2016

ANNUAL REPORT

Stronger together

Sparebanken HEDMARK

Stronger together. Sparebanken Hedmark and Bank 1 Oslo Akershus will merge in 2017. The overarching goal of the merger is *stronger together*. There is broad participation in the work on the merger in both banks. The photo is from a management meeting in Hamar in June 2016.

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In this annual report we have chosen to present photos taken in connection with the work on the merger in the Sparebanken Hedmark financial group.

Financial statement analysis

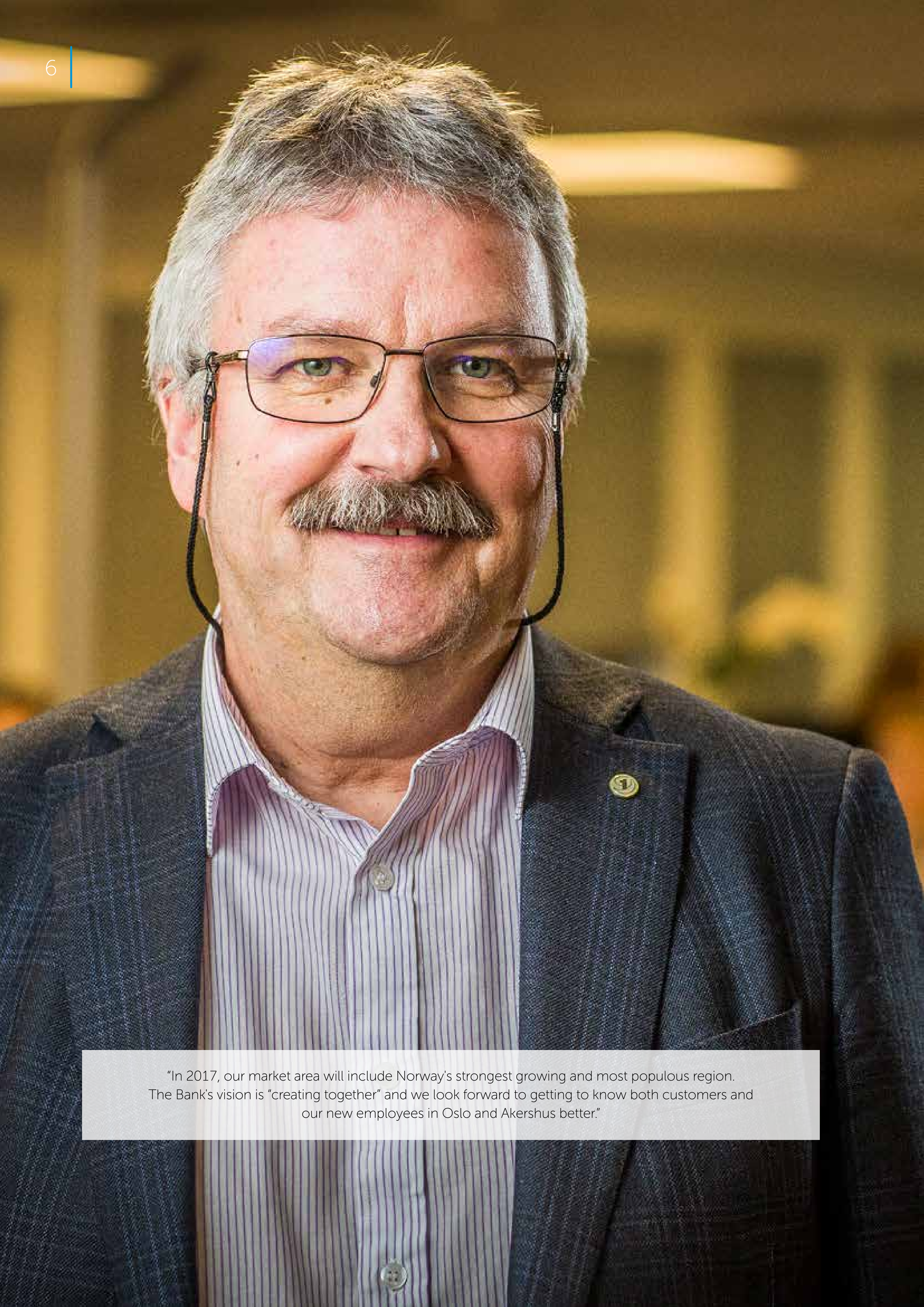
MAIN FIGURES GROUP

	Proforma 2016 [7]		2016 [8]		2015	
Result summary (NOK mill and % of average toal assets)	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Net interest income	1 739	1,77 %	1 490	1,79 %	1 105	2,08 %
Net commissions and other (non-interest) income	1 229	1,25 %	939	1,13 %	651	1,23 %
Net income from financial investments	207	0,21 %	220	0,26 %	514	0,97 %
Total income	**3 175**	**3,22 %**	**2 649**	**3,19 %**	**2 270**	**4,28 %**
Total operating costs expenses before losses on loans and guarantees	**1 573**	**1,60 %**	**1 203**	**1,45 %**	**1 051**	**1,98 %**
Profit before losses on loans and guarantees	**1 602**	**1,63 %**	**1 446**	**1,74 %**	**1 219**	**2,30 %**
Losses on loans and guarantees	86	0,09 %	75	0,09 %	56	0,11 %
Ptofit/loss before tax	**1 516**	**1,54 %**	**1 371**	**1,65 %**	**1 163**	**2,19 %**
Tax charge	312	0,32 %	271	0,33 %	233	0,44 %
Results for the accounting period	**1 204**	**1,22 %**	**1 100**	**1,32 %**	**930**	**1,75 %**
Minority interests	**4**	**0,00 %**	**4**	**0,00 %**	**0**	**0,00 %**
Profitability						
Return on equity capital before tax		13,5 %		13,1 %		14,3 %
Return on equity capital after tax		10,8 %		10,5 %		11,4 %
Return on equity capital of total result after tax		10,4 %		10,2 %		13,6 %
Total operating costs in relation to total income [1]		49,5 %		45,4 %		46,3 %
Total operating costs in relation to total income excl. net income from financial investments		53,0 %		49,5 %		59,8 %
From the balance sheet						
Gross loans to customers	82 945		82 945		43 779	
Gross loans to customers including loans transferred to covered bond companies [2]	119 450		119 450		61 140	
Deposits from customers	63 070		63 070		33 458	
Deposits from customers in relation to gross loans to customers (excl. loans transferred to covered bond companies [3]		76,0 %		76,0 %		76,4 %
Lending growth during the last 12 months				89,5 %		9,6 %
Lending growth during the last 12 months including loans transferred to covered bond companies		9,3 %		95,4 %		9,3 %
Deposits growth during the last 12 months		10,7 %		88,5 %		7,7 %
Total assets	101 240		101 240		55 971	
Total adjusted assets [4]	137 746		137 746		73 332	
Losses and commitments in default						
Losses on loans as a percentage of gross loans		0,1 %		0,1 %		0,1 %
Commitments in default as a percentage of total commitments		0,3 %		0,3 %		0,6 %
Commitments in default as a percentage of total commitments incl. loans transferred to covered bond companies		0,2 %		0,2 %		0,4 %
Other bad and doubtful commitments as a percentage of total commitments		0,3 %		0,3 %		0,5 %
Other bad and doubtful commitments as a percentage of total commitments incl. loans transferred to cover bond companies		0,2 %		0,2 %		0,4 %
Net commitments in default and commitments with loss provisions as a percentage of total commitments [5]		0,4 %		0,4 %		0,8 %
Financial strength						
Common equity Tier 1 capital ratio		16,9 %		16,9 %		17,2 %
Tier 1 capital ratio		17,9 %		17,9 %		17,5 %
Capital adequacy ratio		20,3 %		20,3 %		19,1 %
Net subordinated capital	12 656		12 656		7 179	
Equity ratio		12,0 %		12,0 %		15,6 %
Leverage Ratio		7,4 %		7,4 %		9,2 %
LCR [6]		116,6 %		116,6 %		120,8 %

