



Quarterly report

# Interim report

First Quarter 2017



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# Main figures Group

Result summary (NOK mill and % of average assets)	Q1 2017		Q1 2016		31.12.2016	
	Amount	%	Amount	%	Amount	%
Net interest income	464	1,85 %	297	2,11 %	1 490	1,79 %
Net commissions and other (non-interest) income	308	1,23 %	160	1,14 %	939	1,13 %
Net income from financial investments	0	0,00 %	7	0,05 %	220	0,26 %
<b>Total income</b>	<b>773</b>	<b>3,09 %</b>	<b>464</b>	<b>3,30 %</b>	<b>2 649</b>	<b>3,19 %</b>
<b>Total operating expenses before losses on loans and guarantees</b>	<b>437</b>	<b>1,75 %</b>	<b>253</b>	<b>1,80 %</b>	<b>1 203</b>	<b>1,45 %</b>
<b>Profit before losses on loans and guarantees</b>	<b>335</b>	<b>1,34 %</b>	<b>211</b>	<b>1,50 %</b>	<b>1 446</b>	<b>1,74 %</b>
Losses on loans and guarantees	-26	-0,10 %	9	0,06 %	75	0,09 %
<b>Profit/loss before tax</b>	<b>361</b>	<b>1,44 %</b>	<b>202</b>	<b>1,44 %</b>	<b>1 371</b>	<b>1,65 %</b>
Tax charge	88	0,35 %	33	0,23 %	271	0,33 %
<b>Results for the accounting period</b>	<b>274</b>	<b>1,09 %</b>	<b>169</b>	<b>1,20 %</b>	<b>1 100</b>	<b>1,32 %</b>
<b>Minority interests</b>	<b>1</b>	<b>0,01 %</b>	<b>1</b>	<b>0,01 %</b>	<b>4</b>	<b>0,00 %</b>
<b>Profitability</b>						
Return on equity capital <sup>1)</sup>		9,3 %		7,7 %		10,5 %
Cost-income ratio <sup>2)</sup>		56,6 %		54,5 %		45,4 %
<b>From the balance sheet</b>						
Gross loans to customers	84 901		44 308		82 945	
Gross loans to customers including loans transferred to covered bond companies <sup>3)</sup>	121 701		62 156		119 450	
Lending growth during the last 12 months		91,6 %		9,4 %		89,5 %
Lending growth in last 12 months including loans transferred to covered bond companies		95,8 %		9,8 %		95,4 %
Deposits from customers	62 782		33 675		63 070	
Deposit-to-loan ratio <sup>4)</sup>		73,9 %		76,0 %		76,0 %
Deposit growth during the last 12 months		86,4 %		8,4 %		88,5 %
Total assets	101 861		57 185		101 242	
Total adjusted assets <sup>5)</sup>	138 661		75 033		137 747	
<b>Losses and commitments in default</b>						
Losses on loans as a percentage of gross loans		-0,0 %		0,1 %		0,1 %
Commitments in default as a percentage of total commitments		0,2 %		0,5 %		0,3 %
Other bad and doubtful commitments as a percentage of total commitments		0,3 %		0,4 %		0,3 %
Net commitment in default and commitments with loss provisions as a percentage of total commitments <sup>6)</sup>		0,3 %		0,7 %		0,4 %
<b>Financial strength</b>						
Common equity Tier 1 capital ratio		16,7 %		16,9 %		16,9 %
Tier 1 Capital ratio		17,6 %		17,3 %		17,9 %
Capital adequacy ratio		19,3 %		18,8 %		20,3 %
Net subordinated capital	12 649		7 229		12 656	
Equity ratio		12,1 %		15,7 %		12,0 %
Leverage Ratio		7,5 %		9,2 %		7,4 %
LCR <sup>7)</sup>		92,5 %		139,0 %		116,6 %

1) Annualized results for the accounting period (after taxes) as a percentage of average equity. In the calculation of average equity, hybrid capital has been reclassified from hybrid capital to debt, and interests on hybrid capital has been reclassified as interest cost. Further, average equity has been calculated as the average of equity, as at 31. December 2016 and as at 31. March 2017

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) Total assets and loans transferred to the covered bond companies.

6) Net defaulted and doubtful commitments equals the sum of commitments in default and doubtful commitments minus individual write-downs

7) Liquidity Coverage Ratio; measures the size of bank's liquid assets in relation to net liquidity outflows 30 days ahead given a stress situation

# Interim report Q1 2017

## Summary

The Sparebanken Hedmark Group posted a profit after tax for the first quarter of NOK 274 (169) million (last year's figure in brackets) and a return on equity of 9.3 (7.7) per cent. The common equity Tier 1 capital ratio was 16.7 (16.9) per cent, while the capital adequacy ratio was 19.3 (18.8) per cent.

74 per cent of the Sparebanken Hedmark Group's total lending, including loans transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, is loans for the retail market, primarily consisting of mortgages. The corporate market portfolio has no exposure to the oil and gas industry and is otherwise characterised by low risk. In the first quarter, the group booked net reversals on loan losses of NOK 26 (costs of

9) million. The proportion of problem loans, defined as non-performing and impaired loans, represents a very small proportion of the Group's lending and was 0.5 (0.9) per cent of gross commitments on its balance sheet.

Sparebanken Hedmark and Bank 1 Oslo Akershus merged operations with effect from 1 April 2017. At its meeting on 30 March, the supervisory board of Sparebanken Hedmark agreed that the merged bank would be called SpareBank 1 Østlandet. The new executive management team also assumed their positions on 1 April, with Richard Heiberg continuing as the chief executive. The re-profiling of the bank will take place during 2017. The technical merger of the banks will take place in autumn 2017.

## The Group and accounting matters relating to the acquisition of Bank 1 Oslo Akershus AS

The Group consists of Sparebanken Hedmark and the wholly owned subsidiaries Bank 1 Oslo Akershus AS, EiendomsMegler 1 Hedmark Eiendom AS, SpareBank 1 Regnskapshuset Østlandet AS, Youngstorget 5 AS and Vato AS, as well as the 95 per cent owned subsidiary SpareBank 1 Finans Østlandet AS.

Sparebanken Hedmark owns, directly and indirectly, 12.4 per cent of SpareBank 1 Gruppen AS, 21.2 per cent of SpareBank 1 Mobilbetaling AS and 19.6 per cent of SpareBank 1 Kredittkort AS. The Bank also owns 20.3 per cent of SpareBank 1 Boligkreditt AS and 9.2 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 prepares its financial statements in accordance with international accounting standards adopted by the EU (IAS 34).

Sparebanken Hedmark's acquisition of the remaining 59.5 per cent of the shares in Bank 1 Oslo Akershus AS was completed with accounting effect from 29 June 2016.

The results from Bank 1 Oslo Akershus AS were in the first half of 2016 consolidated into the Group using the equity method with an ownership interest of 40.5 per cent. From and including the second half of 2016, the results from Bank 1 Oslo Akershus AS were fully consolidated into the accounts of Sparebanken Hedmark. The consolidation of the accounts of Bank 1 Oslo Akershus AS means that Sparebanken Hedmark's consolidated financial statements for the first quarter of 2017 are not directly comparable with the figures for the year before. Please see note 8 for comparable figures for last year. It shows the adjusted consolidated profit for the first quarter of 2016 as it would have been with 100 per cent ownership of Bank 1 Oslo Akershus AS from 1 January 2016.

## Sparebanken Hedmark – Group

Bank 1 Oslo Akershus AS was fully consolidated into the consolidated financial statements for the first quarter with 100 per cent ownership. The figures for the year before are, therefore, not directly comparable with the year's result.

The consolidated profit after tax was NOK 274 (169) million.

The return on equity was 9.3 (7.7) per cent.

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

	2017	2016
Parent Bank's profit after tax	190	158
Dividends received from subsidiaries/associated companies	-84	-80
Share of the result from:		
SpareBank 1 Gruppen AS	42	34
Bank 1 Oslo Akershus AS	119	23
SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS	-25	13
EiendomsMegler 1 Hedmark Eiendom AS	2	1
SpareBank 1 Finans Østlandet AS	28	18
SpareBank 1 Regnskapshuset Østlandet AS	2	1
SpareBank 1 Kredittkort AS	2	3
SpareBank 1 Mobilbetaling AS	-14	-3
Others	12	1
<b>Consolidated profit after tax</b>	<b>274</b>	<b>169</b>

### Interest income and other operating income

Net interest income amounted to NOK 464 (297) million. Total net interest income amounted to NOK 540 (336) million, inclusive of commissions from loans and credit transferred to the partly-owned covered bond companies (recognised as commissions) totalling NOK 76 (40) million.

The lending margin, inclusive of mortgages in the covered bond company, amounted to 2.17 (2.44) per cent. The deposit margin was 0.11 (0.19) per cent and the net interest margin was 2.29 (2.63) per cent.

Net commissions amounted to NOK 255 (110) million, while other operating income was NOK 53 (50) million.

For more detailed information about the various profit centres in the Group, please see note 3 "Segment information".

The net profit from financial assets and liabilities was NOK 0 (7) million. Of this, the result from ownership interests, primarily SpareBank 1 Gruppen AS and other alliance companies, amounted to NOK 6 (70) million. Dividends of NOK 9 (0) million were primarily dividends from Totens Sparebank of NOK 9 (0) million in the first quarter.

The net investment result from other financial assets and liabilities was NOK -14 (-63) million.

The Group's securities issued, fixed-income investments, derivatives and fixed-rate products for customers are generally assessed at fair value through profit and loss pursuant to IAS 39, and changes in market value are recognised in profit and loss.

The first quarter saw a contraction in the risk premium for Norwegian senior securities. For a five-year, senior issue in a Norwegian regional savings bank, the market's risk premium was reduced from an indicative 85 basis points at the start of the year to around 66 basis points at the end of the first quarter. All other things being equal, this results in the relevant discount rate on previously issued fixed-income securities with fixed coupons decreasing and thus their present value (price) rising. The rise in prices for own debt results in an unrealised loss, while the rise in prices for purchased fixed-income securities results in an unrealised gain.

The net effect for Sparebanken Hedmark of price changes for all fixed-income securities, inclusive of hedging transactions, was NOK -34 (-72) million in the first quarter, almost all of which are unrealised losses. The change in value for securities issued, inclusive of hedging, was NOK -66 (-71) million.

Please also see note 7 "Net result from financial assets and liabilities".

### Costs and losses on loans

Total operating costs amounted to NOK 437 (253) million

and accounted for 56.5 (54.5) per cent of net income. The increase in operating costs was primarily attributable to the consolidation of the accounts of Bank 1 Oslo Akershus AS and EiendomsMegler 1 Oslo Akershus AS, where NOK 142 million was consolidated into the Group's operating costs for the first quarter. Bank 1 Oslo Akershus AS closed its defined benefit pension scheme on 1 January 2017 and this resulted in a gain that reduced operating costs by NOK 53 million. A recalculation of the pension costs for 2016 resulted in a cost of NOK 12 million in Sparebanken Hedmark. Furthermore, a total of NOK 22 million accrued in merger costs in the first quarter, NOK 11 million of which was linked to severance pay.

74 per cent of the Sparebanken Hedmark Group's total lending, including loans transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, is loans for the retail market, primarily consisting of mortgages.

The corporate market portfolio has no exposure to the oil and gas industry and is otherwise characterised by low risk.

In the first quarter, the group booked net reversals on loan losses of NOK 26 (costs of 9) million. The net receipts on losses were primarily due to a NOK 27 (0) million reduction in group write-downs.

### Credit risk

The total group write-downs to cover net loan loss provisions amounted to NOK 235 (121) million and represented 0.28 (0.27) per cent of gross lending.

The loan loss provision ratio, measured as total individual write-downs of NOK 153 (151) million in relation to total non-performing and other impaired loans of NOK 479 (479) million, was 32 (31) per cent at the end of the first quarter.

Credit quality, measured as total problem commitments in relation to total lending, improved significantly compared with the corresponding period last year. In total, the Group's problem commitments amounted to 0.5 (0.9) per cent of gross commitments on its balance sheet and 0.4 (0.7) per cent if one includes loans transferred to the covered bond companies. The improvement in credit quality is due to both the consolidation of Bank 1 Oslo Akershus AS's balance sheet and positive development in the loan portfolio.

### Equity certificates

The equity share capital consists of 106,202,540 equity certificates with a nominal value of NOK 50 per certificate. The equity certificates are owned by Sparebanken Hedmark Sparebankstiftelse (75.08 per cent), the Norwegian Confederation of Trade Unions (LO) and affiliated trade unions (14.95 per cent), Samarbeidende Sparebanker AS (5.12 per cent), SpareBank 1 Nord-Norge (1.61 per cent), SpareBank 1 SMN (1.61 per cent), and SpareBank 1 SR-Bank ASA (1.61 per cent).

The book value per equity certificate (Group) at the end of the first quarter was NOK 75.50 and earnings per equity certificate was NOK 1.73.

## Assets and funding

Total assets amounted to NOK 101.9 (57.2) billion at the end of the first quarter. Total business capital, defined as total assets plus loans transferred to the covered bond companies, amounted to NOK 138.7 (75.0) billion.

Gross lending to customers, inclusive of loans transferred to the covered bond companies, totalled NOK 121.7 (62.2) billion. At the end of the first quarter, loans totalling NOK 35.5 (17.3) billion had been transferred to SpareBank 1 Boligkreditt AS and loans totalling NOK 1.3 (0.6) billion had been transferred to SpareBank 1 Næringskreditt AS. Retail customer loans transferred to the retail loan covered bond company as a percentage of the overall retail customer loans (loans on its balance sheet and transferred loans) was 39.3 (40.8) per cent.

