b>7 529</b>         |

## Group

| (NOK million)  | earned equity capital |                |                           |              |                    | Total equity capital |
|--|-----------------------|----------------|---------------------------|--------------|--------------------|----------------------|
|  | Primary capital       | Endowment fund | Fund for unrealised gains | Other equity | Minority interests |                      |
| <b>Equity at 1 January 2014</b>  | <b>6 013</b>          | <b>71</b>      | <b>125</b>                | <b>494</b>   | <b>14</b>          | <b>6 717</b>         |
| Results for the accounting year  | 824                   |                |                           |              | 2                  | 826                  |
| Actuarial gains / losses on pensions   | -29                   |                |                           | -1           |                    | -30                  |
| Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss |                       |                |                           |              |                    | 0                    |
| Change in value of financial assets available for sale   |                       |                | -18                       |              |                    | -18                  |
| Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss     |                       |                |                           | 4            |                    | 4                    |
| Adjustment to equity from associated companies and joint ventures  |                       |                |                           |              |                    | 0                    |
| Change in the group composition  |                       |                |                           | -2           | 2                  | 0                    |
| Donations distributed from profit 2013   | -6                    |                |                           |              |                    | -6                   |
| Grants from endowment fund in 2014   |                       | -23            |                           |              |                    | -23                  |
| <b>Equity at 30 Sept 2014</b>  | <b>6 802</b>          | <b>48</b>      | <b>107</b>                | <b>495</b>   | <b>18</b>          | <b>7 470</b>         |
| <b>Equity capital at 1 January 2014</b>  | <b>6 013</b>          | <b>71</b>      | <b>126</b>                | <b>494</b>   | <b>14</b>          | <b>6 718</b>         |
| 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                  |
| <b>Equity capital at 31 December 2014</b>  | <b>6 645</b>          | <b>42</b>      | <b>110</b>                | <b>827</b>   | <b>0</b>           | <b>7 624</b>         |
| <b>Equity capital at 1 January 2015</b>  | <b>6 645</b>          | <b>42</b>      | <b>110</b>                | <b>827</b>   | <b>0</b>           | <b>7 624</b>         |
| OB correction: Correction of previous years' errors  |                       |                |                           | 12           |                    | 12                   |
| <b>Adjusted equity capital at 1 January 2015</b>   | <b>6 645</b>          | <b>42</b>      | <b>110</b>                | <b>839</b>   | <b>0</b>           | <b>7 636</b>         |
| Results for the accounting year  | 683                   |                |                           | 53           |                    | 736                  |
| Actuarial gains / losses on pensions   | 37                    |                |                           | 35           |                    | 72                   |
| 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   |                       |                | 30                        | 1            |                    | 31                   |
| Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss     |                       |                |                           |              |                    | 0                    |
| Adjusted equity in associated companies and joint ventures   |                       |                |                           | -6           |                    | -6                   |
| Change in the group composition  |                       |                |                           | -3           |                    | -3                   |
| Donations distributed from profit 2014   | -6                    |                |                           |              |                    | -6                   |
| Grants from endowment fund in 2015   |                       | -12            |                           |              |                    | -12                  |
| <b>Equity capital at 30 Sept 2015</b>  | <b>7 359</b>          | <b>30</b>      | <b>140</b>                | <b>920</b>   | <b>0</b>           | <b>8 449</b>         |

# Cash flow statement

| Parent Bank  |             |               | (NOK million)  | Group         |             |               |
|--------------|-------------|---------------|--|---------------|-------------|---------------|
| 31.12.14     | 30.09.14    | 30.09.15      |  | 30.09.15      | 30.09.14    | 31.12.14      |
| 11 012       | 7 509       | 9 139         | This year's down payment on repayment loans etc. to customers                  | 10 925        | 8 916       | 12 905        |
|              |             |               | Change in advance rent leasing   | 9             | 14          | 19            |
| -10 394      | -7 425      | -10 602       | Newly discounted repayment loans etc. to customers for the year                | -13 050       | -9 341      | -12 979       |
| -118         | -26         | 39            | Change in balances of foreign currency lending                                 | 39            | -26         | -118          |
| -2 883       | -1 883      | -823          | Change in balances of credits  | -823          | -1 883      | -2 883        |
| 1 541        | 1 153       | 1 068         | Interest and commission income on lending                                      | 1 308         | 1 383       | 1 848         |
| 5            | 5           | 2             | Included in previous years' realised losses on lending                         | 8             | 6           | 9             |
|              |             |               | Net cash flow from assets held for sale  |               | 1           | 1             |
| <b>-837</b>  | <b>-667</b> | <b>-1 177</b> | <b>Cash flow from lending operations (A)</b>                                   | <b>-1 584</b> | <b>-930</b> | <b>-1 198</b> |
| 715          | 881         | 1 718         | Change in balances of deposits from customers at call                          | 1 700         | 880         | 714           |
| 279          | 178         | -37           | Change in balances of deposits from customers with agreed maturity dates       | -37           | 178         | 279           |
| -766         | -153        | -123          | Interest payments to customers   | -121          | -150        | -763          |
| <b>228</b>   | <b>906</b>  | <b>1 558</b>  | <b>Cash flow from deposit operations (B)</b>                                   | <b>1 541</b>  | <b>908</b>  | <b>231</b>    |
| 914          | 254         | -1 096        | Net cash flow from securities held short term                                  | -1 096        | 254         | 914           |
| 122          | 29          | 11            | Cash flow linked to exchange rate gains / losses on securities held short term | 11            | 29          | 122           |
| 97           | 71          | 63            | Interest received on bonds and certificates                                    | 63            | 71          | 97            |
| <b>1 134</b> | <b>354</b>  | <b>-1 022</b> | <b>Cash flow from investments in securities (C)</b>                            | <b>-1 022</b> | <b>354</b>  | <b>1 134</b>  |
| -592         | -615        | -1 165        | Change in receivables from credit institutions with agreed maturity dates      | -635          | -104        | 33            |
| 116          | 87          | 90            | Interest received on deposits in credit institutions                           | 90            | 87          | 116           |
| <b>-476</b>  | <b>-528</b> | <b>-1 075</b> | <b>Cash flow from deposits in credit institutions (D)</b>                      | <b>-546</b>   | <b>-17</b>  | <b>149</b>    |
| 619          | 466         | 421           | Other income   | 616           | 620         | 821           |
| -696         | -528        | -601          | Operating expenses payable   | -845          | -730        | -979          |
| -146         | -143        | -131          | Tax payments   | -135          | -144        | -159          |
| -35          | -29         | -18           | Donations  | -18           | -29         | -35           |
|              |             | -40           | Contributions from the Group   |               |             |               |
| 68           | 119         | -5            | Net cash flow from change in other assets                                      | -59           | 1           | -37           |
| 248          | 79          | 34            | Net cash flow from change in accruals  | -41           | 1           | 147           |
| 14           | 60          | 11            | Net cash flow from change in other liabilities                                 | 16            | -62         | -121          |
| <b>72</b>    | <b>24</b>   | <b>-329</b>   | <b>Remaining cash flow from current operations (E)</b>                         | <b>-464</b>   | <b>-344</b> | <b>-361</b>   |
| <b>121</b>   | <b>89</b>   | <b>-2 045</b> | <b>CASH FLOW FROM OPERATIONS (A+B+C+D+E=F)</b>                                 | <b>-2 074</b> | <b>-29</b>  | <b>-46</b>    |
| 17           | 28          | -9            | Change in deposits from credit institutions                                    | -9            | 46          | 33            |
| 2 053        | 1 650       | 2 801         | Receipts arising from issuance of securities                                   | 2 801         | 1 650       | 2 053         |
| -1 388       | -1 388      | -313          | Payments arising from redemption of securities issued                          | -313          | -1 388      | -1 388        |
| -262         | -277        | -401          | Buy-back of own securities   | -401          | -277        | -262          |
| -225         | -157        | -188          | Interest payments on financing   | -188          | -157        | -225          |
| <b>195</b>   | <b>-144</b> | <b>1 890</b>  | <b>Cash flow from financing activities (G)</b>                                 | <b>1 889</b>  | <b>-125</b> | <b>211</b>    |
| -77          | -25         | -21           | Investments in fixed assets and intangible assets                              | -31           | -29         | -83           |
| 1            | 1           |               | Sales of fixed assets and intangible assets at sales price                     |               | 1           | 1             |
| -222         | -198        | -42           | Purchase of long-term securities   | -43           | -198        | -222          |
| 280          | 280         | 1             | Sale of long-term securities   | 1             | 280         | 280           |
| 147          | 147         | 267           | Share dividends from securities held long term                                 | 187           | 85          | 85            |
| <b>130</b>   | <b>205</b>  | <b>205</b>    | <b>Cash flow from investments (H)</b>  | <b>114</b>    | <b>140</b>  | <b>61</b>     |
| -27          |             |               | Liquidity effect of acquisition and sale of ownership interests (I)            | -28           | -16         | -43           |
| -235         | -178        | -150          | Liquidity effect from placements in subsidiaries (L)                           |               | 2           |               |
| <b>184</b>   | <b>-28</b>  | <b>-100</b>   | <b>CHANGE IN CASH AND CASH EQUIVALENTS (F+G+H+I+L)</b>                         | <b>-100</b>   | <b>-28</b>  | <b>184</b>    |
| 599          | 599         | 783           | Cash and cash equivalents at 1 January   | 783           | 599         | 599           |
| <b>783</b>   | <b>571</b>  | <b>683</b>    | <b>Cash and cash equivalents at the end of period</b>                          | <b>683</b>    | <b>571</b>  | <b>783</b>    |
|              |             |               | Cash and cash equivalents comprise:  |               |             |               |
| 748          | 563         | 644           | Cash and deposits with central banks   | 644           | 563         | 748           |
| 35           | 8           | 39            | Deposits etc. at call with banks   | 39            | 8           | 35            |
| <b>783</b>   | <b>571</b>  | <b>683</b>    | <b>Cash and cash equivalents at the end of period</b>                          | <b>683</b>    | <b>571</b>  | <b>783</b>    |