MAIN FIGURES PARENT BANK

	2016		2015	
Result summary (NOK mill and % of average total assets)	**Kr**	**Prosent**	**Kr**	**Prosent**
Net interest income	1 003	1,70 %	880	1,73 %
Net commissions and other (non-interest) income	420	0,71 %	429	1,00 %
Net income from financial investments	293	0,50 %	472	0,61 %
Total income	**1 714**	**2,91 %**	**1 781**	**3,34 %**
Total operating costs	**519**	**0,88 %**	**743**	**1,51 %**
Result before losses	**1 195**	**2,03 %**	**1 038**	**1,84 %**
Losses on loans and guarantees	47	0,08 %	35	0,11 %
Result before tax	**1 148**	**1,95 %**	**1 003**	**1,73 %**
Taxation cost	186	0,31 %	207	0,33 %
Result after tax	**964**	**1,63 %**	**796**	**1,40 %**
Total assets	61 873		54 861	
Profitability				
Return on equity capital after tax		10,7 %		11,0 %
Total operating costs in relation to total income [1]		30,3 %		41,7 %
Total operating costs in relation to total income excl. net income from financial investments		36,5 %		56,8 %
Losses and commitments in default				
Losses on loans as a percentage of total commitments		0,1 %		0,1 %
Commitments in default as a percentage of total commitments		0,3 %		0,5 %
Commitments in default as a percentage of total commitments incl. loans transferred to covered bond companies [5]		0,2 %		0,4 %
Other bad debt and doubtful commitments as a percentage of total commitments		0,5 %		0,5 %
Other bad and doubtful commitments as a percentage of total commitments incl. loans transferred to covered bond companies [5]		0,3 %		0,4 %
Net commitments in default and bad and doubtful commitments as a percentage of total commitments		0,5 %		0,8 %
Financial strength				
Common equity Tier 1 capital ratio		31,4 %		24,1 %
Tier 1 capital ratio		31,4 %		24,1 %
Capital adequacy ratio		33,0 %		24,8 %
Net subordinated capital	10 595		7 047	
Equity ratio		16,9 %		14,0 %

1) Total operating expenses as a percentage of total operating income
2) Covered bond companies used are SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS
3) Deposit from customers as a percentage of gross loans to customers (excl. loans transferred to covered bond companies)
4) Total assets and loans transferred to the covered bond companies.
5) Net defaulted and doubtful commitments equals the sum of commitments in default and doubtful commitments minus individual write-downs
6) Liquidity Coverage Ratio; measures the size of bank's liquid assets in relation to net liquidity outflows 30 days ahead given a stress situation
7) Proforma consolidated displayed as it would be at 100 per cent ownership in Bank 1 Oslo Akershus from January 1, 2016, see note 44.
8) As a result of the acquisition of Bank 1 Oslo Akershus, ratios and comparative figures in the official accounts are not comparable with previous periods.



"In 2017, our market area will include Norway's strongest growing and most populous region. The Bank's vision is "creating together" and we look forward to getting to know both customers and our new employees in Oslo and Akershus better."

A solid bank that will almost double in size in Eastern Norway

Sparebanken Hedmark achieved its best annual results ever in 2016 with a profit after tax of NOK 1.1 billion. The Bank also continued its steady progress towards important strategic goals. In June, the Bank became the 100 per cent owner of Bank 1 Oslo Akershus AS (B1OA).

We are very satisfied with last year's group profit of NOK 1.1 billion and the return on equity of 10.5 per cent. The good results were due to improvements in a number of areas, including good underlying banking operations, good results in wholly and partly owned companies, and solid growth in commissions.

In the last twelve months, Sparebanken Hedmark has seen good customer growth, in part due to competing banks' restructuring. The Group has also enjoyed good growth in lending and deposits. Sparebanken Hedmark's losses remain very low and it is a rock-solid bank with NOK 12 billion in equity and a core equity tier 1 ratio of 16.9 per cent. In the autumn of 2016, Moody's upgraded the Bank's rating to A1.

B1OA has operated as a subsidiary of Sparebanken Hedmark since it was taken over in June. The two banks delivered a pleasing proforma profit[1] after tax of more than NOK 1.2 billion for 2016.

They will not operate under the same name and brand until the legal merger has been completed. This is planned for the beginning of April 2017. The merger's motto is "stronger together" and the goal is to become a powerful challenger in Eastern Norway.

The planning of the merger with B1OA was the subject of much focus in 2016 and involved a wide range of people. According to the plan, the banks will merge their IT solutions in October 2017. The goal is to coordinate the best parts from the two banks and extract synergy effects worth at least NOK 75 million.

The basis for the acquisition of B1OA was laid in 2014 when the Board recommended the conversion of Sparebanken Hedmark into an equity certificate bank to the Supervisory Board. The purpose was precisely to ensure that it had a tradable equity certificate so it could grow and take part in future structural processes. Sparebanken Hedmark Sparebankstiftelse was established in November 2015 and the savings bank foundation is now the Bank's largest owner. The plan is to list the Bank's equity certificate on the Oslo Stock Exchange in 2017, market conditions permitting.

One important innovation, both for the Bank and our customers, is that Sparebanken Hedmark will become the first, and so far only, bank in Norway to launch customer dividends from 2017. This will enable customers to secure an extra profit via their deposit and loan balances in the Bank. When the Bank lists on the stock exchange in 2017, the customers will also be able to become part-owners and in this way participate in our value creation by buying the Bank's equity certificates.

We have an exciting year ahead of us and are looking forward to completing both the merger and, in time, the listing on the stock exchange as well.

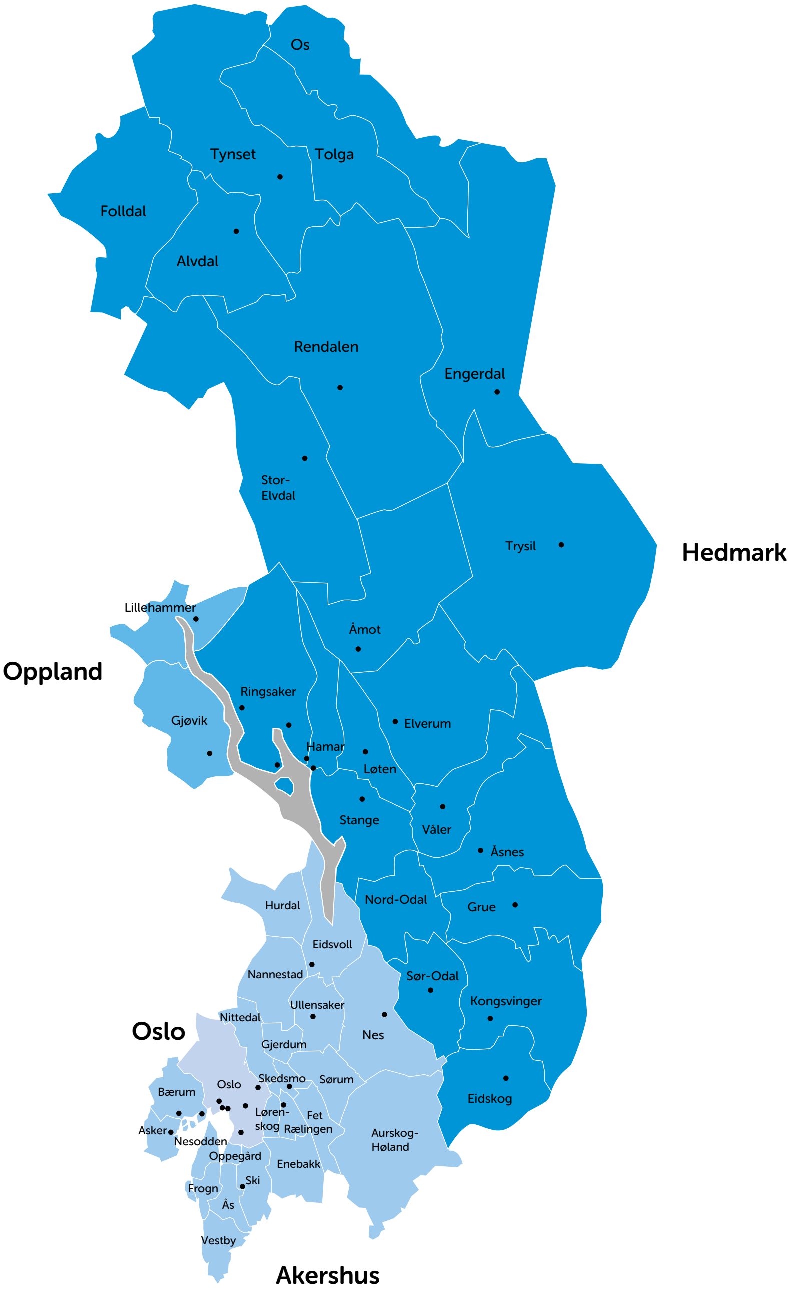
In 2017, our market area include Norway´s strongest growing and most populous area. The Bank's vision is "creating together" and we look forward to getting to know both customers and our new employees in Oslo and Akershus better.

I would like to thank our customers and employees for their good teamwork in 2016.