Lending growth for the last 12 months, inclusive of transferred loans, was 9.0 (9.2) per cent in the Parent Bank Sparebanken Hedmark. Bank 1 Oslo Akershus AS's lending growth was 9.7 (11.4) per cent.

Customer deposits totalled NOK 62.8 (33.7) billion. Deposit growth was 6.4 (8.4) per cent in the Parent Bank Sparebanken Hedmark and 9.5 (15.0) per cent in Bank 1 Oslo Akershus AS. The deposit coverage ratio in the Group was 73.9 (76.0) per cent.

Borrowing from financial institutions and senior securities issued totalled NOK 25.5 (13.5) billion. The average term to maturity of the Group's long-term funding was 3.6 (3.8) years. The average term to maturity for all borrowing was 3.2 (3.3) years. The average risk premium on the Group's borrowing portfolio, exclusive of subordinated loans and hybrid tier 1 capital, was 89 (79) basis points at the end of the quarter. The increase was primarily due to Bank 1 Oslo Akershus AS having higher borrowing costs than Sparebanken Hedmark. In addition to senior debt, the Group had NOK 1.2 (0.5) billion in outstanding subordinated loans

and NOK 0.4 (0.0) billion in outstanding hybrid tier 1 capital.

At the end of the quarter, the Group had enough reserves to maintain normal operations for 17 (18) months. The liquidity coverage ratio (LCR) was 92.5 (139.0) per cent. The change in LCR in the last 12 months was due to the Bank having adjusted to an expected statutory requirement of 100 per cent for LCR at the start of 2016. At the end of the first quarter of 2017, LCR has been adjusted to the current statutory requirement of 80 per cent.

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

## Financial strength and capital adequacy

The Group's equity amounted to NOK 12.4 (9.0) billion, which is equivalent to 12.1 (15.7) per cent of the balance sheet. The leverage ratio was 7.5 (9.2) per cent.

The Group's common equity Tier 1 capital ratio was 16.7 (16.9) per cent. The capital adequacy ratio was 19.3 (18.8) per cent.

The common equity Tier 1 capital ratio of 16.7 per cent represents a 0.2 percentage point decline from the fourth quarter of 2016. The decline was due to a combination of lending growth and a higher ownership share and consolidation of SpareBank 1 Kredittkort AS.

The Group's long-term capital target for core equity tier 1 capital is 16 per cent.

The profit for the year after expected tax and dividends is included in the capital adequacy calculation.

## Rating

Sparebanken Hedmark is rated A1 by Moody's Investor Service. The latest credit statement from Moody's (12 April) maintains the stable outlook rating.

# Sparebanken Hedmark – Parent Bank

## Results

Profit after tax was NOK 190 (158) million. Banking operations, defined as net interest income plus commissions and other operating income less operating costs and losses, achieved a profit before tax of NOK 180 (167) million. This was an improvement of 8 per cent. Net interest income and commissions from transferred loans to the covered bond companies increased by NOK 14 million. Net other operating income increased by NOK 6 million, operating costs increased by NOK 36 million, and net losses were NOK 29 million lower.

## Interest income and other operating income

Net interest income amounted to NOK 259 (244) million. Total net interest income amounted to NOK 297 (283) million, inclusive of commissions from loans and credit

transferred to part-owned companies (recognised as commissions) totalling NOK 38 (40) million. The NOK 14 million improvement is attributable to the NOK 15 million increase in net interest income due to growth and higher deposit margins, while lower commission rates for loans transferred to the covered bond companies made a negative contribution.

The net interest margin for loans on the balance sheet (exclusive of currency loans) was 2.63 (2.57) per cent. The lending margin was 2.38 (2.38) per cent and the deposit margin was 0.25 (0.19) per cent.

The interest margin for the retail market was 2.31 (2.37) per cent, and for the corporate market it was 3.10 (2.90) per cent.

The net margin for the portfolio transferred to SpareBank 1 Boligkreditt AS was 0.85 (0.91) per cent.

The net profit from financial assets and liabilities was NOK 46 (17) million. Please see note 7 "Net result from financial assets and liabilities".

#### Operating costs

Total operating costs amounted to NOK 211 (175) million and accounted for 51.2 (48.2) per cent of net income. The increase in operating costs is primarily due to NOK 10 million in accrued merger costs, NOK 2 million of which was linked to severance pay, as well as a recalculation of pension costs for 2016 of NOK 12 million. At the end of the quarter, the Parent Bank had 460 (470) full-time equivalents.

#### Net loan loss provisions

Net loan loss provisions amounted to NOK -26 (4) million. NOK 1 (3) million of the losses occurred in the retail market and NOK -27 (5) million in the corporate market, while NOK 0 (4) million was recognised as income in connection with the sale of a portfolio of loans with recorded losses. The change in group write-downs accounted for NOK -27 (0) million of total losses.

#### Loans and deposits

Gross lending to customers at the end of the first quarter totalled NOK 61.5 (56.4) billion, inclusive of loans worth NOK 18.5 (17.8) billion transferred to the covered bond companies. The Parent Bank's lending growth for the last 12 months, inclusive of loans transferred to the covered bond companies, was 9.0 (9.2) per cent.

Lending growth, inclusive of transferred loans, was 8.7 (8.4) per cent in the retail market and 9.6 (10.8) per cent in the corporate market. The risk profile of the Bank's credit portfolio is low and did not change in the last year.

Deposits from and liabilities to customers totalled NOK 35.9 (33.7) billion at the end of the quarter. The growth in deposits over the past 12 months was 6.4 (8.4) per cent. NOK 22.8 (21.9) billion of deposits came from the retail market, while NOK 13.1 (11.8) billion came from the corporate market.

#### Financial strength

The common equity Tier 1 capital ratio was 31.6 (23.5) per cent at the end of the quarter.

The Parent Bank's equity was NOK 10.6 (7.9) billion. The total equity in the Parent Bank amounted to 17.0 (14.0) per cent of the balance sheet at the end of the quarter.

## Subsidiary - Bank 1 Oslo Akershus AS, Group

The Bank 1 Oslo Akershus AS Group posted a profit after tax of NOK 111 (57) million. The increase was due to income recognition in connection with the closure of the defined benefit pension scheme, capital gains on securities, and increased net interest income. Reduced income from ownership interests pulled in the opposite direction.

The Group's return on equity was 13.0 per cent in the first quarter of 2017, compared with 7.3 per cent in the first quarter of 2016.

#### Interest income and other operating income

The first quarter's net interest income amounted to NOK 137 (120) million. The increase is due to lending growth and increased deposit margins. Seen in isolation, lower lending margins reduced net interest income.

Net interest income must be viewed in the context of commissions from SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. These commissions amounted to NOK 38 (37) million in the first quarter.

Net commissions and other operating income in the first quarter amounted to NOK 137 (126) million. The increase is primarily attributable to higher commissions from estate agency due to more units sold.

The net profit from financial investments at the end of the

first quarter was NOK 12 (10) million.

The change in value for financial assets was NOK 24 (-5) million. The gains on securities were primarily due to gains in the Bank's liquidity portfolio due to spread contractions.

Income from ownership interests decreased by NOK 26 million. The reduction was primarily attributable to a reduction in the profit share from SpareBank 1 Boligkreditt AS due to the profit being heavily affected by a negative change in value for basis swaps linked to its own borrowing. The reasons for this are twofold: the market price for new basis swaps has decreased and previously booked gains have been reversed in line with the maturity of the swaps.

#### Operating costs and losses on loans

Operating costs in the first quarter were NOK 142 (183) million. The reduction was due to lower personnel costs. These decreased because the Bank's defined benefit pension scheme was closed on 1 January 2017, which resulted in a gain of NOK 53 million. NOK 9 million has been recognised as severance pay costs in connection with the merger process.

The number of full-time equivalents at the end of the first quarter was 402 (412), which represents a reduction of 11 since the beginning of the year.

Net loan loss provisions show net receipts on losses of NOK 7 (0) million. Gross non-performing and impaired loans at the end of the first quarter amounted to NOK 56 (92) million. Measured against gross lending, this was 0.2 (0.3) per cent. Individual write-downs at the end of the first quarter amounted to NOK 13 (10) million. Group write-downs amounted to NOK 120 (107) million at the end of the first quarter.

### Loans and deposits

Lending to customers has grown by NOK 4.7 billion, or 9.7 per cent, to NOK 53.7 billion in the last 12 months. This is inclusive of loans transferred to the covered bond companies, which amounted to NOK 18.3 billion.

In the first quarter, lending to customers grew by NOK 0.7 billion to NOK 53.7 billion. NOK 0.4 billion of the growth came in the retail market, while the corporate market showed an increase of NOK 0.3 billion.

The ratio of loans between the retail market and the corporate market at the end of the first quarter was 82/18 (81/19) per cent, inclusive of loans transferred to the covered bond companies. Exclusive of these transferred loans, the ratio was 74/26 (71/29) per cent. The credit risk profile remained stable in the first quarter of 2017, with minimal effects on the credit risk parameters. The distribution of loans between the categories low and high probability of default is on a par with the levels at the end of beginning of the year.

At the end of the first quarter, customer deposits totalled NOK 26.9 (24.6) billion. This represents an increase of NOK 2.3 billion or 9.5 per cent.

Customer deposits increased by NOK 75 million in the first quarter. The growth was distributed as follows: NOK 329 million, equivalent to 2.3 per cent, in the retail market and a reduction of NOK 254 billion, equivalent to -2.0 per cent, in the corporate market. The on balance sheet deposit coverage ratio (deposits/loans) at the end of the first quarter was 76.0 (75.7) per cent. The deposit coverage ratio, inclusive of loans transferred to the covered bond companies, was 50.1 (50.2) per cent at the end of the first quarter.

## Subsidiaries - other

The financing company SpareBank 1 Finans Østlandet AS (95 per cent ownership interest) posted a profit after tax of NOK 28 (18) million. The financing company's gross loans at the end of the quarter totalled NOK 6.5 (5.8) billion. Gross lending growth over the past 12 months was 12.9 (15.5) per cent.

### Demerger

Bank 1 Oslo Akershus spun off the building "Youngstorget 5" into a separate company in the first quarter. At the end of the first quarter this was a subsidiary of Sparebanken Hedmark. The demerger was regarded as a simplified demerger under the Limited Liability Companies Act's rules and was carried out with tax continuity.

### Funding and financial strength

The bank's liquidity situation is good. New borrowing takes place through funding from the Parent Bank, Sparebanken Hedmark.

SpareBank 1 Boligkreditt AS is included in the Bank's CRD IV group from and including 1 January 2017 due to the provisions concerning "collaborative groups" in the Financial Institutions Act. The Bank has previously recognised this exposure as a deduction in capital. The change in how this ownership interest is treated has a significantly negative effect on the Bank's capital adequacy. Thus, while the Bank fulfils all of its capital requirements, including the buffer requirement, it is reporting a core equity tier 1 ratio below the Bank's internal target of at least 13.5 per cent. The reduction in the core equity tier 1 ratio is in line with the capital planning in Bank 1 Oslo Akershus AS and must be viewed in the light of the fact that the capital adequacy has been steered at a group level since Sparebanken Hedmark's acquisition of the bank.

The Group's capital adequacy ratio and Tier 1 capital ratio at the end of the first quarter were 17.4 (17.0) per cent and 14.6 (14.8) per cent, respectively. The common equity Tier 1 capital ratio was 12.6 (13.7) per cent. The group's primary capital was NOK 4.4 (3.1) billion. The increase is largely due to the fact that SpareBank 1 Boligkreditt AS is proportionally consolidated into the Group's capital adequacy from and including 1 January 2017. The bank group has previously deducted this ownership position.

A simplified audit has been conducted of the income statement and balance sheet in relation to the Regulations, which resulted in the half-year results after expected taxes and dividends being included in the capital adequacy.

SpareBank 1 Regnskapshuset Østlandet AS posted earnings of NOK 46 (45) million and achieved a profit after tax of NOK 2 (1) million.

The estate agency EiendomsMegler 1 Hedmark Eiendom AS posted earnings of NOK 23 (20) million and achieved a profit after tax of NOK 2 (1) million.



## Partly-owned companies

SpareBank 1 Gruppen AS (12.4 per cent ownership interest) achieved a consolidated profit after tax of NOK 362 (284) million. The return on equity was 18.5 (12.8) per cent.

SpareBank 1 Boligkreditt AS (20.3 per cent stake) is the alliance banks' joint retail loan covered bond company. The company posted a loss after tax of NOK -127 (105) million. The result for the first quarter was heavily affected by a negative change in value for basis swaps linked to its own borrowing. The reasons for this are twofold: the market price for new basis swaps has decreased and booked gains are reversed in line with the maturity of the swaps.

SpareBank 1 Næringskreditt AS (9.2 per cent stake) is the alliance banks' joint corporate loan covered bond company.

The company posted a profit after tax of NOK 21 (23) million.

SpareBank 1 Kredittkort AS (19.6 per cent stake) is the alliance banks' joint credit card company. The company posted a profit after tax of NOK 9 (34) million.

SpareBank 1 Mobilbetaling AS (21.2 per cent stake) is the alliance banks' joint mobile phone payment company. The company posted a loss after tax of NOK -27 (-30) million.

For more information about the accounts of the various companies, please see the interim reports available from the companies' own websites.

## Outlook

The upturn in the international economy in the second half of 2016 appears to have continued into 2017. During the first quarter of the year, the international financial markets were also characterised by optimism with relatively low volatility and rising share prices. However, oil prices fell towards the end of the period.