# Results from the quarterly accounts

(Isolated figures in NOK million)

| Group  | Q3<br>2015 | Q2<br>2015 | Q1<br>2015 | Q4<br>2014 | Q3<br>2014 | Q2<br>2014 | Q1<br>2014 | Q4<br>2013 | Q3<br>2013 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Interest income  | 497        | 492        | 501        | 527        | 536        | 526        | 512        | 531        | 535        |
| Interest expenses  | 218        | 221        | 236        | 255        | 264        | 267        | 272        | 269        | 269        |
| <b>Net interest income</b>   | <b>280</b> | <b>271</b> | <b>265</b> | <b>272</b> | <b>272</b> | <b>259</b> | <b>240</b> | <b>262</b> | <b>266</b> |
| Commission income  | 132        | 130        | 123        | 116        | 117        | 121        | 142        | 112        | 116        |
| Commission expenses  | 14         | 12         | 13         | 12         | 13         | 12         | 12         | 12         | 12         |
| Other operating income   | 37         | 48         | 61         | 54         | 51         | 57         | 56         | 46         | 49         |
| <b>Net commission and other income</b>   | <b>155</b> | <b>166</b> | <b>171</b> | <b>158</b> | <b>155</b> | <b>165</b> | <b>186</b> | <b>146</b> | <b>153</b> |
| Dividends  |            | 1          | 7          | 1          | 1          |            | 12         | 3          |            |
| Net profit from ownership interests  | 66         | 76         | 88         | 97         | 103        | 80         | 114        | 120        | 98         |
| Net profit from other financial assets and liabilities                                       | 142        | 5          | 26         | 29         | 173        | -3         | -33        | -3         | -19        |
| <b>Net income from financial assets and liabilities</b>                                      | <b>208</b> | <b>82</b>  | <b>121</b> | <b>126</b> | <b>276</b> | <b>77</b>  | <b>93</b>  | <b>120</b> | <b>79</b>  |
| <b>Total net income</b>  | <b>643</b> | <b>519</b> | <b>557</b> | <b>556</b> | <b>702</b> | <b>501</b> | <b>519</b> | <b>528</b> | <b>498</b> |
| Personnel expenses   | 145        | 143        | 147        | 146        | 132        | 129        | 136        | 124        | 122        |
| Other operating expenses   | 104        | 108        | 111        | 118        | 104        | 110        | 106        | 111        | 101        |
| <b>Total operating expenses before losses on loans and guarantees</b>                        | <b>248</b> | <b>251</b> | <b>258</b> | <b>263</b> | <b>237</b> | <b>239</b> | <b>242</b> | <b>235</b> | <b>223</b> |
| <b>Profit before losses on loans and guarantees</b>  | <b>395</b> | <b>268</b> | <b>299</b> | <b>293</b> | <b>466</b> | <b>262</b> | <b>277</b> | <b>293</b> | <b>275</b> |
| Losses on loans and guarantees   | -2         | 35         | 5          | 24         | 9          | 21         | 12         | 43         | 4          |
| <b>Profit/loss before tax</b>  | <b>397</b> | <b>233</b> | <b>294</b> | <b>269</b> | <b>456</b> | <b>241</b> | <b>265</b> | <b>250</b> | <b>271</b> |
| Tax charge   | 89         | 43         | 54         | 56         | 54         | 45         | 38         | 38         | 49         |
| <b>Results for the accounting period</b>   | <b>307</b> | <b>190</b> | <b>240</b> | <b>214</b> | <b>403</b> | <b>197</b> | <b>227</b> | <b>212</b> | <b>222</b> |
| <b>Profitability</b>   |            |            |            |            |            |            |            |            |            |
| Return on equity capital <sup>1)</sup>   | 14,7%      | 9,5%       | 12,5%      | 11,3%      | 21,8%      | 11,1%      | 13,4%      | 13,2%      | 13,7%      |
| Net interest income <sup>2)</sup>  | 2,05%      | 2,08%      | 2,13%      | 2,17%      | 2,16%      | 2,14%      | 2,07%      | 2,23%      | 2,29%      |
| Cost-income ratio <sup>3)</sup>  | 38,6%      | 48,4%      | 46,3%      | 47,3%      | 33,6%      | 47,7%      | 46,6%      | 44,5%      | 44,8%      |
| <b>From the balance sheet</b>  |            |            |            |            |            |            |            |            |            |
| Gross loans to customers   | 42 793     | 42 091     | 40 484     | 39 936     | 39 233     | 38 256     | 36 885     | 37 180     | 37 261     |
| Gross loans to customers including loans transferred to covered bond companies <sup>4)</sup> | 59 437     | 57 995     | 56 619     | 55 930     | 54 806     | 53 916     | 52 579     | 52 361     | 51 583     |
| Lending growth during the last 12 months   | 9,1%       | 10,0%      | 9,8%       | 7,4%       | 5,3%       | 4,0%       | 3,7%       | 4,9%       | 7,1%       |
| Lending growth in last 12 months including loans transferred to covered bond companies       | 8,4%       | 7,6%       | 7,7%       | 6,8%       | 6,2%       | 6,2%       | 7,3%       | 8,9%       | 10,3%      |
| Deposits from customers  | 33 052     | 33 205     | 31 054     | 31 070     | 31 575     | 32 043     | 29 948     | 30 097     | 29 707     |
| Deposit-to-loan ratio <sup>5)</sup>  | 77,2%      | 78,9%      | 76,7%      | 77,8%      | 80,5%      | 83,8%      | 81,2%      | 80,9%      | 79,7%      |
| Deposit growth during the last 12 months   | 4,7%       | 3,6%       | 3,7%       | 3,2%       | 6,3%       | 4,4%       | 2,7%       | 7,0%       | 7,6%       |
| Total assets   | 54 501     | 53 558     | 51 101     | 49 934     | 49 751     | 50 195     | 46 869     | 47 397     | 45 956     |
| <b>Losses and commitments in default</b>   |            |            |            |            |            |            |            |            |            |
| Losses on loans as a percentage of gross loans   | 0,0%       | 0,3%       | 0,1%       | 0,2%       | 0,1%       | 0,2%       | 0,1%       | 0,5%       | 0,0%       |
| Commitments in default as a percentage of total commitments                                  | 0,7%       | 0,8%       | 0,7%       | 0,8%       | 0,8%       | 0,8%       | 0,7%       | 0,8%       | 1,2%       |
| Other bad and doubtful commitments as a percentage of total commitments                      | 0,4%       | 0,5%       | 0,5%       | 0,5%       | 0,5%       | 0,6%       | 0,7%       | 0,6%       | 0,7%       |
| Net defaulted and doubtful commitments as a percentage of total commitments                  | 0,8%       | 0,9%       | 0,8%       | 0,9%       | 0,9%       | 1,1%       | 1,1%       | 1,1%       | 1,4%       |
| <b>Financial strength</b>  |            |            |            |            |            |            |            |            |            |
| Common equity Tier 1 capital ratio   | 17,1%      | 17,0%      | 15,3%      | 14,8%      | 14,5%      | 14,0%      | 15,1%      | 16,2%      | 15,1%      |
| Tier 1 Capital ratio   | 17,5%      | 17,4%      | 15,8%      | 15,2%      | 16,3%      | 14,4%      | 15,5%      | 16,4%      | 15,3%      |
| Capital adequacy ratio   | 18,8%      | 19,0%      | 17,6%      | 17,1%      | 16,3%      | 14,4%      | 15,5%      | 16,4%      | 15,3%      |
| Net subordinated capital   | 7 030      | 6 924      | 6 318      | 6 273      | 5 992      | 5 123      | 5 076      | 5 083      | 4 820      |