Richard Heiberg
chief executive officer

1 The results from B1OA were recognised in the consolidated accounts based on an ownership interest of 40.5 per cent for the first half of the year. From and including the second half of the year, the results from B1OA were fully recognised in the consolidated accounts. The consolidation of B1OA's accounts means that Sparebanken Hedmark's consolidated financial statements for the second half of 2016 are not directly comparable with the figures for the year before.

Our branches



Business concept

Sparebanken Hedmark wants to be the most attractive financial group in our market area.

We want to contribute to the growth and development of the community of which we are a part, based on good customer experiences and capable employees.

Values

Proficient, nearby and engaged are the Bank's core values,

and they indicate that we would like to be a professional partner that defines needs and finds solutions together with our customers. We also aim to be active and outgoing in our contact with customers.

Vision

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

Together we create positive customer experiences.

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

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

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

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

About Sparebanken Hedmark

Today, Sparebanken Hedmark is the leading provider of financial services to people, companies and the public sector in Hedmark. The Bank has also established branches in Gjøvik, Lillehammer and Årnes in Akershus, and in 2016 became the 100 per cent owner of Bank 1 Oslo Akershus.

Sparebanken Hedmark can trace its history back to 1845, when funds from local granaries, forest commons, local authorities and private individuals were pooled to found the first savings banks. The Bank is the result of mergers of formerly independent savings banks in Hedmark. Altogether, 22 local savings banks merged and evolved to become Hedmark's largest source of capital with its head office in Hamar. In the autumn of 2011, Sparebanken Hedmark moved into the neighbouring county and the Bank now has branches in both Gjøvik and Lillehammer. In 2016, Bank 1 Oslo Akershus became a wholly owned subsidiary of Sparebanken Hedmark.

Mainstay

Today, Sparebanken Hedmark is a mainstay of life in Hedmark with its many branches in 18 of the county's 22 municipalities. The financial group offers a wide range of products within loans, deposits, insurance, pensions, payment services, estate agency, accounting services, leasing and financing. As the leading financial group in our market area, we do our bit for growth and development through financing individuals and companies who want to see good ideas come to fruition. In this way, the Bank helps people build, live and work here.

Close to the market

Sparebanken Hedmark has a unique competitive advantage thanks to its 170 years of local knowledge. The Bank alone has a market share of 50 per cent and approximately 194,000 customers. The Parent Bank is also close to the market with around 460 full-time equivalents spread across 24 branches. The Group also includes the subsidiaries EiendomsMegler 1 Hedmark Eiendom AS, SpareBank 1 Finans Østlandet AS and SpareBank 1 Regnskapshuset Østlandet AS, which together have around 265 employees.

In April 2016, the Ministry of Finance approved Sparebanken Hedmark's acquisition of Bank 1 Oslo Akershus. The plan is for the two banks to merge in 2017. (See article on page 16.) The Bank is Norway's fourth largest savings bank where Sparebanken Hedmark Sparebankstiftelse owns 75,08 per cent, the SpareBank 1 banks 9,96 per cent, and the Norwegian Federation of Trade Unions (LO) 14,95 per cent.

The public can become part-owners

The Group's has equity of NOK 12.1 billion and pays around 20 per cent tax on its profit for the year. In 2015, the Group changed from being a self-owned financial institution without equity certificate holders to an equity certificate bank. This means that customers, employees and other investors can become parts-owners when the Bank lists on the Oslo Stock Exchange in 2017.

About Hedmark

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

Nature and recreation

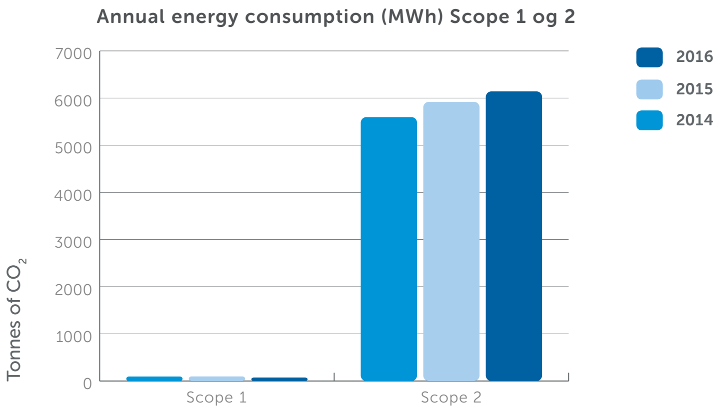
Hedmark has a wide variety of scenery ranging from farmland in the south, to vast forests in the east and mountains in the north. Large swathes of these mountains are protected. Norway's largest lake, Mjøsa, the country's largest freshwater island, Helgøya, Norway's longest river, Glomma, and Norway's highest mountain, Galdhøpiggen (2,469 metres above sea level), are important elements of our cultural landscape.

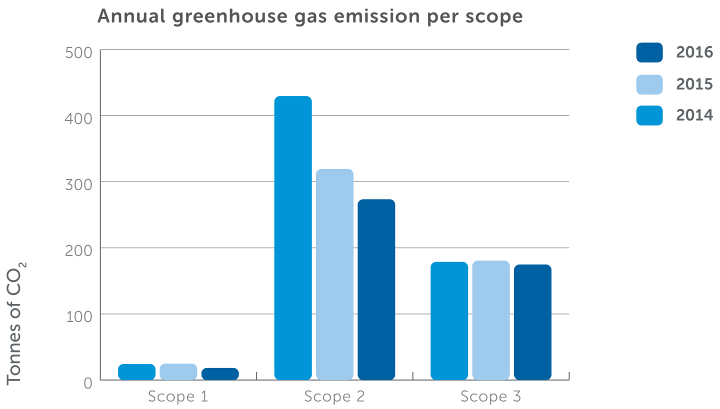
Part-owner of SpareBank 1

Sparebanken Hedmark is a part-owner of SpareBank 1 Gruppen AS (12,4 per cent). SpareBank 1 Gruppen is wholly owned by the SpareBank 1 banks and the Norwegian Federation of Trade Unions (LO). SpareBank 1 Banksamarbeidet delivers business platforms and common management and development services to the alliance banks as customers, and helps to ensure that joint development and activities provide the banks with economies of scale and competitive advantages. This partnership ensures the Bank competitive advantages through good branding and marketing concepts, efficient IT services, purchasing arrangements and skills sharing. Pooling our resources through our national alliance ensures local strength. This provides the Bank's customers outside Hedmark and Oppland with good services throughout the country since they can now use all of the SpareBank 1 Alliance's bank branches.

Climate Accounts for 2016

ENERGY AND CLIMATE INDICATORS	2016	16/15	2015	2014	2013
Total emissions (tonnes CO_2):	466.9	-11.1%	525.3	633	867
Total energy consumption scope 1 and 2 (MWh):	6,215.6	3.3%	6,016.3	5,691.0	6,400
Energy consumption per square metre (kWh/m²)	186.1	6.2%	175.2	165.6	193
CO_2 emissions per full time equivalent (tonnes CO_2/FTES):	1.0	-10.0%	1.1	1.4	1.9
CO_2 emissions by turnover (tonnes CO_2/NOK million):	0.3	-7.7%	0.3	0.4	1.4





REPORTING IN ACCORDANCE WITH THE GREENHOUSE GAS PROTOCOL

Scope 1: Direct emissions

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

Scope 2: Indirect emissions

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

Scope 3: Indirect emissions

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

Sustainability report 2016

In the last year, Sparebanken Hedmark has further reduced its CO_2 emissions, meaning that they have been almost halved in the last 5 years. As a socially responsible bank, we are also pleased to note that customer satisfaction is rising among both retail and corporate customers. The Bank also focused more strongly on sustainability and responsible investments in relation to our fund providers in 2016.

Corporate social responsibility (CSR) and sustainability are integral parts of the Bank´s operations and these responsibilities are expressed through the strategy, initiatives and activities the Bank plans and implements.

Background

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

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

Close to decisions

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

Sustainable operations

The Bank plays an important role in economic development and wants to be a model of good business practices, including as far as the environment, human resources and ethics are concerned. The goal of the financial group is to ensure that all business operations, investments and financial value creation take account of ethics, the environment, social factors, and labour and human rights. The Group should be known for its high ethical standards and good corporate governance.

Corporate social responsibility and sustainability are moving ever further up the social agenda. A special strategy for managing the Bank's corporate social responsibility was adopted in 2014 in order to comply with the authorities' new reporting requirements. A number of the Bank's governing documents were updated with reference to the adopted social strategy. This work will continue in 2017, at the same time as the social strategy is revised.