Economic activity in Norway remains lower than normal. A better international economic outlook combined with smaller negative contributions from oil investments have, however, engendered expectations of higher growth in the Norwegian economy as well. Norges Bank expects unemployment to fall slowly going forward, but low inflation is part of the reason why the central bank is still preparing for an expansive monetary policy.

Sparebanken Hedmark's home market comprises the counties of Hedmark, Oppland, Oslo and Akershus. The Interior Region, the counties of Hedmark and Oppland, has traditionally been less cyclically sensitive than other regions, in part due to industry in the region not being particularly exposed to the oil and gas industry. In recent years, growth in this region has outpaced growth in the rest of Norway. The activity in the capital region, with the counties of Oslo and Akershus, largely reflects the rest of the country, partly because the region accounts for a large proportion of the Norway's wealth creation. According to Norges Bank's regional network, economic growth in the Interior Region fell slightly at the beginning of 2017. However, Interior Region companies expected higher growth in activity in the next 6 months. The growth in activity in the capital region increased in the first months of the year and the companies in the regional network expect even higher growth going forward.

The rise in house prices slowed somewhat at the beginning of the year, due in part to the government's new Mortgage

Regulation of 1 January 2017. The Group is heavily involved in the mortgage market in the capital region. The rise in house prices in this region in the last year has appeared excessive. However, the Board believes that the Bank's lending practices reduce its vulnerability to any correction in the housing market. The Bank's prudent lending practices for housing purposes are reflected in a low proportion of problem loans and the fact that the Bank is operating well within the limits of the new Mortgage Regulation.

The Board believes the Group is well-positioned for further profitable growth, with a strong position in the Bank's traditional home market and good opportunities in the Bank's new growth areas. The future development of business will be based on continued cautious lending practices and coordinating the two merged banks into a larger, stronger unit. Based on its high capital adequacy, good liquidity situation and conservative loan portfolio, the Board believes that the Group is well-prepared should the macroeconomic trends deteriorate.

Sparebanken Hedmark and Bank 1 Oslo Akershus AS merged operations with effect from 1 April 2017. At its meeting on 30 March, the supervisory board of Sparebanken Hedmark agreed that the merged bank would be called SpareBank 1 Østlandet. The re-profiling of the bank will take place during 2017. The technical merger of the banks will take place in autumn 2017.

The Bank is planning to list on the stock exchange in the first half of June 2017, if market conditions are satisfactory. Listing will enable the Bank to take advantage of profitable growth opportunities in its market area and play an active role in future structural developments in the industry. At the same time, it will give the Bank an opportunity to offer ownership to customers, staff and investors.

# INCOME STATEMENT

Parent bank			(NOK million)	Notes	Group		
31.12.16	31.03.16	31.03.17			31.03.17	31.03.16	31.12.16
1 692	419	433	Interest income		787	472	2 494
689	176	175	Interest expenses		322	176	1 004
<b>1 003</b>	<b>244</b>	<b>259</b>	<b>Net interest income</b>		<b>464</b>	<b>297</b>	<b>1 490</b>
427	104	107	Commission income		277	123	830
28	7	7	Commission expenses		22	13	71
21	5	8	Other operating income		53	50	180
<b>420</b>	<b>102</b>	<b>107</b>	<b>Net commission and other income</b>		<b>308</b>	<b>160</b>	<b>939</b>
45		9	Dividends from other than group companies	7	9		46
369	80	75	Net profit from ownership interests	7	6	70	236
-122	-63	-38	Net profit from other financial assets and liabilities	7	-14	-63	-62
<b>293</b>	<b>17</b>	<b>46</b>	<b>Net income from financial assets and liabilities</b>		<b>0</b>	<b>7</b>	<b>220</b>
<b>1 714</b>	<b>363</b>	<b>412</b>	<b>Total net income</b>		<b>773</b>	<b>464</b>	<b>2 649</b>
162	91	116	Personnel expenses		232	148	573
38	9	10	Depreciation		21	11	65
320	75	85	Other operating expenses		184	94	565
<b>519</b>	<b>175</b>	<b>211</b>	<b>Total operating expenses before losses on loans and guarantees</b>		<b>437</b>	<b>253</b>	<b>1 203</b>
<b>1 195</b>	<b>188</b>	<b>200</b>	<b>Profit before losses on loans and guarantees</b>		<b>335</b>	<b>211</b>	<b>1 446</b>
47	4	-26	Losses on loans and guarantees	6	-26	9	75
<b>1 148</b>	<b>184</b>	<b>226</b>	<b>Profit/loss before tax</b>		<b>361</b>	<b>202</b>	<b>1 371</b>
186	26	36	Tax charge		88	33	271
<b>964</b>	<b>158</b>	<b>190</b>	<b>Results for the accounting period</b>		<b>274</b>	<b>169</b>	<b>1 100</b>
			Majority interests		273	168	1 095
			Minority interests		1	1	4
			Earnings per equity certificate (NOK)		1,73		6,95
			<b>Statement of comprehensive income according to IAS 1</b>				
<b>964</b>	<b>158</b>	<b>190</b>	<b>Results for the accounting year</b>		<b>274</b>	<b>169</b>	<b>1 100</b>
-71			Actuarial gains / losses on pensions				-52
18			Tax effect of actuarial gains / losses on pensions				12
			Share of other comprehensive income from associates and joint ventures				-7
<b>-54</b>	<b>0</b>	<b>0</b>	<b>Total items not reclassified through profit or loss</b>		<b>0</b>	<b>0</b>	<b>-46</b>
5	9	12	Change in value of financial assets available for sale		14	9	4
			Financial assets available for sale transferred to profit and loss on write-down due to permanent impairment of value				
			Financial assets available for sale transferred to profit and loss on realisation				
			Share of other comprehensive income from associates and joint ventures		-1		7
<b>5</b>	<b>9</b>	<b>12</b>	<b>Total items reclassified through profit or loss</b>		<b>-13</b>	<b>9</b>	<b>11</b>
<b>-47</b>	<b>9</b>	<b>12</b>	<b>Total profit and loss items recognised in equity</b>		<b>-13</b>	<b>9</b>	<b>-35</b>
<b>915</b>	<b>167</b>	<b>202</b>	<b>Total profit/loss for the accounting year</b>		<b>287</b>	<b>178</b>	<b>1 065</b>
			Majority share of comprehensive income		286	177	1 060
			Minority interest of comprehensive income		1	1	4

# BALANCE SHEET

Parent Bank			(NOK million)	Notes	Group		
31.12.16	Q1 2017	Q1 2017			Q1 2017	Q1 2016	31.12.16
<b>ASSETS</b>							
354	544	114	Cash and deposits with central banks		430	544	761
7 191	5 908	7 255	Loans to and receivables from credit institutions		1 462	888	1 335
41 762	38 351	42 785	Loans to and receivables from customers	5,6	84 523	44 050	82 537
5 630	6 262	4 891	Certificates, bonds and fixed-income funds	10	8 425	6 261	9 776
349	507	336	Financial derivatives	9,10,11	786	507	810
321	303	346	Shares, units and other equity interests	10	419	303	747
1 681	2 457	1 681	Investments in associates and joint ventures		3 617	3 538	3 618
3 842	822	3 937	Investments in subsidiaries				
			Assets held for sale		5		5
304	315	304	Property, plant and equipment		586	345	587
102	102	83	Goodwill and other intangible assets		368	210	371
		18	Deferred tax asset				
338	335	789	Other assets	12	1 240	538	695
<b>61 873</b>	<b>55 935</b>	<b>62 540</b>	<b>Total assets</b>		<b>101 861</b>	<b>57 185</b>	<b>101 242</b>
<b>LIABILITIES</b>							
1 666	1 251	1 281	Deposits from and liabilities to credit institutions		1 558	1 250	1 654
36 259	33 708	35 882	Deposits from and liabilities to customers	13	62 782	33 675	63 070
12 404	11 743	13 724	Liabilities arising from issuance of securities	10,14	22 754	11 742	21 937
233	312	187	Financial derivatives	9,10,11	307	312	349
148	126	62	Current tax liabilities		117	135	247
10			Deferred tax liabilities		106	48	118
222	453	278	Other debt and liabilities recognised in the balance sheet	15	662	538	556
502	491	505	Subordinated loan capital	10,14	1 206	491	1 203
<b>51 443</b>	<b>48 083</b>	<b>51 918</b>	<b>Total liabilities</b>		<b>89 491</b>	<b>48 190</b>	<b>89 135</b>
<b>EQUITY CAPITAL</b>							
5 310	3 987	5 310	Equity certificates	17	5 310	3 987	5 310
520		520	Premium fund	17	520		520
974	503	974	Cohesion funds	17	974	503	974
3 313	3 015	3 307	Primary capital	17	3 307	3 015	3 313
33	46	29	Endowment fund	17	29	46	33
134	151	136	Fund for unrealised gains	17	136	151	134
148		148	Dividends	17	148		148
			Hybrid capital		400		400
	151	200	Other equity		1 498	1 253	1 229
			Minority interests		49	40	47
<b>10 430</b>	<b>7 853</b>	<b>10 622</b>	<b>Total equity capital</b>		<b>12 370</b>	<b>8 995</b>	<b>12 107</b>
<b>61 873</b>	<b>55 935</b>	<b>62 540</b>	<b>Total liabilities and equity capital</b>		<b>101 861</b>	<b>57 185</b>	<b>101 242</b>

The Board of Directors of SpareBank 1 Østlandet

Hamar, 4. May 2017

## Changes in equity capital

Parent Bank (NOK million)	Paid-up equity			Earned equity capital					Total equity capital
	Equity certificates	Premium fund	Primary capital	Cohesion fund	Endowment fund	Fund for unrealised gains	Other equity	Dividends	
<b>Equity capital at 1 January 2016</b>	<b>3 987</b>		<b>3 019</b>	<b>503</b>	<b>50</b>	<b>135</b>			<b>7 695</b>
Results for the accounting year						7	151		158
Actuarial gains after tax on pensions									0
Change revaluation reserve						9			9
Donations distributed from profit 2015			-6						-6
Grants from endowment fund in 2016					-4				-4
<b>Equity capital at 31 March 2016</b>	<b>3 987</b>	<b>0</b>	<b>3 015</b>	<b>503</b>	<b>46</b>	<b>151</b>	<b>151</b>	<b>0</b>	<b>7 853</b>
<b>Equity capital at 1 January 2016</b>	<b>3 987</b>		<b>3 019</b>	<b>503</b>	<b>50</b>	<b>135</b>			<b>7 695</b>
Equity certificates issued and transferred to owners	1 323	520							1 843
Results for the accounting year			316	506		-1		148	969
Actuarial gains after tax on pensions			-17	-35					-53
Change revaluation reserve						0			0
Donations distributed from profit 2015			-6						-6
Grants from endowment fund in 2016					-18				-18
<b>Equity capital at 31 December 2016</b>	<b>5 310</b>	<b>520</b>	<b>3 313</b>	<b>974</b>	<b>33</b>	<b>134</b>	<b>0</b>	<b>148</b>	<b>10 430</b>
<b>Equity capital at 1 January 2017</b>	<b>5 310</b>	<b>520</b>	<b>3 313</b>	<b>974</b>	<b>33</b>	<b>134</b>	<b>0</b>	<b>148</b>	<b>10 430</b>
Equity certificates issued and transferred to owners									0
Results for the accounting year						-10	200		190
Change revaluation reserve						12			12
Donations distributed from profit 2016			-6						-6
Grants from endowment fund in 2017					-4				-4
<b>Equity capital at 31 March 2017</b>	<b>5 310</b>	<b>520</b>	<b>3 307</b>	<b>974</b>	<b>29</b>	<b>136</b>	<b>200</b>	<b>148</b>	<b>10 622</b>

Group (NOK million)	Paid-up equity			Earned equity capital							Total equity capital
	Equity certificates	Pre-mium fund	Primary capital	Cohesion funds	Endowment fund	Fund for unrealised gains	Other equity	Dividends	Hybrid capital	Minority interests	
<b>Equity capital at 1 January 2016</b>	<b>3 987</b>		<b>3 019</b>	<b>503</b>	<b>50</b>	<b>135</b>	<b>1 023</b>				<b>8 718</b>
Results for the accounting year						7	162			1	170
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss											
Change revaluation reserve						9					9
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss											
Adjusted equity in associated companies and joint ventures							70				70
Change in shareholding in Group companies										39	39
Donations distributed from profit 2015			-6								-6
Grants from endowment fund in 2016					-4						-4
<b>Equity capital at 31 March 2016</b>	<b>3 987</b>	<b>0</b>	<b>3 015</b>	<b>503</b>	<b>46</b>	<b>151</b>	<b>1 253</b>	<b>0</b>	<b>0</b>	<b>40</b>	<b>8 995</b>