1) Net profit for the period as a percentage of average equity

2) Net interest income for the period as a percentage of average total assets

3) Total operating expenses for the period as a percentage of total operating income

4) Covered bond companies used are SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS

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

# Notes to the accounts

## Note 1 Accounting principles

### 1.1 Basis of preparation

The financial statements for Sparebanken Hedmark comprise the period 01.01-30.09.2015. 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.

The wealth tax is recognized with an amount of 15.5 million NOK in other operating expenses in the income statement as at 30.9.14.

After the introduction of the standards, there has been a discussion as to whether the fee for the year to Norwegian Banks Guarantee Fund shall 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. This practice and the consideration given to repayment suggest a pro rata charge at the time of withdrawal as well. The Ministry of Finance will make an individual decision about this. This has an important effect on when the fee shall be recognised in the financial statements. Sparebanken Hedmark has chosen to continue the former practice of accruing the fee monthly, and the cost amounted to NOK 16.8 million as at the third quarter of 2015. If the fee to the Norwegian Banks Guarantee Fund had been recognised in its entirety in the 1st quarter, the interest expenses would have increased by NOK 5.2 million.

### 1.2 Critical accounting estimates and judgements

The preparation of the consolidated accounts requires management estimates, judgements 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 Change in Group composition

### 2015

There are no changes in Group composition in the third quarter. In the second quarter, SpareBank 1 Markets AS has been reclassified for the purposes of accounting from an associated company to shares available for sale. The stake in the company is now 6.1 per cent.

### 2014

In the first quarter, Sparebanken Hedmark sold its shares in SpareBank 1 Verdipapirservice 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's 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.

| 30.09.15  | Retail banking | Corporate banking | SpareBank 1 Finans Østlandet | Eiendoms Megler 1 Hedmark Eiendom | SpareBank 1 Regnskapshuset Østlandet | Other      | Total      |
|---|----------------|-------------------|------------------------------|-----------------------------------|--------------------------------------|------------|------------|
| <b>Income statement</b>                           |                |                   |                              |                                   |                                      |            |            |
| Net interest income                               | 352            | 291               | 175                          |                                   | -1                                   | -2         | 815        |
| -of which internal items                          |                |                   | -67                          |                                   | -1                                   | 68         |            |
| Net commission and other income                   | 254            | 57                | -19                          | 62                                | 135                                  | 3          | 492        |
| -of which internal items                          |                |                   | -1                           | -1                                |                                      | 2          |            |
| Net return on financial investments               |                |                   |                              |                                   |                                      | 411        | 411        |
| Operating expenses*                               | 388            | 153               | 63                           | 49                                | 115                                  | -10        | 758        |
| <b>Profit before losses by segment:</b>           | <b>218</b>     | <b>195</b>        | <b>93</b>                    | <b>13</b>                         | <b>19</b>                            | <b>422</b> | <b>960</b> |
| Losses on loans and guarantees                    | 1              | 24                | 13                           |                                   |                                      |            | 38         |
| <b>Profit / loss per segment</b>                  | <b>217</b>     | <b>171</b>        | <b>80</b>                    | <b>13</b>                         | <b>19</b>                            | <b>422</b> | <b>922</b> |
| Tax charge  |                |                   | 21                           | 4                                 | 5                                    | 155        | 186        |
| <b>Profit / loss after tax charge per segment</b> | <b>217</b>     | <b>171</b>        | <b>58</b>                    | <b>9</b>                          | <b>14</b>                            | <b>267</b> | <b>736</b> |

|   | Retail banking | Corporate banking | SpareBank 1 Finans Østlandet | EiendomsMegler 1 Hedmark Eiendom | SpareBank 1 Regnskapshuset Østlandet | Other         | Total         |
|---|----------------|-------------------|------------------------------|----------------------------------|--------------------------------------|---------------|---------------|
| <b>Balance sheet</b>                            |                |                   |                              |                                  |                                      |               |               |
| Gross lending to customers                      | 21 255         | 15 412            | 5 479                        |                                  |                                      | 647           | 42 793        |
| -of which internal items                        |                |                   |                              |                                  | -25                                  | 25            |               |
| Individual loan write-downs                     | -33            | -88               | -13                          |                                  |                                      |               | -134          |
| Collective loan write-downs                     | -27            | -76               | -17                          |                                  |                                      |               | -120          |
| Other assets                                    | 122            | 2                 | 150                          | 42                               | 146                                  | 11 500        | 11 962        |
| <b>Total assets per segment</b>                 | <b>21 317</b>  | <b>15 250</b>     | <b>5 599</b>                 | <b>42</b>                        | <b>146</b>                           | <b>12 146</b> | <b>54 501</b> |
| Deposits from and liabilities to customers      | 20 915         | 11 639            |                              |                                  |                                      | 498           | 33 052        |
| -of which internal items                        |                |                   |                              |                                  |                                      |               |               |
| Other liabilities and equity                    | 402            | 3 611             | 5 599                        | 42                               | 146                                  | 11 648        | 21 448        |
| <b>Total equity and liabilities per segment</b> | <b>21 317</b>  | <b>15 250</b>     | <b>5 599</b>                 | <b>42</b>                        | <b>146</b>                           | <b>12 146</b> | <b>54 501</b> |

|   | Retail banking | Corporate banking | SpareBank 1 Finans Østlandet | EiendomsMegler 1 Hedmark Eiendom | SpareBank 1 Regnskapshuset Østlandet | Other      | Total        |
|---|----------------|-------------------|------------------------------|----------------------------------|--------------------------------------|------------|--------------|
| <b>30.09.14</b>                                   |                |                   |                              |                                  |                                      |            |              |
| <b>Income statement</b>                           |                |                   |                              |                                  |                                      |            |              |
| Net interest income                               | 310            | 273               | 154                          |                                  | -2                                   | 37         | 771          |
| -of which internal items                          |                |                   | -63                          |                                  | -2                                   | 65         |              |
| Net commission and other income                   | 301            | 55                | -14                          | 57                               | 98                                   | 9          | 505          |
| -of which internal items                          |                |                   | -1                           |                                  |                                      | 1          |              |
| Net return on financial investments               |                |                   |                              |                                  |                                      | 447        | 447          |
| Operating expenses*                               | 381            | 150               | 53                           | 46                               | 89                                   |            | 718          |
| <b>Profit before losses by segment:</b>           | <b>428</b>     | <b>255</b>        | <b>87</b>                    | <b>12</b>                        | <b>7</b>                             | <b>218</b> | <b>1 005</b> |
| Losses on loans and guarantees                    | 10             | 19                | 13                           |                                  |                                      |            | 42           |
| <b>Profit / loss per segment</b>                  | <b>418</b>     | <b>236</b>        | <b>73</b>                    | <b>12</b>                        | <b>7</b>                             | <b>218</b> | <b>963</b>   |
| Tax charge  |                |                   | 20                           | 3                                | 2                                    | 111        | 136          |
| <b>Profit / loss after tax charge per segment</b> | <b>418</b>     | <b>236</b>        | <b>53</b>                    | <b>9</b>                         | <b>5</b>                             | <b>107</b> | <b>826</b>   |