Responsible management

The Bank's liquidity strategy states that all investments must comply with the requirements and rules in the Group's "Corporate Social Responsibility Strategy". This means that the Bank does not invest in companies that are involved in the production of tobacco, pornography, anti-personnel mines or cluster bombs. Nor does it invest in companies in which developing and producing key components of weapons of mass destruction represent a significant part of their activities. Furthermore, the Bank will not invest in companies that contribute to gross or systematic violations of labour and human rights, such as forced labour and child labour. The Bank's investments must not contribute to serious environmental damage or corruption either.

Responsible management in fund providers

As far as mutual funds distributed by third-party providers are concerned, ethics and the environment are assessed when choosing fund providers and formally approving individual fund products. Such assessments are based on both the Bank's and the various providers' guidelines for corporate social responsibility/responsible investment. All of the Bank's fund providers have such guidelines and many of them have signed up to the UN's Principles for Responsible Investment (UN PRI). Sparebanken Hedmark conducts periodic reviews of providers in which corporate social responsibility is followed up. We maintained a closer dialogue with our fund providers in 2016 in relation to following up sustainable and responsible investments. This will also be the subject of greater focus in 2017.

Criteria for suppliers

Sparebanken Hedmark examines corporate social responsibility when signing its own major agreements. We comply with SpareBank 1 Gruppen's purchasing policy in agreements it signs on our behalf. This requires all purchasing agreements to include an appendix on corporate social responsibility. As a minimum suppliers must satisfy and comply with local, national and international laws, regulations and principles, including provisions concerning wages, working hours, HSE (health, safety and the environment), the environment and anti-corruption measures. Suppliers are obliged to act ethically in all circumstances in connection with production and deliveries for SpareBank 1. Suppliers must undertake not to use employees younger than 14. The same applies to the supplier's subcontractors and partners in connection with deliveries for us.

Environment

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

The Bank has certified all of its branches in line with the head office model and tightened up its source separation routines. The Group is constantly developing new products that reduce its impact on the environment. Online home mortgages, mobile banking, mCASH, SMS services and the digital distribution of letters and publications are measures that reduce the need for transport and paper consumption. One example of reduced paper consumption is the winding up of the "Det skjer i Hedmark" magazine from and including 2016. The magazine used to be distributed to 150,000 households twice a year. News is now communicated digitally via the konjunkturbarometer1.no website and the Bank's news centre.

It is an important principle that all companies, large and small, reduce their emissions and in this way contribute to preventing global warming of more than 2 degrees Celsius. Sparebanken Hedmark's total CO_2 emissions amounted to 467 tonnes and its energy consumption 6,215 MWh in 2016.

Employees rights and equal opportunities

Sparebanken Hedmark takes account of labour and human rights, basic social needs and nature's carrying capacity in its operations. Sparebanken Hedmark should be an attractive and inclusive workplace for employees of all ages and in all life phases. The Bank tries to facilitate a good balance between work, home and leisure. The financial group has initiatives that promote health and encourages its employees to be physically active. There is a good balance between the genders and the proportion of women in managerial positions in 2016 was 44 per cent. Sparebanken Hedmark seeks to avoid discrimination in all situations, including with respect to suppliers. The Bank makes special adaptations for employees who, because of illness, experience reduced capacity for work or who, for some other reason, require adaptation of their workplace and work tasks. In collaboration with the Norwegian Labour and Welfare Service (NAV), the Bank welcomes employees who need training and work experience.

Everyday ethics

Sparebanken Hedmark's operations depend on the confidence of customers, public authorities and society at large. Sparebanken Hedmark's employees should be known for their high ethical standards. We should be competent, honest, fair, and inspire confidence. We must be impartial and maintain the necessary professional distance in all of our interactions. The value creation should take place in line with good advisory practice and within limits that do not require the individual employee to violate the code of conduct in order to satisfy financial targets.

Part of the compulsory induction programme for new employees involves reviewing and discussing the code of conduct and all employees must confirm each year that they have reviewed and understood its contents. This is how the Bank ensures that ethics, impartiality, loyalty, anti-corruption and integrity remain on the agenda. The Group's code of conduct describes how employees should act in relation to gifts, customers and hospitality, as well as in other situations. We also have routines for reporting unacceptable situations and breaches of security.

An 'Ethics Week' involving the entire organisation is also arranged every year. This includes seminars, activities and discussions at both central and local levels. In 2016, Ethics Week focused on change and how the organisation and the individual tackle change processes. Change was a highly topical subject for the Bank in 2016 due to three factors: technological developments, the merger process with Bank 1 Oslo Akershus, and the future stock exchange listing.

Donations to non-profit organisations

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

Endowment fund

The Bank has a special endowment fund for major cultural, sporting, physical activity, research and education projects. In 2016, the fund made donations to the Science

Centre in Gjøvik and numerous sports and shooting teams. It also made funding available for the Norwegian feature film "Kongens nei". From 2018, grants will be awarded by Sparebanken Hedmark Sparebankstiftelse.

Sparebanken Hedmark's talent stipend scheme

The Bank's talent stipend scheme is intended to encourage young athletes and artists to develop their talent and commitment through training, education and expressing their creativity. The idea is to build pride, create good role models and highlight potential routes for developing talent. The talent stipend scheme is worth NOK 2 million, NOK 1 million for each of the two areas, art and sports. In 2016, 65 recipients received stipends of NOK 25,000, NOK 35,000 or NOK 50,000. In October, the Bank arranged a special motivational day and talent party in Hamar cultural centre.

Art stipends are restricted to the county of Hedmark, while sports stipends are awarded within the Bank's geographic area of operations, i.e. Hedmark, Oppland and the Municipality of Nes in Akershus. Applicants must be resident in this area or have other ties to it and belong to a sports team or club in the region. Sports stipends are awarded by a jury consisting of representatives of sports environments in Hedmark and Oppland, Olympiatoppen Interior Region and Sparebanken Hedmark. Art stipends are awarded by the board of Sparebanken Hedmark's Art Fund. The talent stipend scheme will be continued in the same manner in 2017 as well.

Sparebanken Hedmark's Art Fund

The board of the Art Fund distributed NOK 1 million in talent stipends to 29 young artists within art and sculpture (as described in the section above). The work on previously adopted art projects in Trysil, Engerdal, Eidskog and Tynset continues. A decision has been made to spend an extra NOK 439,000 on new and previously adopted projects. The works of art in Strandgateparken in Hamar and on the roundabout on classified road 3 by the Aukrust Centre in Alvdal were completed in 2016.

Business development

Active cooperation between the various actors in research, education and business is important for development of the region. In 2016, the Bank focused on entrepreneurship and entrepreneurs via the "Ønsker meg 1 bedrift" competition. In February and March, newly established businesses in Hedmark and Oppland could enter a competition for the best business idea. In June, three winners were each awarded NOK 50,000 and a bespoke follow-up programme.

In autumn 2016, Sparebanken Hedmark took part in the Interior Region's food award in collaboration with the Hedmark Bondelag farming association. Candidates for the award were nominated and voted for via Facebook. The award was presented to Louise Gjør at the "Midt i matfatet" food and farming festival in the Viking Ship sports arena in Hamar.

One of Sparebanken Hedmark's strategic goals is to be a source of socially useful information in Hedmark. The financial group therefore established the Interior Region's own Economic Barometer in 2013. This has been followed up with new editions every year since. The idea is to contribute factual information and insight that can stimulate growth and development in the Interior Region. In November 2016, the Bank launched a special website for the Economic Barometer, konjunkturbarometer1.no, in order to make the contents more accessible for everyone. The website is constantly updated with relevant reports from the business and industry in the region.

Customer focus equals high satisfaction

Sparebanken Hedmark always tries to improve its focus on customers in everything it does. We have defined three overarching customer and market goals:

- The customer shall experience relevant initiatives, accessibility and fast responses.
- The customer shall experience attractive solutions tailored to their needs.
- The customer shall view us as an expert and responsible social actor.

We have to work in a planned, systematic manner to create good customer experiences and further drive growth. Annual market plans act as the Bank's governing documents for this work.

We lay the foundation for success in our market work via a close dialogue with customers. Sparebanken Hedmark conducts several different customer and market surveys every year. These are carried out in collaboration with analysis companies and provide the Bank with good, fact-based insights. In 2016, the SpareBank 1 Alliance conducted the "customer relationship survey" – a wide-ranging customer survey that is carried out every second year. Both retail and corporate customers have given Sparebanken Hedmark high scores in these surveys for many years.