Group	Paid-up equity			Earned equity capital							Total equity capital	
	Equity certificates	Pre-mium fund	Pri-mary capital	Cohe-sion funds	En-dow-ment fund	Fund for unrealised gains	Other equity	Divi-dens	Hybrid capital	Minority interests		
(NOK million)												
<b>Equity capital at 1 January 2016</b>	<b>3 987</b>		<b>3 019</b>	<b>503</b>	<b>50</b>	<b>135</b>	<b>1 023</b>				<b>0</b>	<b>8 718</b>
<b>OB Correction: correction of previous years' errors in joint ventures</b>							<b>73</b>					<b>73</b>
<b>Adjusted equity capital as at 1 January 2016</b>	<b>3 987</b>	<b>0</b>	<b>3 019</b>	<b>503</b>	<b>50</b>	<b>135</b>	<b>1 096</b>				<b>0</b>	<b>8 791</b>
Equity certificates issued and transferred owners	1 323	520										1 843
Results for the accounting year			316	506		-7	130	148			4	1 100
Actuarial gains after tax on pensions			-17	-35			13					-39
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss							-7					-7
Change revaluation reserve						5						5
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss							11					11
Interest cost for hybrid capital in subsidiary							-13					-13
Reclassification of hybrid capital in subsidiary									400			400
Change in shareholding in Group companies											43	43
Donations distributed from profit 2015			-6									-6
Grants from endowment fund in 2016					-18							-18
<b>Equity capital at 31 December 2016</b>	<b>5 310</b>	<b>520</b>	<b>3 313</b>	<b>974</b>	<b>33</b>	<b>134</b>	<b>1 228</b>	<b>148</b>	<b>400</b>		<b>47</b>	<b>12 107</b>
<b>Equity capital at 1 January 2017</b>	<b>5 310</b>	<b>520</b>	<b>3 313</b>	<b>974</b>	<b>33</b>	<b>134</b>	<b>1 228</b>	<b>148</b>	<b>400</b>		<b>47</b>	<b>12 107</b>
<b>OB Correction: correction of previous years' errors in joint ventures</b>							<b>-11</b>					<b>-11</b>
<b>Adjusted equity capital as at 1 March 2017</b>	<b>5 310</b>	<b>520</b>	<b>3 313</b>	<b>974</b>	<b>33</b>	<b>134</b>	<b>1 217</b>	<b>148</b>	<b>400</b>		<b>47</b>	<b>12 096</b>
Results for the accounting year						-10	283				1	274
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss												
Change revaluation reserve						12	2					14
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss												
Interest cost for hybrid capital in subsidiary							-4					-4
Reclassification of hybrid capital in subsidiary												
Change in shareholding in Group companies											1	1
Donations distributed from profit 2015			-6									-6
Grants from endowment fund in 2016					-4							-4
<b>Equity capital at 31 March 2017</b>	<b>5 310</b>	<b>520</b>	<b>3 307</b>	<b>974</b>	<b>29</b>	<b>135</b>	<b>1 498</b>	<b>148</b>	<b>400</b>		<b>49</b>	<b>12 370</b>

# Cash Flow Statement

Parent Bank			(NOK million)	Group		
31.12.16	Q1 2016	Q1 2017		Q1 2017	Q1 2016	31.12.16
11 442	1 816	3 094	This year's down-payment on repayment loans etc. to customers	8 276	2 461	24 740
			Change in advance rent leasing	4	41	15
-16 232	-3 053	-4 590	Newly discounted repayment loans etc. to customers for the year	-10 944	-3 847	-31 296
157	74	13	Change in balances of foreign currency lending	12	74	167
760	740	481	Change in balances of credits	704	739	650
1 314	322	352	Interest and commission income on lending	703	408	2 251
24	23	1	Included in previous years' realised losses on lending	9	24	33
			Net cash flow from assets held for sale			
<b>-2 535</b>	<b>-79</b>	<b>-649</b>	<b>Cash flow from lending operations (A)</b>	<b>-1 235</b>	<b>-100</b>	<b>-3 441</b>
1 201	-662	-442	Change in balances of deposits from customers at call	-316	-648	2 295
1 548	791	2	Change in balances of deposits from customers with agreed maturity dates	-80	791	1 503
-374	-37	-37	Interest payments to customers	-106	-37	-518
<b>2 375</b>	<b>93</b>	<b>-478</b>	<b>Cash flow from deposit operations (B)</b>	<b>-503</b>	<b>106</b>	<b>3 279</b>
517	-132	741	Net cash flow from certificates and bonds	1 351	-132	-540
-85	-31	-21	Cash flow linked to exchange rate gains / losses on certificates and bonds	-19	-31	-112
89	16	15	Interest received on certificates and bonds	29	16	120
<b>522</b>	<b>-148</b>	<b>735</b>	<b>Cash flow from investments in securities (C)</b>	<b>1 361</b>	<b>-148</b>	<b>-532</b>
-1 502	-241	-83	Change in receivables from credit institutions with agreed maturity dates	-289	-48	-44
150	39	35	Interest received on deposits in credit institutions	36	39	153
<b>-1 352</b>	<b>-201</b>	<b>-49</b>	<b>Cash flow from deposits in credit institutions (D)</b>	<b>-254</b>	<b>-9</b>	<b>110</b>
562	135	138	Other income	355	202	1 108
-766	-166	-201	Operating expenses payable	-393	-250	-1 500
-177	-79	-133	Tax payments	-186	-78	-181
-23	-9	-10	Donations	-10	-9	-23
			Contributions from the group			
-30	-16	-437	Net cash flow from change in other assets	-482	-38	61
-67	-23	-25	Net cash flow from change in accruals	-60	-106	-164
10	17	57	Net cash flow from change in other liabilities	165	30	520
<b>-491</b>	<b>-141</b>	<b>-611</b>	<b>Remaining cash flow from current operations (E)</b>	<b>-612</b>	<b>-249</b>	<b>-178</b>
<b>-1 482</b>	<b>-477</b>	<b>-1 051</b>	<b>CASH FLOW FROM OPERATIONS (A+B+C+D+E=F)</b>	<b>-1 243</b>	<b>-400</b>	<b>-762</b>
999	599	-371	Change in deposits from credit institutions	-75	616	467
2 901	543	2 204	Receipts arising from issuance of securities	2 204	531	2 901
-1 631	-439	-182	Payments arising from redemption of securities issued	-817	-439	-1 846
-492	-47	-755	Buy-back of own securities	-765	-47	-542
-261	-41	-67	Interest payments on financing	-117	-41	-336
<b>1 517</b>	<b>615</b>	<b>829</b>	<b>Cash flow from financing activities (G)</b>	<b>431</b>	<b>621</b>	<b>644</b>
-27	-9	-14	Investments in fixed assets and intangible assets	-22	-11	-43
		6	Sales of fixed assets and intangible assets at sales price	6		
-49	38	-22	Net cash flow from purchase and sale of equity interests	328	-2	-49
435	80	91	Share dividends from equity interests	11	38	371
<b>358</b>	<b>108</b>	<b>62</b>	<b>Cash flow from investments (H)</b>	<b>323</b>	<b>26</b>	<b>279</b>
-225			Liquidity effect of acquisition and sale of ownership interests (I)			-238
-95		-95	Liquidity effect from placements in subsidiaries (J)	1		5
<b>73</b>	<b>246</b>	<b>-255</b>	<b>CHANGE IN CASH AND CASH EQUIVALENTS (F+G+H+I+J)</b>	<b>-488</b>	<b>246</b>	<b>-71</b>
309	309	382	Cash and cash equivalents at 1 January (B1OA 100 % incl. for year 2016 and Q1 2017)	1 082	309	1 152
<b>382</b>	<b>555</b>	<b>127</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>594</b>	<b>555</b>	<b>1 082</b>
			Cash and cash equivalents comprise:			
354	544	114	Cash and deposits with central banks	430	544	759
28	11	14	Deposits etc. at call with banks	165	11	323
<b>382</b>	<b>555</b>	<b>127</b>	<b>Cash and cash equivalents at the end of the period (BOA1 100 % incl. for year 2016 and Q1 2017)</b>	<b>594</b>	<b>555</b>	<b>1 082</b>

# Results from the Quarterly Accounts

Group	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
(Isolated figures in NOK million)	2017	2016	2016	2016	2016	2015	2015	2015	2015
Interest income	787	786	765	472	472	481	497	492	501
Interest expenses	322	333	323	172	176	192	218	221	236
<b>Net interest income</b>	<b>464</b>	<b>452</b>	<b>442</b>	<b>300</b>	<b>297</b>	<b>289</b>	<b>280</b>	<b>271</b>	<b>265</b>
Commission income	277	275	295	137	123	129	132	130	123
Commission expenses	22	23	23	13	13	14	14	12	13
Other operating income	53	43	37	51	50	44	37	48	61
<b>Net commission and other income</b>	<b>308</b>	<b>295</b>	<b>310</b>	<b>175</b>	<b>160</b>	<b>159</b>	<b>155</b>	<b>166</b>	<b>171</b>
Dividends	9	0	1	45				1	7
Net profit from ownership interests	6	49	21	96	70	70	66	76	88
Net profit from other financial assets and liabilities	-14	17	30	-47	-63	33	142	5	26
<b>Net income from financial assets and liabilities</b>	<b>0</b>	<b>66</b>	<b>53</b>	<b>94</b>	<b>7</b>	<b>103</b>	<b>208</b>	<b>82</b>	<b>121</b>
<b>Total net income</b>	<b>773</b>	<b>813</b>	<b>804</b>	<b>569</b>	<b>464</b>	<b>551</b>	<b>643</b>	<b>519</b>	<b>557</b>
Personnel expenses	232	253	27	145	148	155	145	143	147
Depreciation	21	22	19	12	11	13	11	11	11
Other operating expenses	184	201	168	102	94	126	92	97	100
<b>Total operating expenses before losses on loans and guarantees</b>	<b>437</b>	<b>477</b>	<b>214</b>	<b>259</b>	<b>253</b>	<b>294</b>	<b>248</b>	<b>251</b>	<b>258</b>
<b>Profit before losses on loans and guarantees</b>	<b>335</b>	<b>337</b>	<b>590</b>	<b>310</b>	<b>211</b>	<b>260</b>	<b>395</b>	<b>268</b>	<b>299</b>
Losses on loans and guarantees	-26	43	3	20	9	18	-2	35	5
<b>Profit/loss before tax</b>	<b>361</b>	<b>294</b>	<b>587</b>	<b>289</b>	<b>202</b>	<b>242</b>	<b>397</b>	<b>233</b>	<b>294</b>
Tax charge	88	14	163	62	33	48	89	43	54
<b>Results for the accounting period</b>	<b>274</b>	<b>281</b>	<b>424</b>	<b>227</b>	<b>169</b>	<b>194</b>	<b>307</b>	<b>190</b>	<b>240</b>
<b>Profitability</b>									
Return on equity capital <sup>1)</sup>	9,3 %	9,6 %	15,0 %	9,0 %	7,7 %	8,9 %	14,7 %	9,5 %	12,5 %
Net interest income <sup>2)</sup>	1,85 %	1,79 %	1,75 %	1,53 %	2,09 %	2,08 %	2,05 %	2,08 %	2,13 %
Cost-income ratio <sup>3)</sup>	56,6 %	58,6 %	26,6 %	45,6 %	54,5 %	52,9 %	38,6 %	48,4 %	46,3 %
<b>From the balance sheet</b>									
Gross loans to customers	84 901	82 945	81 336	79 286	44 308	43 779	42 793	42 091	40 484
Gross loans to customers including loans transferred to covered bond companies <sup>4)</sup>	121 701	119 450	117 625	115 224	62 156	61 140	59 437	57 995	56 619
Lending growth during the last 12 months	91,6 %	89,5 %	90,1 %	88,4 %	9,4 %	9,6 %	9,1 %	10,0 %	9,8 %
Lending growth in last 12 months including loans transferred to covered bond companies	95,8 %	95,4 %	99,9 %	98,7 %	9,8 %	9,3 %	8,4 %	7,6 %	7,7 %
Deposits from customers	62 782	63 070	62 107	62 637	33 675	33 458	33 052	33 205	31 054
Deposit-to-loan ratio <sup>5)</sup>	73,9 %	76,0 %	76,4 %	79,0 %	76,0 %	76,4 %	77,2 %	78,9 %	76,7 %
Deposit growth during the last 12 months	86,4 %	88,5 %	87,9 %	88,6 %	8,4 %	7,7 %	4,7 %	3,6 %	3,7 %
Total assets	101 861	101 640	99 720	100 883	57 185	55 970	54 501	53 558	51 101
<b>Losses and commitments in default</b>									
Losses on loans as a percentage of gross loans	-0,0 %	0,1 %	0,1 %	0,1 %	0,1 %	0,2 %	0,0 %	0,3 %	0,1 %
Commitments in default as a percentage of total commitments	0,2 %	0,3 %	0,4 %	0,3 %	0,5 %	0,6 %	0,7 %	0,8 %	0,7 %
Other bad and doubtful commitments as a percentage of total commitments	0,3 %	0,3 %	0,2 %	0,3 %	0,4 %	0,5 %	0,4 %	0,5 %	0,5 %
Net defaulted and doubtful commitments as a percentage of total commitments <sup>6)</sup>	0,3 %	0,4 %	0,5 %	0,4 %	0,7 %	0,8 %	0,8 %	0,9 %	0,8 %
<b>Financial strength</b>									
Common equity Tier 1 capital ratio	16,7 %	16,9 %	17,5 %	16,0 %	16,9 %	17,2 %	17,1 %	17,0 %	15,3 %
Tier 1 Capital ratio	17,6 %	17,9 %	18,3 %	16,7 %	17,3 %	17,5 %	17,5 %	17,4 %	15,8 %
Capital adequacy ratio	19,3 %	20,3 %	20,2 %	18,6 %	18,8 %	19,1 %	18,8 %	19,0 %	17,6 %
Net subordinated capital	12 649	12 656	9 608	9 305	7 229	7 178	7 030	6 924	6 318

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

6) Liquidity Coverage Ratio; measures the size of bank's liquid assets in relation to net liquidity outflows 30 days ahead given a stress situation

# Notes to the accounts

## Note 1 Accounting principles

### Basis for preparation

The quarterly accounts for Sparebanken Hedmark cover the period 01.01 - 31.03.2017. The quarterly accounts have been prepared in accordance with IAS 34 Interim Financial Reporting, relevant IFRS standards and IFRIC interpretations.