|   |               |               |              |           |            |               |               |
|---|---------------|---------------|--------------|-----------|------------|---------------|---------------|
| <b>Balance sheet</b>                            |               |               |              |           |            |               |               |
| Gross lending to customers                      | 19 740        | 14 280        | 4 646        |           |            | 567           | 39 233        |
| -of which internal items                        |               |               |              |           |            |               |               |
| Individual loan write-downs                     | -40           | -88           | -11          |           |            |               | -139          |
| Collective loan write-downs                     | -31           | -71           | -14          |           |            |               | -116          |
| Other assets                                    | 107           | 2             | 85           | 40        | 110        | 10 429        | 10 773        |
| <b>Total assets per segment</b>                 | <b>19 776</b> | <b>14 123</b> | <b>4 706</b> | <b>40</b> | <b>110</b> | <b>10 996</b> | <b>49 751</b> |
| Deposits from and liabilities to customers      | 19 573        | 11 723        |              |           |            | 279           | 31 575        |
| -of which internal items                        |               |               |              |           |            |               |               |
| Other liabilities and equity                    | 203           | 2 400         | 4 706        | 40        | 110        | 10 717        | 18 176        |
| <b>Total equity and liabilities per segment</b> | <b>19 776</b> | <b>14 123</b> | <b>4 706</b> | <b>40</b> | <b>110</b> | <b>10 996</b> | <b>49 751</b> |

|   | Retail banking | Corporate banking | SpareBank 1 Finans Østlandet | EiendomsMegler 1 Hedmark Eiendom | SpareBank 1 Regnskapshuset Østlandet | Other      | Total        |
|---|----------------|-------------------|------------------------------|----------------------------------|--------------------------------------|------------|--------------|
| <b>31.12.14</b>                                   |                |                   |                              |                                  |                                      |            |              |
| <b>Income statement</b>                           |                |                   |                              |                                  |                                      |            |              |
| Net interest income                               | 420            | 368               | 210                          |                                  | -3                                   | 48         | 1 043        |
| -of which internal items                          |                |                   | -84                          |                                  | -3                                   | 87         |              |
| Net commission and other income                   | 422            | 82                | -20                          | 79                               | 126                                  | -26        | 663          |
| -of which internal items                          |                |                   | -1                           |                                  |                                      | 1          |              |
| Net return on financial investments               |                |                   |                              |                                  |                                      | 573        | 573          |
| Operating expenses*                               | 511            | 205               | 75                           | 67                               | 118                                  | 5          | 981          |
| <b>Profit before losses by segment:</b>           | <b>563</b>     | <b>245</b>        | <b>115</b>                   | <b>12</b>                        | <b>5</b>                             | <b>590</b> | <b>1 298</b> |
| Losses on loans and guarantees                    | 15             | 37                | 14                           |                                  |                                      |            | 66           |
| <b>Profit / loss per segment</b>                  | <b>548</b>     | <b>208</b>        | <b>101</b>                   | <b>12</b>                        | <b>5</b>                             | <b>590</b> | <b>1 232</b> |
| Tax charge  |                |                   | 28                           | 4                                | 1                                    | 159        | 192          |
| <b>Profit / loss after tax charge per segment</b> | <b>548</b>     | <b>208</b>        | <b>73</b>                    | <b>8</b>                         | <b>4</b>                             | <b>431</b> | <b>1 040</b> |

|   |               |               |              |           |            |               |               |
|---|---------------|---------------|--------------|-----------|------------|---------------|---------------|
| <b>Balance sheet</b>                            |               |               |              |           |            |               |               |
| Gross lending to customers                      | 20 037        | 14 474        | 4 827        |           |            | 598           | 39 936        |
| -of which internal items                        |               |               |              |           | 39         | -39           |               |
| Individual loan write-downs                     | -35           | -85           | -9           |           |            |               | -129          |
| Collective loan write-downs                     | -33           | -68           | -15          |           |            |               | -116          |
| Other assets                                    | 118           | 1             | 60           | 26        | 108        | 9 931         | 10 243        |
| <b>Total assets per segment</b>                 | <b>20 087</b> | <b>14 321</b> | <b>4 863</b> | <b>26</b> | <b>108</b> | <b>10 529</b> | <b>49 934</b> |
| Deposits from and liabilities to customers      | 19 727        | 10 897        |              |           |            | 446           | 31 070        |
| -of which internal items                        |               |               | -2           | -4        | -9         | 15            |               |
| Other liabilities and equity                    | 360           | 3 424         | 4 863        | 26        | 108        | 10 083        | 18 864        |
| <b>Total equity and liabilities per segment</b> | <b>20 087</b> | <b>14 321</b> | <b>4 863</b> | <b>26</b> | <b>108</b> | <b>10 529</b> | <b>49 934</b> |

\*) Operating expenses in Retail and Corporate contains directly attributable payroll and administration cost and its share of indirect costs

## Note 4 Capital adequacy

| Parent Bank   |               |               |  | Group         |               |               |
|---------------|---------------|---------------|--|---------------|---------------|---------------|
| Basel III     | Basel II      | Basel III     |  | Basel III     | Basel II      | Basel III     |
| 31.12.14      | 30.09.14      | 30.09.15      |  | 30.09.15      | 30.09.14      | 31.12.14      |
| 6 645         | 5 978         | 6 677         | Primary capital  | 6 676         | 5 978         | 6 645         |
| 42            | 48            | 30            | Endowment fund   | 30            | 48            | 42            |
| 109           | 106           | 139           | Revaluation fund / equalisation reserve  | 139           | 106           | 110           |
|               | 582           | 683           | Results for the accounting period  | 736           | 826           |               |
|               |               |               | Other equity   | 868           | 495           | 827           |
|               |               |               | Minority interests   |               | 17            |               |
| <b>6 796</b>  | <b>6 714</b>  | <b>7 529</b>  | <b>Total equity carried</b>  | <b>8 449</b>  | <b>7 470</b>  | <b>7 624</b>  |
|               |               |               | <b>Kjernekapital</b>   |               |               |               |
|               |               |               | Results for the accounting year not included   |               | -57           |               |
|               |               |               | Minority interests that can not be included in core capital  |               | -17           |               |
|               |               | -74           | Cumulative gains and losses due to changes in own credit risk on fair valued liabilities                   | -74           |               |               |
| -110          | -112          | -106          | Deferred tax (Basel II), goodwill and other intangible assets  | -221          | -199          | -197          |
| -109          | -106          |               | Revaluation reserve available for sale (Basel II / transitional rule)                                      |               | -106          | -110          |
| -230          | -282          | -152          | Positive value of expected losses under the IRB approach   | -193          | -321          | -271          |
| -109          | -112          | -230          | 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     | -1 545        | -1453         | -1 602        |
|               |               |               | Unrealised value change due to reduced / increased value of liabilities (Basel II/transitional adj.)       |               |               |               |
| -7            | -7            | -9            | Value adjustments due to the requirements for prudent valuation  | -12           | -10           | -10           |
| -229          | -264          | -194          | Excess of deduction from AT1 items over AT1 Capital  |               |               |               |
| <b>6 003</b>  | <b>5 831</b>  | <b>6 764</b>  | <b>Total common equity Tier 1 capital</b>  | <b>6 404</b>  | <b>5 307</b>  | <b>5 434</b>  |
|               |               |               | <b>Additional Tier 1 capital</b>   |               |               |               |
|               |               |               | Hybrid capital   | 162           | 142           | 162           |
| -229          | -264          | -194          | 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      | -24           | -2            | -2            |
|               |               |               | Excess of deduction from T2 items over AT1 Capital   |               |               |               |
| 229           | 264           | 194           | Excess of deduction from AT1 items over AT1 Capital  |               |               |               |
| <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>Total additional Tier 1 capital</b>   | <b>138</b>    | <b>140</b>    | <b>160</b>    |
|               |               |               | <b>Supplementary capital in excess of core capital</b>   |               |               |               |
| 39            | 38            |               | 36 per cent (45 per cent under Basel III) of unrealised gain on shares classified as available for sale    |               | 38            | 40            |
| 500           | 500           | 500           | Subordinated loan capital  | 784           | 703           | 783           |
| -297          | -303          | -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       | -296          | -196          | -144          |
|               |               |               | Excess of deduction from T2 items over AT1 Capital   |               |               |               |
| <b>242</b>    | <b>235</b>    | <b>252</b>    | <b>Total supplementary capital</b>   | <b>488</b>    | <b>545</b>    | <b>679</b>    |
| <b>6 245</b>  | <b>6 066</b>  | <b>7 017</b>  | <b>Net subordinated capital</b>  | <b>7 030</b>  | <b>5 992</b>  | <b>6 273</b>  |
| 4 323         | 4 596         | 4 072         | Corporates - SME*)   | 4 459         | 5 118         | 4 791         |
| 6 953         | 6 898         | 6 082         | Corporates - Specialised Lending*)   | 8 443         | 9 034         | 9 019         |
| 675           | 845           | 719           | Corporates - Other*)   | 805           | 1 049         | 855           |
| 682           | 636           | 865           | SME exposure   | 899           | 677           | 723           |
| 5 683         | 5 431         | 6 313         | Retail mortgage exposure   | 8 573         | 7 342         | 7 738         |
| 591           | 654           | 624           | Other retail exposure  | 711           | 728           | 669           |
| <b>18 907</b> | <b>19 060</b> | <b>18 675</b> | <b>Risk-weighted assets credit risk IRB</b>  | <b>23 890</b> | <b>23 948</b> | <b>23 795</b> |
| 6 513         | 6 535         | 7 056         | Exposures calculated using the standardised approach   | 9 944         | 9 434         | 9 534         |
|               |               |               | Market risk  |               |               |               |
| 292           | 188           | 270           | CVA  | 305           | 240           | 338           |
| 1 923         | 1 923         | 1 989         | Operational risk   | 3 269         | 3 038         | 3 038         |
|               |               |               | Deductions   |               |               |               |
| <b>27 635</b> | <b>27 706</b> | <b>27 990</b> | <b>Risk-weighted assets</b>  | <b>37 408</b> | <b>36 660</b> | <b>36 705</b> |
| <b>2 211</b>  | <b>2 216</b>  | <b>2 239</b>  | <b>Capital requirements (8%)</b>   | <b>2 993</b>  | <b>2 933</b>  | <b>2 936</b>  |
|               |               |               | <b>Buffer requirements</b>   |               |               |               |
| 691           | 693           | 700           | Conservation buffer (2.5%)   | 935           | 917           | 918           |
| 276           | 277           | 280           | Countercyclical capital buffer (1%)  | 374           | 367           | 367           |
| 829           | 831           | 840           | Systemic risk buffer (3%)  | 1 122         | 1 100         | 1 101         |
| <b>1 520</b>  | <b>1 801</b>  | <b>1 819</b>  | <b>Total buffer requirements for common equity (6.5%)</b>  | <b>2 432</b>  | <b>2 383</b>  | <b>2 019</b>  |
| <b>3 239</b>  | <b>2 783</b>  | <b>3 686</b>  | <b>Available common equity (net minimum requirement of 11%)</b>  | <b>2 289</b>  | <b>1 274</b>  | <b>1 764</b>  |
|               |               |               | <b>Capital adequacy ratio</b>  |               |               |               |
| <b>21,7 %</b> | <b>21,0 %</b> | <b>24,2 %</b> | Common equity Tier 1 capital ratio   | <b>17,1 %</b> | <b>14,5 %</b> | <b>14,8 %</b> |
| <b>21,7 %</b> | <b>21,0 %</b> | <b>24,2 %</b> | Tier 1 Capital ratio   | <b>17,5 %</b> | <b>14,9 %</b> | <b>15,2 %</b> |
| <b>22,6 %</b> | <b>21,9 %</b> | <b>25,1 %</b> | Capital adequacy ratio   | <b>18,8 %</b> | <b>16,3 %</b> | <b>17,1 %</b> |