The 2016 results show Sparebanken Hedmark achieved a total customer relationship strength (average of satisfaction and loyalty) of 70 points in the retail market. This is regarded as a good level and is 8 points above the average for the SpareBank 1 Alliance as a whole. It also represents an increase of 4 points since the last survey in 2014. The Bank achieved good results in the corporate market as well, where customer relationship strength was measured at 69 points. This is also 8 points above the average for the SpareBank 1 Alliance as a whole and an increase of 3 points.

The Bank's stakeholders

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

Map of Sparebanken Hedmark's stakeholders

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

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

Factors that can affect reputation

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

Social accounting 2016

		2016	2015
Strategy/finances	Group strategy	Strategy implemented according to plan.	Strategy implemented according to plan.
	Development of CSR strategy	Incorporation in governing documents completed and revision of strategy started.	Incorporation in governing documents has started and will continue in 2016.
	Consolidated profit before tax (NOK millions)	1,371	1,163
	Consolidated total assets (NOK millions)	101,640	55,971
	Consolidated return on equity after tax	10.5%	11.4%
	Consolidated capital adequacy ratio	16.9%	17.2%
	Annual review and confirmation of the Bank's code of conduct	Completed	Completed
Community/social affairs	Number of full-time equivalents, incl. subsidiaries	1,173	728
	Number of full-time equivalents, Bank*	462	470
	Sick leave*	4.27%	4.00%
	Percentage of women*	56.3%	57%
	Percentage of women in managerial positions*	44.4%	43%
	Average age*	48 years	48 years
	Employee satisfaction, organisational survey*	Thermometer in connection with the merger completed with good results.	850, Voice Index
	Inclusive Workplace agreement*	Continued	Continued
	Average period of service*	17.3 years	17 years
	Number recruited, internally*	10	23
	Number recruited, externally*	9	36
	Turnover*	3.10%	2.50%
Donations	Awarded to art and culture	2,370,625	2,026,000
	Awarded to sports	2,623,368	2,443,000
	Awarded to humanitarian work	491,800	725,000
	Awarded to other	1,154,400	1,012,000
Endowment Fund	Awarded to art and culture	5,022,042	5,752,000
	Awarded to sports and physical activity	8,900,029	13,138,000
	Awarded to education/research	2,203,000	2,700,000
	Awarded to other	750,000	2,090,000
Sparebanken Hedmark's Art Fund	Awarded to art and culture	1,439,000	3,000,000
Business development	Awarded to innovative projects	Sparebanken Hedmark made no investments via its incubator fund in 2016, but focused on entrepreneurship and entrepreneurs via the competition "Ønsker meg 1 bedrift".	Sparebanken Hedmark made no investments via its incubator fund in 2015, but did conduct a marketing campaign called "Ønskermeg1" that focused on innovation.
	Economic Barometer.	Completed	Completed
Environment**	**See also separate Climate Accounts		
	Total greenhouse gas emissions (tonnes CO_2)	467	538
	Greenhouse gas emissions per full time equivalent, Parent Bank (tonnes of CO_2/FTES)	1	1.2
	Number of video conferencing rooms	42 (All also has Skype and video access for personal PCs.)	42 (All also has Skype and video access for personal PCs.)
	Number of branches with Eco-Lighthouse certification	24 (19 branches and 5 satellite branches have been Eco-Lighthouse certified.)	26 (19 branches and 7 satellite branches have been Eco-Lighthouse certified in line with the head office model.)

* Sparebanken Hedmark

The country's fourth largest savings bank

2016 was an unusual year for both Sparebanken Hedmark and Bank 1 Oslo Akershus. The banks became part of the same group during the year and a merger is planned for 2017.

The Ministry of Finance approved Sparebanken Hedmark's acquisition of Bank 1 Oslo Akershus in April 2016. All of the formalities were in place a mere two months later and Bank 1 Oslo Akershus became a wholly owned subsidiary of Sparebanken Hedmark.

The new bank group in Eastern Norway is one of the largest savings banks in Norway with almost 290,000 customers, almost 1,200 employees, 38 branches and business capital of more than NOK 138 billion. Sparebanken Hedmark's head office in Hamar became the headquarters of the new group.

The approval of the Ministry of Finance means that Bank 1 Oslo Akershus can operate as a subsidiary of Sparebanken Hedmark for a period of up to three years. The plan is to merge the banks in the course of 2017. The overall goal of the merger is STRONGER TOGETHER.

"Our vision of 'creating together' now has extra meaning in that we are building the new bank together. We are taking the best from two organisations and together we will be better equipped in the competition for customers. Together we are laying the foundation for what will be the largest merger in the banking industry since the establishment of DnB NOR in 2003," says the chief executive, Richard Heiberg.

There is broad participation in the work on the merger in both banks. Around 20 subprojects worked on planning the bank merger during the year. Two people from each specialist area in both banks sit in the subprojects to ensure a shared understanding of what will be continued in the merged bank and to build a shared corporate culture. The subprojects submitted their input concerning the future organisation of their areas of responsibility in the new bank in October.

Organisation, staffing, product coordination, new web pages, and a name for the new bank are some of the topics the subprojects will continue to work on in 2017. The legal merger is planned for 1 April, with the technical merger of the two banks scheduled for October 2017.

In October 2016, the employees of the banks were surveyed to test their attitudes towards the merger and give them a chance to provide feedback on their working day. The survey shows good results in most areas. The employees are satisfied with the information being provided and think the managers are good at communicating information about the merger to their staff. The survey also shows that there is very high level of commitment and good cooperation in the organisation.

The chief executive, Richard Heiberg, will have nine new executive directors on his management team. The new bank's executive management team was in place by the end of the year. They will take up their positions when the banks are merged in the spring of 2017.

The 2016 Economic Barometer

In November, Sparebanken Hedmark launched its Economic Barometer for the Interior Region for the fourth year in a row. The barometer differs from the previous editions by paying some attention to the future. This edition is called "The Interior Region – Scenarios 2030". Socio-economic analysis has been used to produce forecasts for four different scenarios involving the Interior Region. They were based on a number of assumptions: Whether or not we end up with a stricter climate agreement and how Norway tackles the changeover from oil and gas. The scenarios specify how these could affect the development of business and industry in the Interior Region in various ways.

This year we have launched a special website to make the Economic Barometer more accessible for everyone. Konjunkturbarometer1.no also contains relevant reports from business and industry.

"Jesper on the road" taught finances to 4,000 pupils

In January 2016, Jesper Foss hit the road as the Bank's own travelling personal finances teacher. The project is a collaboration between Sparebanken Hedmark and Young Entrepreneurs. Personal finances is not its own subject in school and the Bank wants to help create aware consumers. The aim is to make pupils understand that the choices they make today can have important consequences later on in life. Jesper offers the courses "Sjef i eget liv" ("Boss of Your Life") to pupils in upper secondary school and "Økonomi og karrierevalg" ("Economics and Career Choices") to lower secondary pupils. During the year, Jesper Foss visited 40 schools and taught almost 4,000 pupils. The project was such a success that it will be continued in 2017 as well.

Sparebanken Hedmark launches customer dividends

In the autumn of 2016, the Ministry of Finance gave its approval for Sparebanken Hedmark, as the first bank in Norway, to pay out annual customer dividends based on the Bank's profits. Sparebanken Hedmark will thus start paying dividends to its customers in the same way as it does to owners. The customers will automatically receive an annual amount based on the Bank's profit and how much they themselves have in savings and loans. The qualifying year starts in 2017. "The Bank's vision is 'creating together' and distributing customer dividends is in line with our basic values as a savings bank," says chief executive Richard Heiberg.

Named one of Norway's ten best workplaces

For the second year in a row, EiendomsMegler 1 Hedmark Eiendom AS was named one of Norway's ten best workplaces, this time in the medium-sized enterprises (50-249 employees) segment. The global consultancy and analysis institute Great Place to Work is behind the ranking. They assess several thousand workplaces, nationally and internationally, every year.

SpareBank 1 wins award for best customer service centre

In Norway's largest customer service centre survey, KSIndeks, SpareBank 1 won the award for best customer service centre in the category bank. All of the customer service centres in SpareBank 1 were tested, including Sparebanken Hedmark's. The awarded was presented in January.

Sparebanken Hedmark and the municipality of Løten first – again!

As the first in Norway, Sparebanken Hedmark and the municipality of Løten are the first to offer customers the chance to set up eBills and direct debits via the municipality's web pages. The municipality of Løten was also the first in Norway to offer its residents direct debits where Sparebanken Hedmark was the bank and service provider.

Sparebanken Hedmark lowers mortgage rates

Interest rates are historically low. In March, Sparebanken Hedmark decided to lower mortgage rates by up to 0.15 percentage points. This meant the lowest rate was 2.05 per cent for mortgages for young members of LO favør. Deposit rates were generally changed by 0.25 percentage points.