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

The quarterly accounts do not contain all the information required in a full set of annual accounts and should be read in conjunction with the annual financial statements for 2016.

The group has applied the same accounting principles and calculation methods in this quarterly report as in the last annual report.

### Important accounting estimates and discretionary assessments

In drawing up the consolidated financial statements, group management applies estimates and discretionary assessments and makes assumptions that determine the effect of applying accounting principles. These will therefore affect reported amounts for assets and liabilities, income and expenses. The annual financial statements for

2016 provide more details of critical estimates and assessments in relation to the use of accounting principles in note 3.

### New standards and interpretations that have not yet been implemented

A series of new standards, changes to standards and interpretations need to be used in future financial accounts. IFRS 9 "Financial instruments", IFRS 15 "Revenue from contracts with customers" and IFRS 16 "Leases" are among the most significant standards that the group has chosen not to implement early.

The group has started preparations for the implementation of IFRS 9 and an assessment of its impact. The group has worked with models and clarifications around valuation, classifications etc. throughout 2016. The work with models and the assessment of financial consequences continues through 2017 so that the group will be ready for implementation by 01.01.2018. The group has considered the impact of IFRS 15 "Revenue from contracts with customers" and IFRS 16 "Leases", concluding that these will not have significant consequences.

There are no new standards or interpretations that have yet to come into effect that are expected to impact significantly the financial accounts of the group.

## Note 2 Changes in the composition of the group

### 2017

On 17 January 2017, Sparebanken Hedmark became the 100 per cent owner of the newly established company Youngstorget 5 AS after the assets and liabilities belonging to Bank 1 Oslo Akershus AS (B1OA) were spun off and transferred to the shareholder in B1OA. A reallocation of shares in SpareBank 1 Kredittkort AS pursuant to the shareholder agreement resulted in the Sparebanken Hedmark Group increasing its stake in the company from 18.9 per cent to 19.6 per cent with effect from 1 January 2017.

Sparebanken Hedmark and Bank 1 Oslo Akershus merged operations with effect from 1 April 2017. The merged bank will be called SpareBank 1 Østlandet.

### 2016

On 29 June 2016 Sparebanken Hedmark purchased the remaining 59.5 per cent of the shares in Bank 1 Oslo Akershus AS (B1OA). As a consequence, Sparebanken Hedmark owns 100 per cent of the shares in B1OA. B1OA was until 29 June 2016 classified as an associated company. From 29 June 2016 B1OA is classified as a wholly owned subsidiary.

On 01 January 2016, 5 per cent of the shares in SpareBank 1 Finans Østlandet AS were sold to SpareBank 1 Ringerike Hadeland. The company was a wholly-owned subsidiary of Sparebanken Hedmark.



## 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, real estate, financing, accounting and other activities.
- Real estate 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.
- Tax is calculated at 25 per cent for retail banking and corporate banking.

	Spare- banken Hedmark PM	Spare- banken Hedmark BM	Bank 1 Oslo Akershus AS konsern	SpareBank 1 Finans Østlandet	Eiendoms- Megler 1 Hedmark Eiendom	SpareBank 1 Regnskapshuset Østlandet	Unallocated activities	Total
<b>31 March 2017</b>								
<b>Income statement</b>								
Net interest income	138	130	137	73	0	0	-14	464
Net commission and other income	83	22	137	-9	23	46	6	308
Net return on financial investments	1		12				-14	0
Operating expenses*	133	51	142	21	20	43	27	437
<b>Profit before losses by segment:</b>	<b>90</b>	<b>100</b>	<b>144</b>	<b>44</b>	<b>3</b>	<b>3</b>	<b>-49</b>	<b>335</b>
Losses on loans and guarantees	1	-27	-7	7				-26
<b>Profit / loss per segment before taxes</b>	<b>89</b>	<b>127</b>	<b>152</b>	<b>37</b>	<b>3</b>	<b>3</b>	<b>-49</b>	<b>361</b>
Tax charge	22	32	41	9	1	1	-18	88
<b>Profit / loss after tax charge</b>	<b>67</b>	<b>95</b>	<b>111</b>	<b>28</b>	<b>2</b>	<b>2</b>	<b>-31</b>	<b>274</b>
<b>Balance sheet</b>								
Lending to customers	24 411	17 842	35 410	6 525			714	84 901
Individual loan write-downs	-28	-85	-13	-18				-143
Collective loan write-downs	-37	-58	-120	-21				-235
Other assets	94	4	6 751	181	58	147	10 104	17 338
<b>Total assets</b>	<b>24 440</b>	<b>17 703</b>	<b>42 028</b>	<b>6 667</b>	<b>58</b>	<b>147</b>	<b>10 818</b>	<b>101 861</b>
Deposits from and liabilities to customers	21 996	13 096	26 913				777	62 782
Other liabilities and equity	2 445	4 607	15 115	6 667	58	147	10 041	39 079
<b>Total equity and liabilities</b>	<b>24 440</b>	<b>17 703</b>	<b>42 028</b>	<b>6 667</b>	<b>58</b>	<b>147</b>	<b>10 818</b>	<b>101 861</b>
<b>31 March 2016</b>								
<b>Income statement</b>								
Net interest income	135	108		54			1	297
Net commission and other income	79	20		-6	20	45	3	160
Net return on financial investments							7	7
Operating expenses*	60	26		18	18	43	88	253
<b>Profit before losses by segment:</b>	<b>154</b>	<b>102</b>		<b>30</b>	<b>1</b>	<b>2</b>	<b>-78</b>	<b>211</b>
Losses on loans and guarantees	3	5		5			-4	9
<b>Profit / loss per segment before taxes</b>	<b>151</b>	<b>97</b>		<b>25</b>	<b>1</b>	<b>2</b>	<b>-74</b>	<b>202</b>
Tax charge	38	24		6	0	0	-36	33
<b>Profit / loss after tax charge per segment</b>	<b>113</b>	<b>73</b>		<b>19</b>	<b>1</b>	<b>2</b>	<b>-39</b>	<b>169</b>
<b>Balance sheet</b>								
Gross lending to customers	21 479	16 335		5 780			713	44 308
Individual loan write-downs	-28	-93		-15				-136
Collective loan write-downs	-27	-76		-18				-121
Other assets	113	3		74	55	146	12 743	13 134
<b>Total assets</b>	<b>21 538</b>	<b>16 169</b>		<b>5 820</b>	<b>55</b>	<b>146</b>	<b>13 457</b>	<b>57 185</b>
Deposits from and liabilities to customers	21 295	11 775					604	33 674
Other liabilities and equity	243	4 393		5 820	55	146	12 853	23 511
<b>Total equity and liabilities</b>	<b>21 538</b>	<b>16 169</b>		<b>5 820</b>	<b>55</b>	<b>146</b>	<b>13 457</b>	<b>57 185</b>

31 December 2016	Spare- banken Hedmark PM	Spare- banken Hedmark BM	Bank 1 Oslo Akershus AS	SpareBank 1 Finans Østlandet	Eiendoms- Megler 1 Hedmark Eiendom	SpareBank 1 Regnskapshuset Østlandet	Unallocated activities	Total
<b>Income statement</b>								
Net interest income	552	457	262	238		-1	-19	1 490
Net commission and other income	340	87	280	-29	99	158	4	939
Net return on financial investments	2		53				165	220
Operating expenses*	509	202	383	68	79	155	-193	1 203
<b>Profit before losses by segment:</b>	<b>385</b>	<b>343</b>	<b>212</b>	<b>142</b>	<b>19</b>	<b>2</b>	<b>343</b>	<b>1 446</b>
Losses on loans and guarantees	15	31	1	27				75
<b>Profit / loss per segment before taxes</b>	<b>370</b>	<b>311</b>	<b>211</b>	<b>115</b>	<b>19</b>	<b>2</b>	<b>343</b>	<b>1 371</b>
Tax charge	93	78	50	29	5		16	271
<b>Profit / loss after tax charge per segment</b>	<b>278</b>	<b>234</b>	<b>160</b>	<b>86</b>	<b>14</b>	<b>2</b>	<b>327</b>	<b>1 100</b>
<b>Balance sheet</b>								
Gross lending to customers	24 053	17 169	34 659	6 327			737	82 945
Individual loan write-downs	-28	-90	-13	-14				-145
Collective loan write-downs	-36	-87	-120	-20				-262
Other assets	102	1	8 324	165	55	144	9 913	18 704
<b>Total assets</b>	<b>24 091</b>	<b>16 994</b>	<b>42 850</b>	<b>6 458</b>	<b>55</b>	<b>144</b>	<b>10 650</b>	<b>101 242</b>
Deposits from and liabilities to customers	21 985	13 614	26 838				634	63 070
Other liabilities and equity	2 106	3 380	16 012	6 458	55	144	10 016	38 171
<b>Total equity and liabilities</b>	<b>24 091</b>	<b>16 994</b>	<b>42 850</b>	<b>6 458</b>	<b>55</b>	<b>144</b>	<b>10 650</b>	<b>101 242</b>

## Note 4 Capital Adequacy

Parent bank				Group		
Basel III 31.12.2016	Basel III 31.03.2016	Basel III 31.03.2017		Basel III 31.03.2017	Basel III 31.03.2016	Basel III 31.12.2016
5 310	3 987	5 310	Equity certificates	5 310	3 987	5 310
520		520	Cohesion funds	520		520
974	503	974	Equalisation fund	974	503	974
3 313	3 015	3 307	Primary capital	3 307	3 015	3 313
33	46	29	Endowment fund	29	46	33
134	151	136	Fund for unrealised gains	136	151	134
148		148	Dividends	148		148
			Hybrid capital	400		400
	151	200	Other equity	1 498	1 253	1 228
			Minority interests	49	40	47
<b>10 430</b>	<b>7 853</b>	<b>10 622</b>	<b>Total equity carried</b>	<b>12 370</b>	<b>8 994</b>	<b>12 106</b>
			<b>Tier 1 capital</b>			
		-173	Share of positive annual results that can not be included in Tier 1 capital	-224		
-148	-158	-113	Share of equity not included in Tier 1 capital	-500	-169	-604
			Minority interests that can be included in LET 1 capital	37	-9	36
43	-60	96	Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	96	-60	43
-102	-102	-100	Goodwill and other intangible assets	-368	-221	-371
-117	-159	-120	Positive value of expected losses under the IRB approach	-207	-181	-205
		-401	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	-214	-1 827	-452
			Adjustments in Tier 1 capital for regulatory filers			10
-10	-10	-10	Value adjustments due to the requirements for prudent valuation	-31	-13	-33
-155			Excess of deduction from AT1 items over AT1 Capital			
<b>10 095</b>	<b>6 808</b>	<b>10 201</b>	<b>Total common equity Tier 1 capital</b>	<b>10 960</b>	<b>6 514</b>	<b>10 530</b>
			<b>Additional Tier 1 capital</b>			
			Hybrid capital	563	162	619
	-155		AT1 instruments of financial sector entities where the institution does not have a significant investment			
			AT1 instruments of financial sector entities where the institution does have a significant investment		-32	
			Excess of deduction from T2 items over CET 1 Capital			
	155		Excess of deduction from AT1 items over CET 1 Capital			
<b>0</b>	<b>0</b>	<b>0</b>	<b>Total additional Tier 1 capital</b>	<b>563</b>	<b>130</b>	<b>619</b>

Parent Bank				Group		
Basel III	Basel III	Basel III		Basel III	Basel III	Basel III
31.12.2016	31.03.2016	31.03.2017		31.03.2017	31.03.2016	31.12.2016
			<b>Supplementary capital in excess of Tier 1 capital</b>			
500	500	500	Subordinated loan	1 254	784	1 524
	-211	-128	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	-128	-199	-17
			Excess of deduction from T2 items over AT1 Capital			
<b>500</b>	<b>289</b>	<b>372</b>	<b>Total supplementary capital</b>	<b>1 126</b>	<b>584</b>	<b>1 507</b>
<b>10 595</b>	<b>7 097</b>	<b>10 574</b>	<b>Net subordinated capital</b>	<b>12 649</b>	<b>7 229</b>	<b>12 655</b>
3 624	4 043	3 736	Corporates - SME	4 642	4 442	4 546
6 791	6 520	6 914	Corporates - Specialised Lending	10 957	8 431	10 628
532	684	527	Corporates - Other	770	757	768
847	929	815	SME exposure	1 081	962	1 104
5 997	6 429	5 998	Retail mortgage exposure	18 553	8 740	18 393
1 392	625	1 342	Other retail exposure	1 751	709	1 834
<b>19 183</b>	<b>19 229</b>	<b>19 332</b>	<b>Risk-weighted assets credit risk IRB</b>	<b>37 754</b>	<b>24 042</b>	<b>37 273</b>
10 505	7 303	10 575	Exposures calculated using the standardised approach	15 160	10 427	14 495
			Market risk			
162	219	149	CVA	722	272	452
2 253	2 253	2 253	Operational risk	3 702	3 702	3 702
			Basel 1 transitional floor	8 215		6 279
<b>32 104</b>	<b>29 004</b>	<b>32 309</b>	<b>Risk-weighted assets</b>	<b>65 554</b>	<b>38 443</b>	<b>62 201</b>
<b>2 568</b>	<b>2 320</b>	<b>2 585</b>	<b>Capital requirements (8%)</b>	<b>5 244</b>	<b>3 075</b>	<b>4 976</b>
			<b>Buffer requirements</b>			
803	725	808	Conservation buffer (2.5%)	1 639	961	1 555
482	290	485	Countercyclical capital buffer (1.5 % as at Q1 2017, 1 % as at Q1 2016)	983	384	933
963	870	969	Systemic risk buffer (3%)	1 967	1 153	1 866
<b>2 247</b>	<b>1 885</b>	<b>2 262</b>	<b>Total buffer requirements for common equity (7 % as at Q1 2017, 6,5 % as at Q1 2016)</b>	<b>4 589</b>	<b>2 499</b>	<b>4 354</b>
<b>6 403</b>	<b>3 617</b>	<b>6 486</b>	<b>Available common equity (net minimum requirement of 11.5 % as at Q1 2017, 11 % as at Q1 2016)</b>	<b>3 421</b>	<b>2 286</b>	<b>3 377</b>
			<b>Capital adequacy ratio</b>			
<b>31,4 %</b>	<b>23,5 %</b>	<b>31,6 %</b>	Common equity Tier 1 capital ratio	<b>16,7 %</b>	<b>16,9 %</b>	<b>16,9 %</b>
<b>31,4 %</b>	<b>23,5 %</b>	<b>31,6 %</b>	Tier 1 Capital ratio	<b>17,6 %</b>	<b>17,3 %</b>	<b>17,9 %</b>
<b>33,0 %</b>	<b>24,5 %</b>	<b>32,7 %</b>	Capital adequacy ratio	<b>19,3 %</b>	<b>18,8 %</b>	<b>20,3 %</b>