\* AIRB from 1. Jan. 2015



## Note 5 Loans to ad receivables from customers

| Parent Bank                        |               |               |  | Group         |               |               |
|------------------------------------|---------------|---------------|--|---------------|---------------|---------------|
| 31.12.14                           | 30.09.14      | 30.09.15      |  | 30.09.15      | 30.09.14      | 31.12.14      |
| <b>Loans by type of receivable</b> |               |               |  |               |               |               |
|                                    |               |               | Financial leasing                                    | 2 421         | 2 038         | 2 114         |
| 10 868                             | 9 744         | 11 939        | Overdraft facilities and operating credits           | 11 939        | 9 744         | 10 868        |
| 1 450                              | 1 573         | 1 203         | Building loans                                       | 1 190         | 1 573         | 1 450         |
| 22 738                             | 23 211        | 24 139        | Repayment loans                                      | 27 150        | 25 776        | 25 406        |
| 88                                 | 92            | 82            | Accrued interest                                     | 93            | 102           | 98            |
| <b>35 144</b>                      | <b>34 620</b> | <b>37 363</b> | <b>Gross loans to and receivables from customers</b> | <b>42 793</b> | <b>39 233</b> | <b>39 936</b> |
| 221                                | 230           | 224           | Write-downs  | 254           | 255           | 245           |
| <b>34 923</b>                      | <b>34 390</b> | <b>37 140</b> | <b>Loans to and receivables from customers</b>       | <b>42 539</b> | <b>38 978</b> | <b>39 691</b> |
| <b>Loans by type of market</b>     |               |               |  |               |               |               |
| 20 496                             | 20 200        | 21 779        | Private customers                                    | 24 213        | 22 344        | 22 797        |
| 14 642                             | 14 415        | 15 581        | Corporate  | 18 395        | 16 726        | 16 958        |
| 6                                  | 5             | 3             | Public sector  | 185           | 164           | 181           |
| <b>35 144</b>                      | <b>34 620</b> | <b>37 363</b> | <b>Gross loans to and receivables from customers</b> | <b>42 793</b> | <b>39 233</b> | <b>39 936</b> |
| 221                                | 230           | 224           | Write-downs  | 254           | 255           | 245           |
| <b>34 923</b>                      | <b>34 390</b> | <b>37 140</b> | <b>Loans to and receivables from customers</b>       | <b>42 539</b> | <b>38 978</b> | <b>39 691</b> |

| Parent Bank   |               |               |   | Group         |               |               |
|---------------|---------------|---------------|---|---------------|---------------|---------------|
| 31.12.14      | 30.09.14      | 30.09.15      |   | 30.09.15      | 30.09.14      | 30.12.15      |
| 22 088        | 21 849        | 23 620        | Private customers                               | 26 044        | 23 993        | 24 389        |
| 156           | 178           | 201           | Public sector                                   | 386           | 342           | 331           |
| 3 835         | 3 792         | 4 248         | Primary industries                              | 4 477         | 4 013         | 4 072         |
| 291           | 292           | 327           | Paper and pulp industries                       | 342           | 309           | 307           |
| 769           | 724           | 865           | Other industry                                  | 1 132         | 949           | 1 035         |
| 1 369         | 1 457         | 1 233         | Building and construction                       | 1 808         | 1 923         | 1 876         |
| 220           | 216           | 220           | Power and water supply                          | 355           | 342           | 361           |
| 1 115         | 1 147         | 1 133         | Wholesale and retail trade                      | 1 534         | 1 418         | 1 404         |
| 180           | 178           | 192           | Hotel and restaurants                           | 204           | 198           | 211           |
| 7 405         | 7 533         | 7 882         | Real estate                                     | 7 936         | 7 601         | 7 505         |
| 2 064         | 2 112         | 2 097         | Commercial services                             | 2 593         | 2 523         | 2 466         |
| 284           | 276           | 324           | Transport and communications                    | 1 118         | 915           | 953           |
| 21            | 42            | 20            | Other   | 29            | 50            | 29            |
| <b>39 797</b> | <b>39 796</b> | <b>42 362</b> | <b>Total commitments by sector and industry</b> | <b>47 958</b> | <b>44 576</b> | <b>44 939</b> |