Q1

A LOOK 20

Q4

NOK 2 million awarded in talent stipends

In October, Sparebanken Hedmark's talent stipends for 2016 were awarded to 65 local talents in sports and culture. The Bank hopes the stipends will help build pride around individual performances, develop good role models, and result in positive associations for the region. This is the third time the Bank has awarded such stipends. The applicants were each awarded NOK 25,000, NOK 35,000 or NOK 50,000.

Sparebanken Hedmark raises rates

Sparebanken Hedmark raises its lending rates, generally by 0.10 percentage points. At the same time, we raised saving rates for young people's housing savings (BSU) and savings accounts for children and young people by 0.15 percentage points.

Moody's upgrades Sparebanken Hedmark to A1

The upgrade means that the Bank is regarded as financially important in our region, meaning that Moody's believes there is a moderate probability that the authorities would support the Bank in a crisis. In practice, such support would entail even greater security for all depositors and lenders in the Bank. "Being the best rated savings bank in Norway is without doubt an important mark of quality. One of the world's largest and most powerful rating agencies is saying that Sparebanken Hedmark is a very good bank. It would be difficult to get a better reference," says CFO Tore Anstein Dobloug. (Dobloug was made the chief executive of the Sparebanken Hedmark Sparebankstiftelse foundation on 1 December.)

BACK 16

Q2

Two branches co-located

Sparebanken Hedmark's branches in Folldal and Os were co-located with the branches in Alvdal and Tynset from 20 June. This was done following a comprehensive review of the resource situation at the branches in Nord-Østerdalen. The staff at the branches were also moved. The Bank is focusing heavily on the area and NOK 15 million was spent on refurbishing the branch in Tynset in 2015.

New student service launched

On 25 May, Sparebanken Hedmark launched completely new service based on a student account for students, apprentices and conscripts aged 18-33. The benefits of the student account include no annual fees for cards and no fees for cash point withdrawals.

Outsourcing tasks to digital assistants

Smart software was introduced at the same time as the Bank's new student service. Digital assistants administer new sign ups to the Bank's student programme and deregister leavers totally automatically. The digital assistants, that is the software, can only perform strictly regulated tasks for which they have been preprogrammed. The advantage of digital assistants is that routine tasks can be performed more cost-effectively and faster.

Our "radio economist" provides good advice in a series on NRK-P1

In April, Sparebanken Hedmark's financial adviser Nina Beate Paulsen debuted in a special radio series on personal finances on NRK P1 in Hedmark and Oppland. The series covers many relevant topics of financial interest to most people. There were more than 30 features during the year, which were also broadcast nationally on the P1+ DAB channel.

Acquisition of Bank 1 Oslo Akershus AS approved

The Ministry of Finance approved Sparebanken Hedmark's acquisition of the remaining shares in Bank 1 from the Norwegian Confederation of Trade Unions (LO), affiliated trade unions and the other SpareBank 1 banks. Bank 1 thus became a wholly owned subsidiary of the Sparebanken Hedmark Group.

Q3

Online bank's 20th anniversary

On 30 September, it was exactly 20 years since Sparebanken Hedmark launched Europe's first online bank. This received national media coverage in 1996. Ten years later, Sparebanken Hedmark was once again at the forefront of innovation, this time as one of the country's first banks with a mobile bank.

Archaeological treasure on display in the Bank

In September, more than 150 years after the Åkerspenna was found in Åker Farm outside Hamar it returned home for the first time. The belt buckle dating from 500-600 AD is normally on permanent display at the Museum of Cultural History in Oslo. When the buckle returned to its home region it was, for security reasons, put on display in Sparebanken Hedmark's premises. Several hundred people, including many school classes, came to view the buckle.

Partner in the feature film "Kongens nei"

The Norwegian feature film "Kongens nei" covers three dramatic days in Norway's history. When the German army invaded Norway in April 1940, the Royal Family fled to Hedmark. Here King Haakon had to make a difficult choice. The action largely takes place in Hedmark and it is an important film for the region and its identity. Sparebanken Hedmark was one of the film's main local partners.

Report of the board of directors

Following the acquisition of Bank 1 Oslo Akershus AS in 2016, Sparebanken Hedmark is now Norway fourth largest savings bank. The Bank is the only regional financial institution with its head office in the Interior Region.

Sparebanken Hedmark is the country's soundest regional savings bank. At year end, its equity ratio was 12.0 per cent and its core equity tier 1 ratio was 16.9 per cent.

Sparebanken Hedmark is the leading financial institution in Hedmark and Oppland. The Bank has a market share of around 50 per cent in its primary market area. The continuing stable macroeconomic situation in Hedmark and Oppland contributed to very low losses. The Interior Region's industry and commerce is dominated by farming and forestry, plus the associated processing industries, as well as small and medium-sized enterprises. It has almost no activity directly related to petroleum.

The acquisition of Bank 1 Oslo Akershus AS gives Sparebanken Hedmark a significant presence in the capital region. Bank 1 Oslo Akershus AS's market shares in this region are approximately 6 per cent in the retail market and 3 per cent in corporate market. More than 80 per cent of Bank 1 Oslo Akershus AS's loan portfolio consists of home mortgages.

The Board of Directors is very satisfied with the result for 2016. The Group posted a profit after tax of NOK 1,100 million. The return on equity was 10.5 per cent.

Acquisition of Bank 1 Oslo Akershus AS

On 29 June, Sparebanken Hedmark completed the acquisition of the remaining shares in Bank 1 Oslo Akershus AS. Around 90 per cent of the settlement was made as a private placement that made the previous owners, the Norwegian Confederation of Trade Unions (LO) with affiliated unions and the other SpareBank 1 banks, holders of equity certificates in Sparebanken Hedmark with stakes of 15 and 10 per cent, respectively. Sparebanken Hedmark Sparebankstiftelse owns the other equity certificates.

Following the acquisition of Bank 1 Oslo Akershus AS, Sparebanken Hedmark has combined total assets of NOK 138 billion. The Group has 1,209 employees and 36 branches spread across four counties. According to the plan, the legal merger of the banks will take place on 1 April 2017. The merger of the banks' technical systems will be completed in the autumn of 2017. The goal of the merger is to create an even more competent bank, with greater breadth and greater competitiveness, in relation to customers and the capital markets. A larger and more diversified bank will also lower the overall risk of the bank's deposit customers and lenders.

Customer dividends

The Bank launched customer dividends towards the end of 2016. As the first bank in Norway, Sparebanken Hedmark will share its profits and pay dividends to customers just as it does to its owners. The customers will receive an annual amount based on the Bank's profit and how much they have had in savings and loans over the year. The Banks largest owner, Sparebanken Hedmark Sparebankstiftelse, will continue to make the usual donations in Hedmark.

Customer dividends will also become a mechanism that enables Sparebanken Hedmark to stabilise the relationship between the equity it owns and that owned by the banks' equity certificate holders.

Stock exchange listing

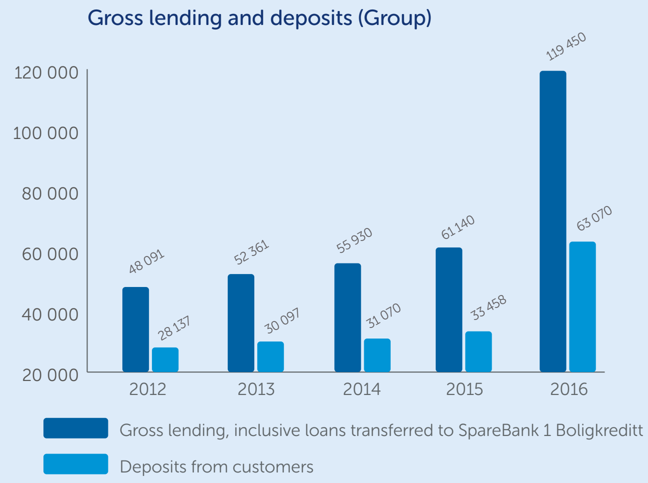
Sparebanken Hedmark is planning to list on the stock exchange in 2017 after the legal merger has been completed and if the market conditions are satisfactory. Listing on the stock exchange provides the bank with flexibility for growth and future structural development of the industry. At the same time, it will give the Bank an opportunity to offer ownership to customers, staff and other investors.