## Note 5 Loans to and receivables from customers

Parent Bank				Group		
31.12.2016	31.03.2016	31.03.2017		31.03.2017	31.03.2016	31.12.2016
			<b>Loans by type of receivable</b>			
			Financial leasing	2 943	2 579	2 854
9 884	10 206	8 942	Overdraft facilities and operating credits	12 199	10 197	13 417
1 153	853	1 611	Building loans	2 020	840	1 491
30 885	27 436	32 363	Repayment loans	67 575	30 601	65 017
81	80	77	Accrued interest	164	91	165
<b>42 003</b>	<b>38 575</b>	<b>42 993</b>	<b>Gross loans to and receivables from customers</b>	<b>84 901</b>	<b>44 308</b>	<b>82 945</b>
241	224	207	Write-downs	379	257	408
<b>41 762</b>	<b>38 351</b>	<b>42 785</b>	<b>Loans to and receivables from customers</b>	<b>84 523</b>	<b>44 050</b>	<b>82 537</b>
			<b>Loans by type of market</b>			
24 653	22 042	24 964	Private customers	54 244	24 527	53 421
17 346	16 527	18 024	Corporate	30 441	19 583	29 331
4	6	4	Public sector	216	198	193
<b>42 003</b>	<b>38 575</b>	<b>42 993</b>	<b>Gross loans to and receivables from customers</b>	<b>84 901</b>	<b>44 308</b>	<b>82 945</b>
241	224	207	Write-downs	379	257	408
<b>41 762</b>	<b>38 351</b>	<b>42 785</b>	<b>Loans to and receivables from customers</b>	<b>84 523</b>	<b>44 050</b>	<b>82 537</b>

Parent Bank				Group		
31.12.2016	31.03.2016	31.03.2017		31.03.2017	31.03.2016	31.12.2016
27 033	24 158	27 345	Private customers	58 106	26 644	57 269
166	175	151	Public sector	406	370	407
4 776	4 402	4 870	Primary industries	5 200	4 666	5 102
202	373		Paper and pulp industries	17	392	218
938	893	1 189	Other industry	1 504	1 242	1 236
2 447	1 491	3 035	Building and construction	4 056	2 185	3 429
237	256	220	Power and water supply	411	433	435
1 013	1 241	1 218	Wholesale and retail trade	1 890	1 634	1 660
325	183	320	Hotel and restaurants	590	197	627
8 805	8 444	8 843	Real estate	15 374	8 529	15 007
1 819	2 208	1 540	Commercial services	4 624	2 833	5 275
364	323	468	Transport and communications	1 672	1 268	1 518
57	17		Other	550	25	255
<b>48 181</b>	<b>44 164</b>	<b>49 199</b>	<b>Total commitments by sector and industry</b>	<b>94 401</b>	<b>50 418</b>	<b>92 437</b>

Parent Bank				Group		
31.12.2016	31.03.2016	31.03.2017		31.03.2017	31.03.2016	31.12.2016
24 653	22 042	24 964	Private customers	54 244	24 527	53 421
4	6	4	Public sector	216	198	193
4 102	3 680	4 082	Primary industries	4 412	3 929	4 428
202	297		Paper and pulp industries	17	313	218
542	564	853	Other industry	1 129	819	801
831	832	2 125	Building and construction	3 038	1 437	1 684
214	226	213	Power and water supply	404	383	407
791	850	814	Wholesale and retail trade	1 388	1 171	1 332
188	166	208	Hotel and restaurants	462	180	476
8 283	7 969	8 110	Real estate	14 275	8 035	14 157
1 917	1 682	1 289	Commercial services	3 404	2 193	4 356
220	244	331	Transport and communications	1 442	1 098	1 287
56	17		Other	469	25	187
<b>42 003</b>	<b>38 575</b>	<b>42 993</b>	<b>Total gross loans by sector and industry</b>	<b>84 901</b>	<b>44 308</b>	<b>82 945</b>

Parent Bank				Group		
31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
29	28	28	Private customers	41	35	41
14	9	14	Primary industries	14	9	14
1	1		Paper and pulp industries		1	1
16	5	17	Other industry	23	9	21
8	8	8	Building and construction	9	8	9
1	1	1	Power and water supply	1	1	1
16	21	13	Wholesale and retail trade	19	22	21
			Hotel and restaurants			
14	23	18	Real estate	19	25	14
20	25	11	Commercial services	11	25	20
		2	Transport and communications	5	2	4
<b>118</b>	<b>121</b>	<b>112</b>	<b>Total individual write-downs by sector and industry</b>	<b>143</b>	<b>137</b>	<b>146</b>

## Note 6 Losses on loans and guarantees

Parent Bank				Group		
31.12.2016	31.03.2016	31.03.2017		31.03.2017	31.03.2016	31.12.2016
1	2	-5	Change in individual write-downs in the period	-1	4	7
19		-28	Change in collective write-downs in the period	-27		22
16	5	5	Realised losses on commitments previously written down	8	8	40
34	20	2	Realised losses on commitments not previously written down	3	21	38
24	23	1	-Recoveries on loans and guarantees previously written down	9	24	33
<b>47</b>	<b>4</b>	<b>-26</b>	<b>Total losses on loans and guarantees</b>	<b>-26</b>	<b>9</b>	<b>75</b>

Parent Bank				Group		
31.12.2016	31.03.2016	31.03.2017		31.03.2017	31.03.2016	31.12.2016
134	134	128	Individual write-downs to cover losses on loans and guarantees at 1 January	156	147	147
20	5	5	Realised losses in the period on loans and guarantees previously written down individually	8	7	39
19	3	3	Reversal of write-downs in previous years	4	4	28
6	4	2	Increase in write-downs on commitments previously written down individually	4	4	9
28	5	1	Write-downs on commitments not previously written down individually	6	11	53
			Change in closing balances due to acquisition of Bank 1 Oslo Akershus			13
<b>128</b>	<b>135</b>	<b>123</b>	<b>Individual write-downs to cover losses on loans and guarantees at the end of period *)</b>	<b>153</b>	<b>151</b>	<b>156</b>

\*) Guarantee provisions are included under Other liabilities in the balance sheet, see Note 15.

Parent Bank				Group		
31.12.2016	31.03.2016	31.03.2017		31.03.2017	31.03.2016	31.12.2016
103	103	122	Collective write-downs to cover losses on loans and guarantees at 1 January	262	120	120
19		-28	Collective write-downs to cover losses on loans and guarantees in the period	-27	1	22
			Change in closing balances due to acquisition of Bank 1 Oslo Akershus			120
<b>122</b>	<b>103</b>	<b>95</b>	<b>Collective write-downs to cover losses on loans and guarantees</b>	<b>235</b>	<b>121</b>	<b>262</b>

Parent Bank				Group		
31.12.2016	31.03.2016	31.03.2017		31.03.2017	31.03.2016	31.12.2016
137	194	129	Gross defaulted commitments for more than 90 days	222	260	233
40	41	28	Individual write-downs on defaulted commitments	46	51	54
<b>97</b>	<b>153</b>	<b>101</b>	<b>Net defaulted commitments</b>	<b>176</b>	<b>208</b>	<b>179</b>
<b>29 %</b>	<b>21 %</b>	<b>21 %</b>	<b>Deposit ratio</b>	<b>21 %</b>	<b>20 %</b>	<b>23 %</b>
230	195	232	Gross problem commitments (not in default)	257	219	272
88	94	95	Individual write downs on problem commitments	107	100	101
<b>142</b>	<b>101</b>	<b>137</b>	<b>Net problem commitments</b>	<b>149</b>	<b>120</b>	<b>171</b>
<b>38 %</b>	<b>48 %</b>	<b>41 %</b>	<b>Deposit ratio</b>	<b>42 %</b>	<b>45 %</b>	<b>37 %</b>
<b>35 %</b>	<b>35 %</b>	<b>34 %</b>	<b>Total deposit ratio</b>	<b>32 %</b>	<b>31 %</b>	<b>31 %</b>

## Note 7 Net income from financial assets and liabilities

Parent bank			Group		
31.12.2016	31.03.2016	31.03.2017	31.03.2017	31.03.2016	31.12.2016
45		9	9		46
<b>45</b>	<b>0</b>	<b>9</b>	<b>9</b>	<b>0</b>	<b>46</b>
389	80	83	6	70	236
-20		-7			
<b>369</b>	<b>80</b>	<b>75</b>	<b>6</b>	<b>70</b>	<b>236</b>
21	10	12	29	10	35
15	-11	4	3	-11	21
36	-1	16	32	-1	55
-65	-97	-50	-41	-97	100
-87	26	-11	-24	26	-246
-151	-71	-61	-66	-71	-146
-41	8		7	8	-78
6	-2		-2	-2	54
1		2	2		1
13		1	2		29
16	3	5	10	3	24
<b>-122</b>	<b>-63</b>	<b>-38</b>	<b>-14</b>	<b>-63</b>	<b>-62</b>
<b>293</b>	<b>17</b>	<b>46</b>	<b>0</b>	<b>7</b>	<b>220</b>

## Note 8 Adjusted profit and loss group

Sparebanken Hedmark's acquisition of the remaining shares in Bank 1 Oslo Akershus AS was completed with accounting effect from 29 June 2016. The results from Bank 1 Oslo Akershus AS were in the first half of 2016 consolidated into the Group using the equity method with an ownership interest of 40.5 per cent. From and including the second half of 2016, the results from Bank 1 Oslo Akershus AS were fully consolidated into the accounts of Sparebanken Hedmark. The consolidation of the accounts of Bank 1 Oslo Akershus AS means that Sparebanken Hedmark's consolidated financial statements for the first quarter of 2017 are not directly comparable with the figures for the year before.

In order to present comparable figures for last year, we have prepared an adjusted consolidated income statement for the first quarter of 2016, which shows the consolidated profit as it would have been with 100 per cent ownership of Bank 1 Oslo Akershus AS from 1 January 2016. This adjusted income statement is an alternative performance measure (APM) which has been prepared in order to provide a more relevant basis for comparisons with last year.

The adjusted income statement was prepared by eliminating the profit share from the Bank 1 Oslo Akershus AS group in the "Net result from financial assets and liabilities" item. The profit share for the first quarter of 2016 that was eliminated was NOK 23.1 million. The remaining profit and loss items for the adjusted first quarter of 2016 were calculated by adding the reported first quarter of 2016 for Sparebanken Hedmark to the reported first quarter of 2016 for the Bank 1 Oslo Akershus AS group.