| Parent bank   |               |               |   | Group         |               |               |
|---------------|---------------|---------------|---|---------------|---------------|---------------|
| 31.12.14      | 30.09.14      | 30.09.15      |   | 30.09.15      | 30.09.14      | 31.12.14      |
| 20 496        | 20 200        | 21 779        | Private customers                               | 24 212        | 22 337        | 22 797        |
| 6             | 5             | 3             | Public sector                                   | 188           | 169           | 181           |
| 3 357         | 3 280         | 3 642         | Primary industries                              | 3 867         | 3 460         | 3 557         |
| 246           | 245           | 268           | Paper and pulp industries                       | 283           | 262           | 262           |
| 509           | 494           | 577           | Other industry                                  | 827           | 707           | 739           |
| 874           | 987           | 781           | Building and construction                       | 1 324         | 1 394         | 1 317         |
| 190           | 192           | 195           | Power and water supply                          | 330           | 310           | 299           |
| 743           | 796           | 741           | Wholesale and retail trade                      | 1 058         | 1 064         | 1 010         |
| 161           | 159           | 172           | Hotel and restaurants                           | 184           | 168           | 172           |
| 6 988         | 6 570         | 7 285         | Real estate                                     | 7 334         | 6 612         | 7 033         |
| 1 342         | 1 451         | 1 654         | Commercial services                             | 2 146         | 1 861         | 1 659         |
| 211           | 200           | 246           | Transport and communications                    | 1 015         | 839           | 880           |
| 21            | 41            | 20            | Other   | 25            | 50            | 30            |
| <b>35 144</b> | <b>34 620</b> | <b>37 363</b> | <b>Total gross loans by sector and industry</b> | <b>42 793</b> | <b>39 233</b> | <b>39 936</b> |

| Parent Bank |            |            |  | Group      |            |            |
|-------------|------------|------------|--|------------|------------|------------|
| 31.12.14    | 30.09.14   | 30.09.15   |  | 30.09.15   | 30.09.14   | 31.12.14   |
| 39          | 42         | 33         | Private customers  | 39         | 49         | 44         |
| 2           | 4          | 3          | Primary industries   | 3          | 4          | 2          |
| 1           | 1          | 1          | Paper and pulp industries                                  | 1          | 1          | 1          |
| 6           | 13         | 17         | Other industry   | 20         | 14         | 7          |
| 9           | 10         | 9          | Building and construction                                  | 9          | 10         | 9          |
| 1           |            | 1          | Power and water supply                                     | 1          |            | 1          |
| 21          | 24         | 18         | Wholesale and retail trade                                 | 18         | 25         | 21         |
| 1           | 1          | 1          | Hotel and restaurants                                      | 1          | 1          | 1          |
| 16          | 17         | 17         | Real estate  | 18         | 17         | 16         |
| 24          | 17         | 21         | Commercial services  | 22         | 17         | 25         |
|             |            |            | Transport and communications                               | 3          | 2          | 1          |
| <b>120</b>  | <b>129</b> | <b>121</b> | <b>Total individual write-downs by sector and industry</b> | <b>134</b> | <b>139</b> | <b>129</b> |

## Note 6 Losses on loans and guarantees

| Parent Bank |           |           |  | Group    |           |           |
|-------------|-----------|-----------|--|----------|-----------|-----------|
| 31.12.14    | 30.09.14  | 30.09.15  |  | 30.09.15 | 30.09.14  | 31.12.14  |
| -7          | -2        | -1        | Change in individual write-downs in the period             | 3        | 1         | -5        |
| 8           | 9         | 2         | Change in collective write-downs in the period             | 4        | 11        | 10        |
| 35          | 18        | 16        | Realised losses on commitments previously written down     | 25       | 25        | 46        |
| 21          | 9         | 11        | Realised losses on commitments not previously written down | 15       | 11        | 25        |
| 5           | 5         | 2         | Recoveries on loans and guarantees previously written down | 8        | 6         | 9         |
| <b>52</b>   | <b>29</b> | <b>25</b> | <b>Total losses on loans and guarantees</b>                |          | <b>42</b> | <b>66</b> |

| Parent Bank |            |            |   | Group    |            |            |
|-------------|------------|------------|---|----------|------------|------------|
| 31.12.14    | 30.09.14   | 30.09.15   |   | 30.09.15 | 30.09.14   | 31.12.14   |
| 143         | 143        | 134        | Individual write-downs to cover losses on loans and guarantees at 1 January                   | 143      | 150        | 149        |
| 35          | 18         | 16         | Realised losses in the period on loans and guarantees previously written down individually    | 25       | 25         | 45         |
| 23          | 13         | 10         | Reversal of write-downs in previous years   | 17       | 19         | 41         |
| 17          | 7          |            | Increase in write-downs on commitments previously written down individually                   | 3        | 8          | 19         |
| 32          | 22         | 25         | Write-downs on commitments not previously written down individually                           | 42       | 38         | 61         |
| <b>134</b>  | <b>141</b> | <b>133</b> | <b>Individual write-downs to cover losses on loans and guarantees at the end of period *)</b> |          | <b>152</b> | <b>143</b> |

\*) Guarantee provisions are included under Other liabilities in the balance sheet, see Note 14.

| Parent Bank |            |            |  | Group    |            |            |
|-------------|------------|------------|--|----------|------------|------------|
| 31.12.14    | 30.09.14   | 30.09.15   |  | 30.09.15 | 30.09.14   | 31.12.14   |
| 93          | 93         | 101        | Collective write-downs to cover losses on loans and guarantees at 1 January  | 116      | 106        | 106        |
| 8           | 9          | 2          | Collective write-downs to cover losses on loans and guarantees in the period | 4        | 10         | 10         |
| <b>101</b>  | <b>102</b> | <b>103</b> | <b>Collective write-downs to cover losses on loans and guarantees</b>        |          | <b>116</b> | <b>116</b> |

| Parent Bank |             |             |  | Group       |             |             |
|-------------|-------------|-------------|--|-------------|-------------|-------------|
| 31.12.14    | 30.09.14    | 30.09.15    |  | 30.09.15    | 30.09.14    | 31.12.14    |
| 263         | 266         | 229         | Gros defaulted commitments for more than 90 days     | 331         | 358         | 339         |
| 44          | 51          | 32          | Individual write-downs on defaulted commitments      | 43          | 61          | 52          |
| <b>219</b>  | <b>215</b>  | <b>197</b>  | <b>Net defaulted commitments</b>                     | <b>288</b>  | <b>297</b>  | <b>287</b>  |
| <b>17 %</b> | <b>19 %</b> | <b>14 %</b> | <b>Provision rate</b>                                | <b>13 %</b> | <b>17 %</b> | <b>15 %</b> |
| <b>205</b>  | <b>204</b>  | <b>210</b>  | <b>Gros problem commitments (not in default)</b>     | <b>212</b>  | <b>206</b>  | <b>209</b>  |
| <b>90</b>   | <b>90</b>   | <b>101</b>  | <b>Individual write-downs on problem commitments</b> | <b>103</b>  | <b>91</b>   | <b>91</b>   |
| <b>115</b>  | <b>114</b>  | <b>109</b>  | <b>Net problem commitments</b>                       | <b>109</b>  | <b>115</b>  | <b>117</b>  |
| <b>44 %</b> | <b>44 %</b> | <b>48 %</b> | <b>Provision rate</b>                                | <b>49 %</b> | <b>44 %</b> | <b>44 %</b> |
| <b>29 %</b> | <b>30 %</b> | <b>30 %</b> | <b>Total provision rate</b>                          | <b>27 %</b> | <b>27 %</b> | <b>26 %</b> |

## Note 7 Net income from financial assets and liabilities

| Parent Bank |            |            |  | Group      |            |            |
|-------------|------------|------------|--|------------|------------|------------|
| 31.12.14    | 30.09.14   | 30.09.15   |  | 30.09.15   | 30.09.14   | 31.12.14   |
|             |            |            | <b>Change in value of interest rate instruments</b>  |            |            |            |
| 21          | 22         | -55        | Bonds and certificates at fair value through profit and loss                               | -55        | 22         | 21         |
| -181        | -135       | 236        | Securities at fair value through profit and loss   | 236        | -135       | -181       |
| 28          | 26         | 8          | Fixed-rate loans to customers at fair value through profit and loss                        | 8          | 26         | 28         |
|             |            |            | <b>Change in value of derivatives</b>  |            |            |            |
| -5          | -1         | 7          | Net change in value of derivatives related to bonds (assets)                               | 7          | -1         | -5         |
| 129         | 56         | -28        | Net change in value of derivatives related to funding loans                                | -28        | 56         | 129        |
| 5           | 5          | -2         | Guarantee liability – Eksportfinans ASA  | -2         | 5          | 5          |
| 1           |            | -3         | Net change in value of other derivatives   | -3         |            | 1          |
| -2          | -27        | 164        | <b>Total net income from financial assets and liabilities at fair value</b>                | 164        | -27        | -2         |
| 13          | 13         | 8          | Net income from equity instruments available for sale                                      | 8          | 13         | 13         |
| 158         | 158        |            | Gains / losses on realisation of equity instruments available for sale                     |            | 158        | 158        |
|             |            | 1          | Write-down of and reversal of previous write-down of equity instruments available for sale |            | 1          |            |
| 171         | 171        | 8          | <b>Total net income from equity instruments available for sale</b>                         | 8          | 171        | 171        |
| 117         | 117        | 259        | <b>Income from ownership interests</b>   | 231        | 294        | 394        |
| 10          | 8          | 9          | <b>Net income from currency trading</b>  | 9          | 8          | 10         |
| <b>296</b>  | <b>269</b> | <b>439</b> | <b>Total net income from financial assets and liabilities</b>                              | <b>411</b> | <b>447</b> | <b>573</b> |