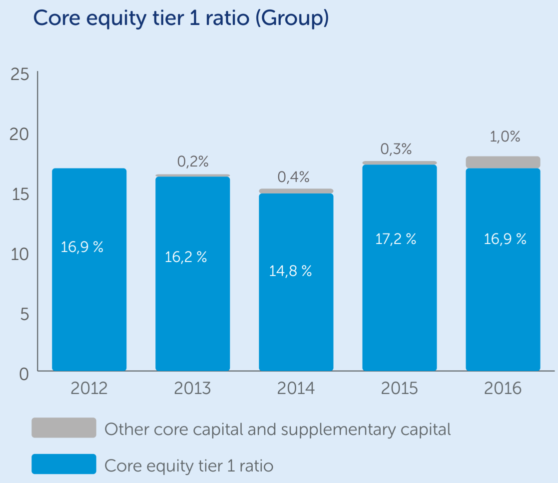
The Group and accounting matters relating to the acquisition of Bank 1 Oslo Akershus AS

Its head office is in Hamar, and the Group's is active in Hedmark, Oppland, Oslo, and Akershus. 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 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, 18.9 per cent of SpareBank 1 Kredittkort AS and 6.2 per cent of SpareBank 1 Markets 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 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 the year consolidated into the Group using the equity method with an ownership interest of 40.5 per cent. From and including the second half of the year, 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 second half of 2016 are not directly comparable with the figures for the year before.

Key figures have been prepared for the proforma group to show what they would have been with 100 per cent ownership of Bank 1 Oslo Akershus AS from 1 January 2016.

SPAREBANKEN HEDMARK – CONSOLIDATED RESULT

The Group's profit after tax for 2016 (previous year in brackets) totalled NOK 1,100 (930) million. The return on equity was 10.5 (11.4) per cent.

Specification of the consolidated profit after tax in NOK millions:

	2016	**2015**
Parent Bank's profit after tax	964	796
Dividends received from subsidiaries/associated companies	-389	-259
Share of the result from:		
SpareBank 1 Gruppen AS	192	142
Bank 1 Oslo Akershus AS	250	100
SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS	-23	46
EiendomsMegler 1 Hedmark Eiendom AS	14	5
SpareBank 1 Finans Østlandet AS	86	74
SpareBank 1 Regnskapshuset Østlandet AS	2	11
SpareBank 1 Kredittkort AS	17	10
SpareBank 1 Mobilbetaling AS	-25	0
Others	12	5
Consolidated profit after tax	**1,100**	**930**

Interest income and other operating income

Net interest income amounted to NOK 1,490 (1,105) million. Total net interest income amounted to NOK 1,715 (1,293) million, inclusive of commissions from loans and credit transferred to part-owned covered bond companies (recognised as commissions) totalling NOK 225 (188) million.

The Group's net interest income as a percentage of the average total assets was 1.79 per cent in 2016, compared with 2.08 per cent in 2015.

Net commissions amounted to NOK 759 (461) million, while other operating income was NOK 180 (190) million.

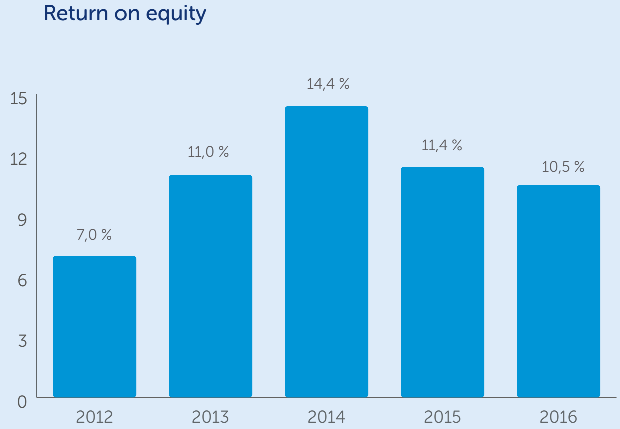
The net result from financial assets and liabilities fell by NOK 294 million to NOK 220 (514) million.

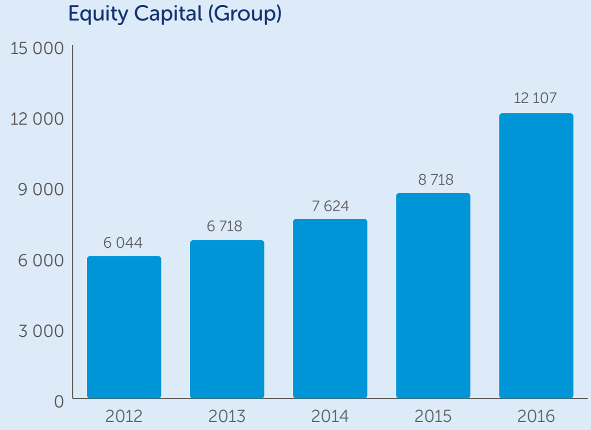
Dividends of NOK 46 (9) million are primarily dividends from VISA Norge, NOK 38 (0) million, and dividends from Totens Sparebank, NOK 7 (7) million.

Net profit from ownership interests was NOK 236 (301) million. The profit from Bank 1 Oslo Akershus AS accounted for NOK 71 (84) million of the profit from ownership interests. The results from Bank 1 Oslo Akershus AS are consolidated into the consolidated financial statements with effect from the third quarter of 2016, while 40.5 per cent of the results from Bank 1 Oslo Akershus AS for the first half of 2016 were included in the results from ownership interests.

The profit contribution from SpareBank 1 Gruppen AS totalled NOK 192 (142) million.

The net investment result from other financial assets and liabilities was minus NOK 62 (+205) million. This includes a gain of NOK 21 million, which represents a provisional settlement in arrears from the sale of Nets Holding ASA in connection with this company's sale of its shares in VISA Europe Ltd.





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.

2016 saw a marked 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 134 basis points at the start of the year to around 85 basis points at year end. All other things being equal, this results in the relevant discount rate on previously issued fixed-income securities with fixed coupons 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 negative in the amount of NOK 91 (+184) million in 2016, where almost all of the losses are unrealised. The change in value for securities issued, inclusive of hedging, was NOK 146 (+252) million.

Costs and losses on loans

The Group's operating costs were NOK 1,203 (1,052) million. The consolidation of the results from Bank 1 Oslo Akershus AS and EiendomsMegler 1 Oslo Akershus AS with effect from the third quarter of 2016 contributed to an increase in operating costs of NOK 392 million, while the recognition of NOK 271 million as income in connection with the winding up of the defined benefit pension scheme in Sparebanken Hedmark helped to reduce operating costs. Exclusive of the effects of the consolidation of Bank 1 Oslo Akershus AS and EiendomsMegler 1 Oslo Akershus AS, as well as the recognition of income in connection with the winding up of the defined benefit pension scheme, operating costs increased by NOK 30 million.

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

Losses remained low and amounted to NOK 75 (56) million. NOK 19 (6) million of the losses occurred in the retail market division and NOK 33 (29) million in the corporate market divisions, while NOK 4 (0) million was recognised as income in connection with the sales of a portfolio of loans with recorded losses. The losses in SpareBank 1 Finans Østlandet AS amounted to NOK 27 (21) million. Changes in group write-downs accounted for NOK 22 (4) million of the above losses.

Credit risk

The total group write-downs to cover net loan loss provisions amounted to NOK 262 (120) million and represented 0.32 (0.28) per cent of gross lending.

The loan loss provision ratio, measured as total individual write-downs of NOK 156 (147) million in relation to total non-performing and other impaired loans of NOK 505 (491) million, was 31 (30) per cent at year-end 2016.

Credit quality, measured as total problem commitments in relation to total lending, improved significantly in relation to last year. In total, the Group's problem commitments amounted to 0.5 (1.1) per cent of gross commitments on its balance sheet and 0.4 (0.8) 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 of the loan portfolio.

Assets and funding

Total assets amounted to NOK 101.2 (56.0) billion at year-end 2016. Total business capital, defined as total

Siri J. Strømmevold

Strømmevold (born 1961), Chair, lives in Tynset. Strømmevold is a qualified computer engineer and has extensive experience from the oil industry, including Mobil Expl., Statoil, and Saga Petroleum. She is currently the managing director of Tynset Bokhandel. She was elected to the Board in 2006. Chair of the Board since 2012.

Nina Cecilie Lier

(born 1972), Deputy Chair, lives in Brumunddal. Lier is a qualified business economist and has worked for PriceWaterhouseCoopers and Oppland Central Hospital, among others. She is currently the CFO of Sykehuset Innlandet HF. Board member since 2010. Deputy Chair of the Board since 2016.

assets plus loans transferred to the covered bond companies, amounted to NOK 137.7 (73.3) billion.