Group (NOK million)	Reported Q1- 2017	Reported Q1- 2016	Adjusted Q1- 2016
Interest income	787	472	757
Interest expenses	322	176	340
<b>Net interest income</b>	<b>464</b>	<b>297</b>	<b>416</b>
Commission income	277	123	255
Commission expenses	22	13	21
Other operating income	53	50	52
<b>Net commission and other income</b>	<b>308</b>	<b>160</b>	<b>287</b>
Dividends from other than group companies	9		1
Net profit from ownership interests	6	70	85
Net profit from other financial assets and liabilities	-14	-63	-91
<b>Net income from financial assets and liabilities</b>	<b>0</b>	<b>7</b>	<b>-6</b>
<b>Total net income</b>	<b>773</b>	<b>464</b>	<b>697</b>
Personnel expenses	232	148	244
Depreciation	21	11	18
Other operating expenses	184	94	174
<b>Total operating expenses before losses on loans and guarantees</b>	<b>437</b>	<b>253</b>	<b>436</b>
<b>Profit before losses on loans and guarantees</b>	<b>335</b>	<b>211</b>	<b>261</b>
Losses on loans and guarantees	-26	9	9
<b>Profit/loss before tax</b>	<b>361</b>	<b>202</b>	<b>253</b>
Tax charge	88	33	49
<b>Results for the accounting period</b>	<b>274</b>	<b>169</b>	<b>203</b>
Majority interests	273	168	203
Minority interests	1	1	1
<b>Statement of comprehensive income according to IAS 1</b>	<b>274</b>	<b>169</b>	<b>203</b>
Actuarial gains / losses on pensions			
Tax effect of actuarial gains / losses on pensions			
Share of other comprehensive income from associates and joint ventures			
<b>Total items not reclassified through profit or loss</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in value of financial assets available for sale			
Financial assets available for sale transferred to profit and loss on write-down due to permanent impairment of value			
Financial assets available for sale transferred to profit and loss on realisation	14	9	9
Share of other comprehensive income from associates and joint ventures	-1		
<b>Total items reclassified through profit or loss</b>	<b>13</b>	<b>9</b>	<b>9</b>
<b>Total profit and loss items recognised in equity</b>	<b>13</b>	<b>9</b>	<b>9</b>
<b>Total profit/loss for the accounting year</b>	<b>287</b>	<b>178</b>	<b>212</b>
Majority share of comprehensive income	286	177	211
Minority interest of comprehensive income	1	1	1

## Note 9 Financial derivatives

At fair market value through p & l account	Parent bank 31.03.17		
	Contract sum	Fair market value	
		Assets	Liabilities
<b>Foreign exchange instruments</b>			
Forward exchange contracts	692	7	7
Currency swap contracts	1 555	1	11
Total foreign exchange instruments	2 247	8	18
<b>Interest rate instruments</b>			
Interest rate swaps (incl. int. rate & currency)	10 879	328	169
Other interest rate contracts			
Total interest rate instruments	10 879	328	169
<b>Other financial derivatives</b>			
Guarantee liability - Eksportfinans ASA	20	0	0
<b>Total financial derivatives in MNOK</b>			
<b>Total currency instruments</b>	<b>2 247</b>	<b>8</b>	<b>18</b>
<b>Total interest rate instruments</b>	<b>10 879</b>	<b>328</b>	<b>169</b>
<b>Other financial derivatives</b>	<b>20</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>13 146</b>	<b>336</b>	<b>187</b>

At fair market value through p & l account	31.03.16		
	Contract sum	Fair market value	
		Assets	Liabilities
<b>Foreign exchange instruments</b>			
Forward exchange contracts	692	8	7
Currency swap contracts	1 947	9	1
Total foreign exchange instruments	2 639	17	8
<b>Interest rate instruments</b>			
Interest rate swaps (incl. int. rate & currency)	10 552	482	304
Other interest rate contracts	150	8	
Total interest rate instruments	10 702	490	304
<b>Other financial derivatives</b>			
Guarantee liability - Eksportfinans ASA	20	0	0
<b>Total financial derivatives in MNOK</b>			
<b>Total currency instruments</b>	<b>2 639</b>	<b>17</b>	<b>8</b>
<b>Total interest rate instruments</b>	<b>10 702</b>	<b>490</b>	<b>304</b>
<b>Total other financial instruments</b>	<b>20</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>13 361</b>	<b>507</b>	<b>312</b>

At fair market value through p & l account	31.12.16		
	Contract sum	Fair market value	
		Assets	Liabilities
<b>Foreign exchange instruments</b>			
Forward exchange contracts	558	6	8
Currency swap contracts	1 686	7	3
Total foreign exchange instruments	2 244	13	11
<b>Interest rate instruments</b>			
Interest rate swaps (incl. int. rate & currency)	10 970	334	222
Other interest rate contracts			
Total interest rate instruments	10 970	334	222
<b>Other financial derivatives</b>			
Guarantee liability - Eksportfinans ASA	20	2	0
<b>Total financial derivatives in MNOK</b>			
<b>Total currency instruments</b>	<b>2 244</b>	<b>13</b>	<b>11</b>
<b>Total interest rate instruments</b>	<b>10 970</b>	<b>334</b>	<b>222</b>
<b>Other financial derivatives</b>	<b>20</b>	<b>2</b>	<b>0</b>
<b>Total</b>	<b>13 234</b>	<b>349</b>	<b>233</b>



At fair market value through p & l account	Group 31.03.17		
	Contract sum	Fair market value	
		Assets	Liabilities
<b>Foreign exchange instruments</b>			
Forward exchange contracts	1 085	10	10
Currency swap contracts	2 692	2	25
Total foreign exchange instruments	3 777	12	35
<b>Interest rate instruments</b>			
Interest rate swaps (incl. int. rate & currency)	21 897	774	271
Other interest rate contracts			
Total interest rate instruments	21 897	774	271
<b>Other financial derivatives</b>			
Guarantee liability - Eksportfinans ASA	20	0	0
<b>Total financial derivatives in MNOK</b>			
<b>Total currency instruments</b>	<b>3 777</b>	<b>12</b>	<b>35</b>
<b>Total interest rate instruments</b>	<b>21 897</b>	<b>774</b>	<b>271</b>
<b>Other financial derivatives</b>	<b>20</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>25 695</b>	<b>786</b>	<b>307</b>

At fair market value through p & l account	31.03.16		
	Contract sum	Fair market value	
		Assets	Liabilities
<b>Foreign exchange instruments</b>			
Forward exchange contracts	692	8	7
Currency swap contracts	1 947	9	1
Total foreign exchange instruments	2 639	17	8
<b>Interest rate instruments</b>			
Interest rate swaps (incl. int. rate & currency)	10 552	482	304
Other interest rate contracts	150	8	
Total interest rate instruments	10 702	490	304
<b>Other financial derivatives</b>			
Guarantee liability - Eksportfinans ASA	20	0	0
<b>Total financial derivatives in MNOK</b>			
<b>Total currency instruments</b>	<b>2 639</b>	<b>17</b>	<b>8</b>
<b>Total interest rate instruments</b>	<b>10 702</b>	<b>490</b>	<b>304</b>
<b>Total other financial instruments</b>	<b>20</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>13 361</b>	<b>507</b>	<b>312</b>

At fair market value through p & l account	31.12.16		
	Contract sum	Fair market value	
		Assets	Liabilities
<b>Foreign exchange instruments</b>			
Forward exchange contracts	805	7	10
Currency swap contracts	2 076	19	7
Total foreign exchange instruments	2 881	26	18
<b>Interest rate instruments</b>			
Interest rate swaps (incl. int. rate & currency)	21 853	783	331
Other interest rate contracts	50		
Total interest rate instruments	21 903	783	331
<b>Other financial derivatives</b>			
Guarantee liability - Eksportfinans ASA	20	2	0
<b>Total financial derivatives in MNOK</b>			
<b>Total currency instruments</b>	<b>2 881</b>	<b>26</b>	<b>18</b>
<b>Total interest rate instruments</b>	<b>21 903</b>	<b>783</b>	<b>331</b>
<b>Total other financial instruments</b>	<b>20</b>	<b>2</b>	<b>0</b>
<b>Total</b>	<b>24 804</b>	<b>810</b>	<b>349</b>

## Note 10 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>Group</b>				
<b>31.03.2017 (incl B1OA)</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		786		786
- Bonds and certificates		8 425		8 425
- Fixed-rate loans			5 907	5 907
- Loans with interest-rate guarantees				0
Financial assets available for sale				
- Equity instruments	205		213	419
- Other financial assets (Visa Norge)			34	34
<b>Total assets</b>	<b>205</b>	<b>9 211</b>	<b>6 154</b>	<b>15 571</b>
<b>Liabilities</b>				
Financial assets at fair value through profit and loss				
- Derivatives		307		307
- Securities issued		19 492		19 492
- Subordinated loan capital		505		505
- Fixed-rate deposits		983		983
- Term deposit			56	56
<b>Total liabilities</b>	<b>0</b>	<b>21 287</b>	<b>56</b>	<b>21 343</b>
<b>31.3.2016 (without B1OA)</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		507		507
- Bonds and certificates		6 261		6 261
- Fixed-rate loans to customers		2 810		2 810
- Loans with interest-rate guarantees				0
Financial assets available for sale				
- Equity instruments	164		139	303
- Other financial assets (Visa Norge)			40	40
<b>Total assets</b>	<b>164</b>	<b>9 579</b>	<b>180</b>	<b>9 922</b>
<b>Liabilities</b>				
Financial assets at fair value through profit and loss				
- Derivatives		312		312
- Securities issued		11 743		11 743
- Subordinated loan capital		491		491
- Fixed-rate deposits from customers		150		150
- Term deposit			60	60
<b>Total liabilities</b>	<b>0</b>	<b>12 695</b>	<b>60</b>	<b>12 755</b>
<b>31.12.2016 (with B1OA)</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		808	2	810
- Bonds and certificates		9 776		9 776
- Fixed-rate loans to customers			5 913	5 913
- Loans with interest-rate guarantees	356			356
Financial assets available for sale				
- Equity instruments	188		203	391
- Other financial assets (Visa Norge)			32	32
<b>Total assets</b>	<b>544</b>	<b>10 585</b>	<b>6 150</b>	<b>17 279</b>
<b>Liabilities</b>				
Financial assets at fair value through profit and loss				
- Derivatives		349		349
- Securities issued		18 203		18 203
- Subordinated loan capital		502		502
- Fixed-rate deposits from customers		646		646
- Term deposit			107	107
<b>Total liabilities</b>	<b>0</b>	<b>19 700</b>	<b>107</b>	<b>19 807</b>

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

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

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

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

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

<b>31.12.16-31.03.17 (incl B1OA)</b>	<b>Fixed-rate loans to customers</b>	<b>Equity instruments</b>	<b>Derivatives</b>	<b>Term deposit</b>	<b>Other financial assets</b>	<b>Total</b>
Opening balance	5 913	203	2	-107	32	<b>6 043</b>
Investments in the period	244	9		-9		<b>244</b>
Sales / redemption in the period	-257		-3	61		<b>-199</b>
Gains / losses recognised through profit and loss	7		1			<b>8</b>
Gains / losses recognised directly against comprehensive income		1			2	<b>3</b>
Closing balance	5 907	213		-56	34	<b>6 098</b>
Gains / losses for the period included in the profit for assets owned on the balance sheet day	7		1			<b>8</b>
<b>31.12.15-31.12.16 (without B1OA)</b>		<b>Equity instruments</b>	<b>Derivatives</b>	<b>Term deposit</b>	<b>Other financial assets</b>	<b>Total</b>
Opening balance		139	-3	-61	40	<b>116</b>
Investments in the period						<b>0</b>
Sales / redemption in the period			3	1		<b>3</b>
Gains / losses recognised through profit and loss						<b>0</b>
Gains / losses recognised directly against comprehensive income						<b>0</b>
Closing balance		139		-60	40	<b>119</b>
Gains / losses for the period included in the profit for assets owned on the balance sheet day						<b>0</b>
<b>31.12.15-31.12.16 (incl B1OA)</b>	<b>Fixed -rates loans to Customers</b>	<b>Equity instruments</b>	<b>Derivatives</b>	<b>Term deposit</b>	<b>Other financial assets</b>	<b>Total</b>
Opening balance	5 447	199	-3	-61	71	<b>5 653</b>
Investments in the period	1 237	1		-47		<b>1 190</b>
Sales / redemption in the period	-692	-4	3	1		<b>-692</b>
Gains / losses recognised through profit and loss	-79	-1	3	0		<b>-77</b>
Gains / losses recognised directly against comprehensive income		8			-39	<b>-31</b>
Closing balance	5 913	203	2	-107	32	<b>6 043</b>
Gains / losses for the period included in the profit for assets owned on the balance sheet day	-79		3			<b>-77</b>

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.

**Specification of fair value, instruments classified in level 3:**

<b>31.03.2017 (incl B1OA)</b>	<b>Fixed-rate loans to Customers</b>	<b>Equity instruments</b>	<b>Derivatives</b>	<b>Term deposit</b>	<b>Other financial assets</b>	<b>Total</b>
Nominal value including accrued interest (fixed income instruments) / cost (shares)	5 836	160		-56	0	<b>5 940</b>
Fair value adjustment	71	54		0	34	<b>159</b>
<b>Closing balance</b>	<b>5 907</b>	<b>213</b>	<b>0</b>	<b>-56</b>	<b>34</b>	<b>6 098</b>

<b>31.03.2016 (excl. B1OA)</b>	<b>Equity instruments</b>	<b>Derivatives</b>	<b>Term deposit</b>	<b>Other financial assets</b>	<b>Total</b>
Nominal value including accrued interest (fixed income instruments) / cost (shares)	132		-60	0	72
Fair value adjustment	7		0	40	47
<b>Closing balance</b>	<b>139</b>	<b>0</b>	<b>-60</b>	<b>40</b>	<b>119</b>

<b>31.12.2016 (incl B1OA)</b>	<b>Loans with interest-rate guarantees</b>	<b>Equity instruments</b>	<b>Derivatives</b>	<b>Term deposit</b>	<b>Other financial assets</b>	<b>Total</b>
Nominal value including accrued interest (fixed income instruments) / cost (shares)	5 861	152		-107		<b>5 907</b>
Fair value adjustment	52	51	2	0	32	<b>137</b>
<b>Closing balance</b>	<b>5 913</b>	<b>203</b>	<b>2</b>	<b>-107</b>	<b>32</b>	<b>6 043</b>

**Sensitivity, instruments classified as level 3**

The valuation of fixed-rate loans to customers is based on the agreed rate with the customer. The loans are discounted by the current yield curve plus a discretionary market premium. An increase in the discount rate by ten basis points would have resulted in a negative change in fair value of MNOK 15. Equity instruments in Level 3 consists of the significant shareholdings in Oslo Kongressenter Folkets Hus BA (MNOK 56), Eksportfinans ASA (MNOK 77) and SpareBank 1 Markets AS (NOK 40 million). The valuation of the two former is based on the book value of their equity adjusted for surplus and deficit values. Based on valuation from 2010 and later broker reviews, it is considered to be significant added value in the property mass of the Oslo Convention Centre People's House (P/B 4.9). Based on an external valuation in connection with a demerger in 2012 and subsequent results, the value of Eksportfinans is considered to be substantially smaller (P/B 0.8). The value of the shareholding in SpareBank 1 Markets are based on valuation of the company in the accounts of majority shareholders as well as current issue price.