## Note 8 Financial derivatives

### Parent Bank and Group

| At fair market value through p & l account       | 30.09.15      |                   |             |
|--|---------------|-------------------|-------------|
|  | Contract sum  | Fair market value |             |
|  |               | Assets            | Liabilities |
| <b>Foreign exchange instruments</b>              |               |                   |             |
| Forward exchange contracts                       | 527           | 13                | 7           |
| Currency swap contracts                          | 2 314         | 10                | 20          |
| Total foreign exchange instruments               | 2 842         | 24                | 27          |
| <b>Interest rate instruments</b>                 |               |                   |             |
| Interest rate swaps (incl. int. rate & currency) | 10 445        | 443               | 272         |
| Other interest rate contracts                    | 150           | 15                |             |
| Total interest rate instruments                  | 10 595        | 458               | 272         |
| <b>Other financial derivatives</b>               |               |                   |             |
| Guarantee liability - Eksportfinans ASA          | 66            | 0                 | 2           |
| <b>Total curr.- and int. rate instruments</b>    |               |                   |             |
| <b>Total currency instruments</b>                | <b>2 842</b>  | <b>24</b>         | <b>27</b>   |
| <b>Total interest rate instruments</b>           | <b>10 595</b> | <b>458</b>        | <b>272</b>  |
| <b>Other financial derivatives</b>               | <b>66</b>     | <b>0</b>          | <b>2</b>    |
| <b>Total</b>                                     | <b>13 502</b> | <b>481</b>        | <b>301</b>  |

| At fair market value through p & l account       | 30.09.14      |                   |             |
|--|---------------|-------------------|-------------|
|  | Contract sum  | Fair market value |             |
|  |               | Assets            | Liabilities |
| <b>Foreign exchange instruments</b>              |               |                   |             |
| Forward exchange contracts                       | 446           | 5                 | 5           |
| Currency swap contracts                          | 2 301         | 23                | 6           |
| Total foreign exchange instruments               | 2 747         | 28                | 12          |
| <b>Interest rate instruments</b>                 |               |                   |             |
| Interest rate swaps (incl. int. rate & currency) | 8 748         | 348               | 177         |
| Other interest rate contracts                    | 150           | 20                |             |
| Total interest rate instruments                  | 8 898         | 368               | 177         |
| <b>Other financial derivatives</b>               |               |                   |             |
| Guarantee liability - Eksportfinans ASA          | 66            | 3                 | 0           |
| <b>Total curr.- and int. rate instruments</b>    |               |                   |             |
| <b>Total currency instruments</b>                | <b>2 747</b>  | <b>28</b>         | <b>12</b>   |
| <b>Total interest rate instruments</b>           | <b>8 898</b>  | <b>368</b>        | <b>177</b>  |
| <b>Other financial derivatives</b>               | <b>66</b>     | <b>3</b>          | <b>0</b>    |
| <b>Total</b>                                     | <b>11 711</b> | <b>399</b>        | <b>189</b>  |

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

## Note 9 Determination of fair value of financial instruments

The table below shows financial instruments at fair value by valuation 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.

| <b>30.09.15</b>  | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>  |
|--|----------------|----------------|----------------|---------------|
| <b>Assets</b>  |                |                |                |               |
| Financial assets at fair value through profit and loss |                |                |                |               |
| - Derivatives  |                | 481            |                | 481           |
| - Bonds and certificates                               |                | 5 052          |                | 5 052         |
| - Fixed-rate loans                                     |                | 2 771          |                | 2 771         |
| Financial assets available for sale                    |                |                |                |               |
| - Equity instruments                                   | 157            |                | 135            | 292           |
| <b>Total assets</b>                                    | <b>157</b>     | <b>8 304</b>   | <b>135</b>     | <b>8 596</b>  |
| <b>Liabilities</b>                                     |                |                |                |               |
| Financial assets at fair value through profit and loss |                |                |                |               |
| - Derivatives  |                | 298            | 2              | 301           |
| - Securities issued                                    |                | 10 800         |                | 10 800        |
| - Subordinated loan capital                            |                | 500            |                | 500           |
| - Fixed-rate deposits                                  |                | 54             |                | 54            |
| - Term deposit   |                |                | 60             | 60            |
| <b>Total liabilities</b>                               | <b>0</b>       | <b>11 653</b>  | <b>63</b>      | <b>11 716</b> |

| <b>30.09.14</b>  | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|--|----------------|----------------|----------------|--------------|
| <b>Assets</b>  |                |                |                |              |
| Financial assets at fair value through profit and loss |                |                |                |              |
| - Derivatives  |                | 396            | 3              | 399          |
| - Bonds and certificates                               |                | 4 687          |                | 4 687        |
| - Fixed-rate loans                                     |                | 1 878          |                | 1 878        |
| - Loans with interest-rate guarantees                  |                |                | 3              | 3            |
| Financial assets available for sale                    |                |                |                |              |
| - Equity instruments                                   | 127            |                | 110            | 237          |
| <b>Total assets</b>                                    | <b>127</b>     | <b>6 960</b>   | <b>116</b>     | <b>7 203</b> |
| <b>Liabilities</b>                                     |                |                |                |              |
| Financial assets at fair value through profit and loss |                |                |                |              |
| - Derivatives  |                | 189            |                | 189          |
| - Securities issued                                    |                | 8 476          |                | 8 476        |
| - Subordinated loan capital                            |                | 511            |                | 511          |
| - Fixed-rate deposits                                  |                | 40             |                | 40           |
| <b>Total liabilities</b>                               | <b>0</b>       | <b>9 216</b>   | <b>0</b>       | <b>9 216</b> |

| <b>31.12.14</b>  | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|--|----------------|----------------|----------------|--------------|
| <b>Assets</b>  |                |                |                |              |
| Financial assets at fair value through profit and loss |                |                |                |              |
| - Derivatives  |                | 529            | 3              | 531          |
| - Bonds and certificates                               |                | 4 017          |                | 4 017        |
| - Fixed-rate loans                                     |                | 1 793          |                | 1 793        |
| - Loans with interest-rate guarantees                  |                |                | 1              | 1            |
| Financial assets available for sale                    |                |                |                |              |
| - Equity instruments                                   | 131            |                | 108            | 239          |
| <b>Total assets</b>                                    | <b>131</b>     | <b>6 339</b>   | <b>112</b>     | <b>6 581</b> |
| <b>Liabilities</b>                                     |                |                |                |              |
| Financial assets at fair value through profit and loss |                |                |                |              |
| - Derivatives  |                | 330            |                | 330          |
| - Securities issued                                    |                | 8 951          |                | 8 951        |
| - Subordinated loan capital                            |                | 505            |                | 505          |
| - Fixed-rate deposits                                  |                | 50             |                | 50           |
| <b>Total liabilities</b>                               | <b>0</b>       | <b>9 835</b>   | <b>0</b>       | <b>9 835</b> |

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-up calculated as the difference between the reference rate and the interest rate indicated by the Bank's price list on balance sheet day.
- Other methods, such as multiplier models, have been used to determine the fair value of the remaining financial instruments.