Derivatives in Level 3 is entirely a 1.3 percentage share of a portfolio hedge agreement with Eksportfinans ASA. The agreement secures Eksportfinans against further decreases in the portfolio from 29 February 2008 up to 1.5 billion. Any recovery of values relative to the nominal value accruing to participants in the portfolio hedge agreement as payment for the hedge. Eksportfinans performs monthly valuation of the hedging agreement based on the fair value of the underlying instruments.

The valuation of term deposits is based on the agreed rate with the customer. The contributions are discounted by the current yield curve plus a discretionary market premium reducing the discount rate by ten basis points would have resulted in an insignificant negative change in fair value of TNOK 22.

Other financial assets are entirely the Group's share of the remaining settlement for Visa Norway sale of Visa Europe Ltd to Visa Inc. This consists of an agreed cash consideration settled in 2019 as well as preference shares in Visa that will be converted into tradable shares no later than 2028. The valuation of the Group's assets is based on the closing exchange rates (EUR and USD), the share price of tradable Visa Inc stocks, purchase agreement conversion factor for the preference shares and the adopted settlement share of Visa Norway FLI to the member banks Sparebanken Hedmark and Bank 1 Oslo Akershus AS. The value of this record will change with the aforementioned assumptions.

## Note 11 Financial instruments and offsetting

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

The Bank has no financial instruments booked on a net basis in the financial 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 ten institutional counterparties. Reverse repurchase agreements are governed by GMRA agreements with counterparty. The Group has as at 31.03.2017 two GMRA agreements. The assets and liabilities below may be offset.

Parent bank	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)	
<b>31.03.2017</b>						
Derivatives as assets	336	0	336	-53	0	283
Derivatives as liabilities	-187	0	-187	53	89	-45
<b>31.03.2016</b>						
Derivatives as assets	507	0	507	-69	0	438
Derivatives as liabilities	-312	0	-312	69	127	-116
<b>31.12.2016</b>						
Derivatives as assets	349	0	349	-50	0	299
Derivatives as liabilities	-233	0	-233	50	136	-47
<b>Group</b>						
<b>31.03.2017 (incl B1OA)</b>						
Derivatives as assets	786	0	786	-113	-201	472
Derivatives as liabilities	-307	0	-307	113	121	-73
<b>31.03.2016 (without) B1OA)</b>						
Derivatives as assets	507	0	507	-69	0	438
Derivatives as liabilities	-312	0	-312	69	127	-116
<b>31.12.2016 (incl B1OA)</b>						
Derivatives as assets	810	0	810	-126	-201	483
Derivatives as liabilities	-349	0	-349	126	168	-54

## Note 12 Other assets

Parent bank				Group		
31.12.2016	31.03.2016	31.03.2017		31.03.2017	31.03.2016	31.12.2016
103	73	153	Capital payments into pension fund	153	73	103
17	16	19	Accrued income, not yet received	32	21	31
26	42	44	Prepaid costs, not yet incurred	187	41	138
193	205	574	Other assets	869	403	424
<b>338</b>	<b>335</b>	<b>789</b>	<b>Other assets</b>	<b>1 240</b>	<b>538</b>	<b>695</b>

## Note 13 Deposits from and liabilities to customers

Parent bank				Group		
31.12.2016	31.03.2016	31.03.2017		31.03.2017	31.03.2016	31.12.2016
21 998	20 598	22 058	Private customers	36 260	20 598	38 443
4 256	3 832	3 855	Public sector	4 363	3 832	4 699
941	1 051	1 025	Primary industries	1 036	1 051	950
103	93		Paper and pulp industries	5	93	107
670	504	741	Other industry	801	504	782
884	726	981	Building and construction	1 177	726	1 092
259	277	123	Power and water supply	124	277	262
782	754	760	Wholesale and retail trade	1 270	754	1 417
120	144	121	Hotel and restaurants	266	144	247
1 920	1 769	2 592	Real estate	4 554	1 769	3 794
4 006	3 681	3 164	Commercial services	11 242	3 648	10 071
305	272	463	Transport and communications	597	272	422
14	8		Other operations	1 086	8	784
<b>36 259</b>	<b>33 708</b>	<b>35 882</b>	<b>Total deposits by sector and industry</b>	<b>62 782</b>	<b>33 675</b>	<b>63 070</b>

## Note 14 Securities-related debt

### Parent bank

Changes in liabilities from issuance of securities	31.03.2017	Issued	Due / redeemed	Other changes	31.12.2016
Certificate-based debt, nominal value	0				0
Bond debt, nominal value	13 368	2 205	-300	-630	12 093
Subordinated loan capital, nominal value	500				500
Accrued interest	129			5	123
Adjustments	232			43	189
<b>Total debt raised through issuance of securities and subordinated loan capital, fair value</b>	<b>14 229</b>	<b>2 205</b>	<b>-300</b>	<b>-581</b>	<b>12 906</b>

Changes in liabilities from issuance of securities	31.03.2016	Issued	Due / redeemed	Other changes	31.12.2015
Certificate-based debt, nominal value	500				500
Bond debt, nominal value	10 878	550	-1 000	514	10 814
Subordinated loan capital, nominal value	500				500
Accrued interest	142			7	136
Adjustments	213			90	123
<b>Total debt raised through issuance of securities and subordinated loan capital, fair value</b>	<b>12 233</b>	<b>550</b>	<b>-1 000</b>	<b>611</b>	<b>12 073</b>

Changes in liabilities from issuance of securities	31.12.2016	Issued	Due / redeemed	Other changes	31.12.2015
Certificate-based debt, nominal value	0		-500		500
Bond debt, nominal value	12 093	2 904	-2 050	425	10 814
Subordinated loan capital, nominal value	500				500
Accrued interest	123			-12	136
Adjustments	189			66	123
<b>Total debt raised through issuance of securities and subordinated loan capital, fair value</b>	<b>12 906</b>	<b>2 904</b>	<b>-2 550</b>	<b>478</b>	<b>12 073</b>

### Group

Changes in liabilities from issuance of securities	31.03.2017	Issued	Due / redeemed	Other changes	31.12.2016
Certificate-based debt, nominal value	0				0
Bond debt, nominal value	21 984	2 205	-830	-589	21 199
Subordinated loan capital, nominal value	1 200				1 200
Accrued interest	235			14	221
Adjustments	540			21	520
<b>Total debt raised through issuance of securities and subordinated loan capital, fair value</b>	<b>23 960</b>	<b>2 205</b>	<b>-830</b>	<b>-555</b>	<b>23 140</b>

Changes in liabilities from issuance of securities	31.03.2016	Issued	Due / redeemed	Other changes	31.12.2015
Certificate-based debt, nominal value	500				500
Bond debt, nominal value	10 878	550	-1 000	514	10 814
Subordinated loan capital, nominal value	500				500
Accrued interest	142			7	136
Adjustments	213			90	123
<b>Total debt raised through issuance of securities and subordinated loan capital, fair value</b>	<b>12 233</b>	<b>550</b>	<b>-1 000</b>	<b>611</b>	<b>12 073</b>

Changes in liabilities from issuance of securities	31.12.2016	Issued	Due / redeemed	Other changes	31.12.2015
Certificate-based debt, nominal value	0		-500		500
Bond debt, nominal value	21 199	3 877	-3 345	12	20 654
Subordinated loan capital, nominal value	1 200				1 200
Accrued interest	221			-8	230
Adjustments	520			-66	586
<b>Total debt raised through issuance of securities and subordinated loan capital, fair value</b>	<b>23 140</b>	<b>3 877</b>	<b>-3 845</b>	<b>-63</b>	<b>23 170</b>

## Note 15 Other debt and liabilities

Parent bank			Group		
31.12.2016	31.03.2016	31.03.2017	31.03.2017	31.03.2016	31.12.2016
40	266	41	64	282	119
10	14	10	10	14	10
7	4	4	5	4	8
30	26	98	102	30	37
135	142	125	481	207	382
<b>222</b>	<b>453</b>	<b>278</b>	<b>662</b>	<b>538</b>	<b>556</b>
<b>Total other debt and liabilities recognised in the balance sheet</b>					

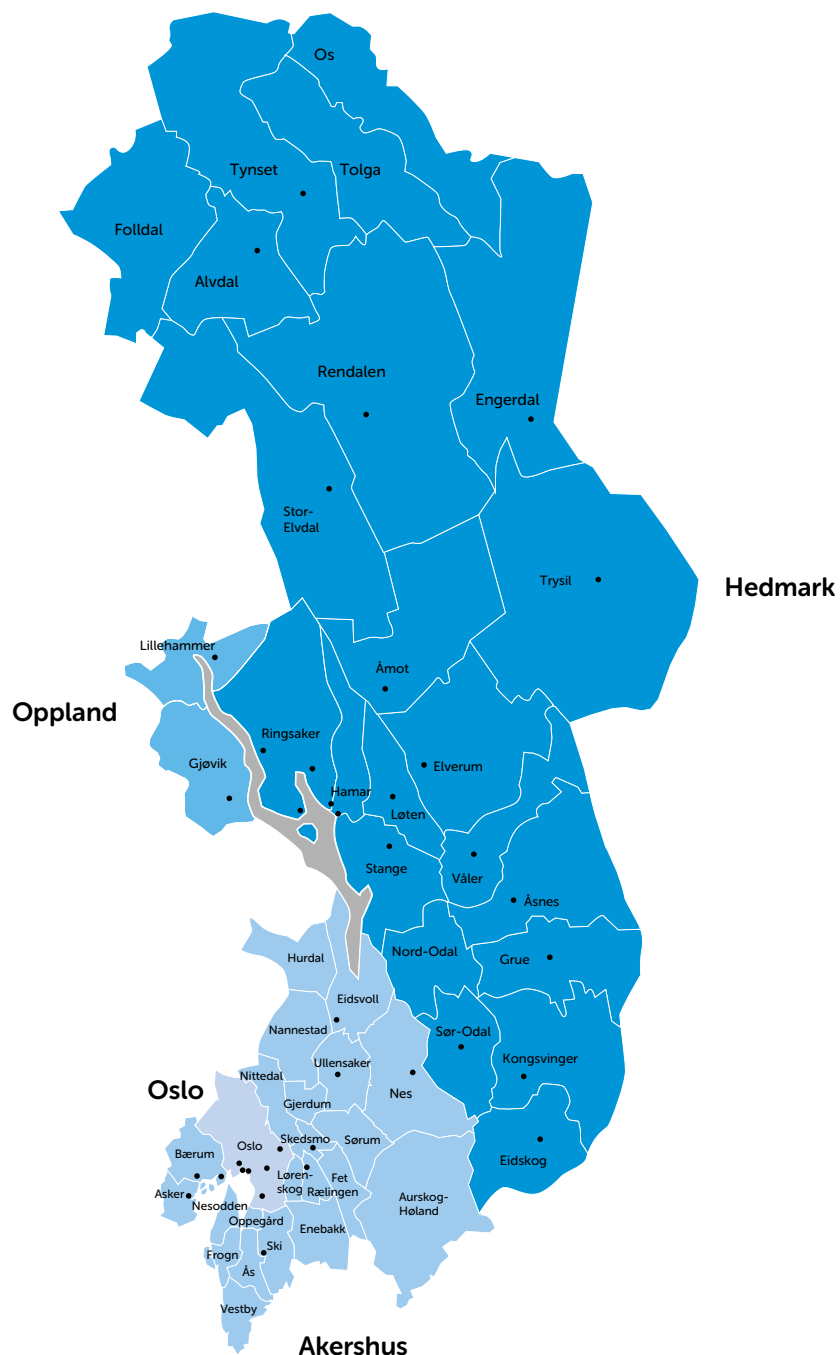
## Note 16 Equity capital certificates

Equity share capital per 31.03.17 consist of 106.202.540 equity certificates at NOK 50 each.

Parent bank	31.03.2017	31.12.2016
Equity capital certificates	5310	5 310
Dividend equalisation fund	974	974
Premium Fund	520	520
Fund for unrealised gains	91	90
<b>A. The equity capital certificate owners' capital</b>	<b>6 895</b>	<b>6 894</b>
Primary capital	3 307	3 313
Endowment fund	44	44
<b>B. Total primary capital</b>	<b>3 351</b>	<b>3 357</b>
Other equity	200	
Dividend declared	148	148
Endowment fund	29	33
<b>Total other equity</b>	<b>376</b>	<b>181</b>
<b>Total equity</b>	<b>10 622</b>	<b>10 430</b>
<b>Equity capital certificate ratio (A/(A+B))</b>	<b>67,3 %</b>	<b>67,3 %</b>
<b>Equity certificates issued</b>	<b>106 202 540</b>	<b>106 202 540</b>

Equity capital certificate ratio for distribution

Owner of equity certificates:	No. Of EC's	Share in %
Sparebanken Hedmark Sparebankstiftelse	79 740 000	75,08 %
Norwegian Confederation of Trade Unions (LO) and affiliated unions	15 881 965	14,95 %
Samarbeidende Sparebanker AS	5 438 749	5,12 %
SpareBank 1 Nord-Norge	1 713 942	1,61 %
SpareBank 1 SMN	1 713 942	1,61 %
SpareBank 1 SR-Bank ASA	1 713 942	1,61 %



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