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

|  | Loans with interest-rate guarantees | Equity instruments | Derivatives | Market-linked certificates of deposit (BMA) | Total |
|--|-------------------------------------|--------------------|-------------|---|-------|
| <b>31.12.14–30.09.15</b>   |                                     |                    |             |   |       |
| Opening balance  | 1                                   | 108                | 3           |   | 112   |
| Investments in the period  |                                     | 24                 |             | -60   | -36   |
| Sales / redemption in the period   | -1                                  | -1                 | -3          |   | -5    |
| Gains / losses recognised through profit and loss  |                                     |                    | -2          |   | -2    |
| Gains / losses recognised directly against comprehensive income                                |                                     | 4                  |             |   | 4     |
| Closing balance  | 0                                   | 135                | -2          | -60   | 72    |
| 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 |
|--|-------------------------------------|--------------------|-------------|---|-------|
| <b>31.12.13–30.09.14</b>   |                                     |                    |             |   |       |
| Opening balance  | 3                                   | 256                | 3           | -51   | 210   |
| Investments in the period  |                                     | 16                 |             |   | 16    |
| Sales / redemption in the period   |                                     | -271               | -5          | 51  | -225  |
| Gains / losses recognised through profit and loss  |                                     | 158                | 5           |   | 164   |
| Gains / losses recognised directly against comprehensive income                                |                                     | -50                |             |   | -50   |
| Closing balance  | 3                                   | 110                | 3           | 0   | 116   |
| Gains / losses for the period included in the profit for assets owned on the balance sheet day |                                     |                    | 5           |   | 5     |

|  | Loans with interest-rate guarantees | Equity instruments | Derivatives | Market-linked certificates of deposit (BMA) | Total |
|--|-------------------------------------|--------------------|-------------|---|-------|
| <b>31.12.13–30.12.14</b>   |                                     |                    |             |   |       |
| Opening balance  | 3                                   | 256                | 3           | -51   | 210   |
| Investments in the period  |                                     | 16                 |             |   | 16    |
| Sales / redemption in the period   | -2                                  | -271               | -5          | 51  | -226  |
| Gains / losses recognised through profit and loss  |                                     | 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 10 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.

| 30.09.2015                 | Gross financial assets/(liabilities) | Recognised on a net basis | Net financial assets/(liabilities) on the balance sheet | Amounts not presented on the balance sheet on a net basis |                                  | Net amount |
|----------------------------|--------------------------------------|---------------------------|---|---|----------------------------------|------------|
|                            |                                      |                           |   | Financial instruments                                     | Cash collateral given/(received) |            |
| Derivatives as assets      | 481                                  |                           | 481   | -71   |                                  | 410        |
| Derivatives as liabilities | -301                                 |                           | -301  | 71  | 102                              | -128       |
| <b>30.09.2014</b>          |                                      |                           |   |   |                                  |            |
| Derivatives as assets      | 399                                  |                           | 399   | -67   |                                  | 331        |
| Derivatives as liabilities | -189                                 |                           | -189  | 67  | 73                               | -48        |
| <b>31.12.2014</b>          |                                      |                           |   |   |                                  |            |
| Derivatives as assets      | 531                                  |                           | 531   | -67   |                                  | 465        |
| Derivatives as liabilities | -330                                 |                           | -330  | 67  | 112                              | -151       |

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

## Note 11 Other assets

| Parent Bank |            |            |                                    | Group      |            |            |
|-------------|------------|------------|------------------------------------|------------|------------|------------|
| 31.12.14    | 30.09.14   | 30.09.15   |                                    | 30.09.15   | 30.09.14   | 31.12.14   |
| 73          | 43         | 73         | Capital payments into pension fund | 73         | 43         | 73         |
| 19          | 219        | 16         | Accrued income, not yet received   | 22         | 219        | 19         |
| 23          | 16         | 24         | Prepaid costs, not yet incurred    | 45         | 16         | 15         |
| 145         | 156        | 143        | Other assets                       | 309        | 305        | 299        |
| <b>260</b>  | <b>434</b> | <b>256</b> | <b>Other assets</b>                | <b>449</b> | <b>583</b> | <b>406</b> |

## Note 12 Deposits from and liabilities to costumers

| Parent Bank   |               |               |  | Group         |               |               |
|---------------|---------------|---------------|--|---------------|---------------|---------------|
| 31.12.14      | 30.09.14      | 30.09.15      |  | 30.09.15      | 30.09.14      | 31.12.14      |
| 19 047        | 18 912        | 20 190        | Private customers                            | 20 190        | 18 912        | 19 047        |
| 3 666         | 4 378         | 4 154         | Public sector                                | 4 154         | 4 378         | 3 666         |
| 927           | 960           | 980           | Primary industries                           | 980           | 960           | 927           |
| 101           | 111           | 103           | Paper and pulp industries                    | 103           | 111           | 101           |
| 514           | 378           | 454           | Other industry                               | 454           | 378           | 514           |
| 671           | 624           | 648           | Building and construction                    | 648           | 624           | 671           |
| 118           | 199           | 224           | Power and water supply                       | 224           | 199           | 118           |
| 665           | 634           | 761           | Wholesale and retail trade                   | 761           | 634           | 665           |
| 95            | 95            | 113           | Hotel and restaurants                        | 113           | 95            | 95            |
| 1 565         | 1 727         | 1 629         | Real estate                                  | 1 629         | 1 727         | 1 565         |
| 3 452         | 3 311         | 3 589         | Commercial services                          | 3 540         | 3 294         | 3 437         |
| 258           | 257           | 256           | Transport and communications                 | 256           | 257           | 258           |
| 6             | 6             |               | Other operations                             |               | 6             | 6             |
| <b>31 085</b> | <b>31 592</b> | <b>33 101</b> | <b>Total deposits by sector and industry</b> | <b>33 052</b> | <b>31 575</b> | <b>31 070</b> |

## Note 13 Securities-related debt

Parent Bank and Group

| Changes in liabilities from issuance of securities                  | 30.09.15      | Issued       | Due / redeemed | Other changes | 31.12.14     |
|---|---------------|--------------|----------------|---------------|--------------|
| Bond debt, nominal value  | 10 497        | 2 800        | -660           | -53           | 8 410        |
| Non- Perpetual additional Tier 2 capital, nominal value             | 500           |              |                |               | 500          |
| Accrued interest  | 121           |              |                | -10           | 131          |
| Adjustments   | 183           |              |                | -232          | 415          |
| <b>Total debt raised through issuance of securities, fair value</b> | <b>11 301</b> | <b>2 800</b> | <b>-660</b>    | <b>-295</b>   | <b>9 455</b> |

  

| Changes in liabilities from issuance of securities                  | 30.09.14     | Issued       | Due / redeemed | Other changes | 31.12.13     |
|---|--------------|--------------|----------------|---------------|--------------|
| Certificate-based debt, nominal value                               |              |              | -300           |               | 300          |
| Bond debt, nominal value  | 8 003        | 1 650        | -1 250         | -115          | 7 718        |
| Non-perpetual additional Tier 2 capital, nominal value              | 500          |              |                |               | 500          |
| Accrued interest  | 127          |              |                | -37           | 164          |
| Adjustments   | 357          |              |                | 138           | 219          |
| <b>Total debt raised through issuance of securities, fair value</b> | <b>8 987</b> | <b>1 650</b> | <b>-1 550</b>  | <b>-14</b>    | <b>8 901</b> |

  

| Changes in liabilities from issuance of securities                  | 31.12.14     | Issued       | Due / redeemed | Other changes | 31.12.13     |
|---|--------------|--------------|----------------|---------------|--------------|
| Certificate-based debt, nominal value                               |              |              | -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          |
| <b>Total debt raised through issuance of securities, fair value</b> | <b>9 455</b> | <b>2 050</b> | <b>-1 550</b>  | <b>54</b>     | <b>8 901</b> |

## Note 14 Other debt and liabilities

| Parent Bank |            |            |   | Group      |            |            |
|-------------|------------|------------|---|------------|------------|------------|
| 31.12.14    | 30.09.14   | 30.09.15   |   | 30.09.15   | 30.09.14   | 31.12.14   |
| 362         | 348        | 304        | Pension liabilities   | 322        | 363        | 384        |
| 14          | 12         | 12         | Guarantee provisions  | 12         | 12         | 14         |
| 9           | 6          | 6          | Banker's drafts   | 6          | 6          | 9          |
| 37          | 28         | 30         | Accounts payable  | 34         | 32         | 42         |
| 159         | 245        | 174        | Other   | 230        | 288        | 190        |
| <b>581</b>  | <b>639</b> | <b>526</b> | <b>Total other debt and liabilities recognised in the balance sheet</b> | <b>604</b> | <b>701</b> | <b>639</b> |



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