Gross lending to customers, inclusive of loans transferred to the covered bond companies, totalled NOK 119.5 (61.1) billion. At year end, loans totalling NOK 34.9 (16.8) billion had been transferred to SpareBank 1 Boligkreditt AS and loans totalling NOK 1.6 (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 39.2 (40.3) per cent.

Lending growth for the last 12 months, inclusive of transferred loans, was 9.2 (8.6) per cent in the Parent Bank Sparebanken Hedmark. Bank 1 Oslo Akershus AS's lending growth was 10.1 (13.3) per cent.

Customer deposits totalled NOK 63.1 (33.5) billion. Deposit growth was 8.2 (7.8) per cent in the Parent Bank Sparebanken Hedmark and 14.1 (7.6) per cent in Bank 1 Oslo Akershus AS. The deposit coverage ratio was 76.0 (76.4) per cent.

Borrowing from financial institutions and senior securities issued totalled NOK 24.0 (12.2) billion. The average term to maturity of the Group's long-term funding was 3.4 (3.8) years. The average term to maturity for all borrowing was 3.1 (3.6) years. The average risk premium on the Group's borrowing portfolio, exclusive of subordinated loans and hybrid tier 1 capital, was 90 (81) basis points at year end. 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. The increase is primarily attributable to the consolidation of Bank 1 Oslo Akershus AS's balance sheet.

At year-end 2016, the Group had enough reserves to maintain normal operations for 14 (18) months. The liquidity coverage ratio (LCR) was 116.6 (120.8) per cent. The net stable funding ratio (NSFR) was 118.9 (114.5) 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 12.1 (8.7) billion, which is equivalent to 12.0 (15.6) per cent of the balance sheet. The Leverage Ratio was 7.4 (9.2) per cent.

The Group's core equity tier 1 ratio was 16.9 (17.2) per cent. The total capital adequacy ratio was 20.3 (19.1) per cent. In 2016, the Group exceeded an equity stake of 20 per cent in SpareBank 1 Boligkreditt AS. This entails that in terms of capital adequacy, SpareBank 1 Boligkreditt AS is proportionally consolidated with the Group at large as at 31 December 2016.

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

Equity certificates

The equity share capital at year-end 2016 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 AS (1.61 per cent).

The book value per equity certificate (Group) at year-end 2016 was NOK 73.88 and earnings per equity certificate in 2016 was NOK 6.95.

Rating

Sparebanken Hedmark is rated A1 by Moody's Investor Service. The rating has a 'stable outlook'. The Bank was upgraded from A2 to A1 on 11 October 2016. Moody's justified the upgrade by explaining that the acquisition of Bank 1 Oslo Akershus AS increased the probability of the Bank receiving public support in a crisis situation. As the fourth largest savings bank in Norway and given its great importance with respect to access to capital in its region, Moody's believes Sparebanken Hedmark should be considered a systemically important financial institution in its rating method.

Erik Garaas

Garaas (born 1950), board member, lives in Oslo. Garaas graduated in economics (Cand. Oecon.) and has worked for employers such as Statistics Norway, the Ministry of Finance, Gjensidige and DNB, primarily within finance and capital management. He was elected to the Board in 2013

Espen Bjørklund Larsen

Larsen (born 1976), board member, lives in Elverum. Larsen holds a university college candidate degree in economics and administration, took a 1-year advanced course in innovations, and also graduated as an Executive Master of Management from BI Norwegian Business School. Larsen has been the Bank's chief employee representative on the Board since 2008.

SPAREBANKEN HEDMARK – PARENT BANK

Results

The profit after tax in 2016 totalled NOK 964 (796) million. Banking operations, defined as net interest income plus commissions and other operating income minus operating costs and losses, has been corrected for net income recognition of NOK 258 million in the Parent Bank in connection with the winding up of the defined benefit pension scheme and achieved a profit before tax of NOK 605 (537) million. This represents an improvement of 13 per cent. Net interest income and commissions from transferred loans to the covered bond companies increased by NOK 89 million. Net other operating income increased by NOK 25 million, operating costs increased by NOK 34 million, and net losses were NOK 12 million higher.

Interest income and other operating income

Net interest income amounted to NOK 1,003 (880) million. Total net interest income amounted to NOK 1,157 (1,068) million, inclusive of commissions from loans and credit transferred to part-owned covered bond companies (recognised as commissions) totalling NOK 154 (188) million. The NOK 89 million improvement is attributable to the increased net interest income of NOK 123 million due to growth and higher deposit margins. Lower margins for loans and reduced commission rates for loans transferred to the covered bond companies made a negative contribution.

The net interest margin on the balance sheet (exclusive of currency loans) was 2.58 (2.42) per cent. The lending margin was 2.34 (2.64) per cent and the deposit margin was 0.24 (-0.22) per cent.

The interest margin for the retail market was 2.38 (2.29) per cent, and for the corporate market it was 2.92 (2.69) per cent.

The net margin for the portfolio transferred to SpareBank 1 Boligkreditt AS was 0.86 (1.17) per cent.

The net profit from financial assets and liabilities was NOK 293 (473) million.

Operating costs

Total operating costs amounted to NOK 519 (743) million. The growth in costs compared with last year was -30.2 (+2.5) per cent. The main reason for the reduction in operating costs was the winding up of the Bank's defined benefit pension scheme with effect from 1 July 2016, which resulted in non-recurring income recognition of NOK 258 million in relation to the Parent Bank's personnel costs.

At year end, the Parent Bank had 462 (470) full-time equivalents.

Operating costs represented 30.5 (41.8) per cent of total income.

Net loan loss provisions

The net loan loss provisions were NOK 47 (35) million. NOK 19 (6) million of the losses occurred in the retail market and NOK 32 (29) million in the corporate market, while NOK 4 (0) 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 19 (2) million of total losses.

Loans and deposits

Gross lending to customers at year-end 2016 totalled NOK 60.2 (55.5) billion, inclusive of loans worth NOK 18.2 (17.4) billion transferred to the covered bond companies. The Parent Bank's lending growth for the last twelve months, inclusive of loans transferred to the covered bond companies, was 9.2 (8.6) per cent.

Lending growth, inclusive of transferred loans, was 10.2 (7.6) per cent in the retail market and 6.8 (10.9) 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 36.3 (33.5) billion at year-end 2016. The growth in deposits over the past twelve months was 8.2 (7.8) per cent. NOK 22.6 (21.6) billion of deposits came from the retail market, while NOK 13.6 (11.9) billion came from the corporate market.

Financial strength

The core equity tier 1 ratio was 31.4 (24.1) per cent at year end.

Guro Nina Vestvik

Vestvik (born 1967), board member, lives in Hamar. Vestvik holds qualifications in business and administration, as well as organisation and management. She has worked for Gjensidige and Moelven Industrier. She is currently a project manager for the urban region programme in ElverumRegionens NæringsUtvikling AS. Board member since 2016.

Morten Herud

Herud (born 1959), board member, lives in Eidskog. Herud holds a degree in business economics. He has worked in finance and industry, and is the general manager of Sintef Raufoss Manufacturing-Kongsvinger AS. Herud was elected to the Board in 2013.

The Parent Bank's equity was NOK 10.4 (7.7) billion. The total equity in the Parent Bank amounted to 16.9 (14.0) per cent of the balance sheet at year-end 2016.

SUBSIDIARY - BANK 1 OSLO AKERSHUS AS, GROUP

The Bank 1 Oslo Akershus AS group consists of the parent bank and the subsidiary EiendomsMegler 1 Oslo Akershus AS. SpareBank 1 Gruppen AS is a joint venture, while SpareBank 1 Boligkreditt AS, SpareBank 1 Næringskreditt AS, SpareBank 1 Kredittkort AS and SpareBank 1 Mobilbetaling AS are associated companies. Invest 6 AS was liquidated in Q4 2016 after the assets of the company were sold.

The Bank 1 Oslo Akershus AS Group posted a profit after tax for 2016 of NOK 334 (254) million. The return on equity was 10.0 (8.4) per cent. The improvement was largely attributable to increased net interest income, capital gains on securities in 2016, compared with capital losses the year before, and the positive effect of the sale of the bank's share in VISA Europe Ltd. to VISA Inc.

Interest income and other operating income

Net interest income for 2016 amounted to NOK 511 (472) million. The increase was due to growth in lending, higher deposit margins, and changes in the policy for recognising hybrid tier 1 capital. Seen in isolation, lower lending margins and increased funding costs 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. In 2016, these commissions amounted to NOK 146 (170) million.

Net commissions and other operating income amounted to NOK 570 (572) million. The reduction was due to reduced commissions from SpareBank 1 Boligkreditt AS due to lower lending rates for customers than in 2015.

The net result from financial investments was NOK 111 (7) million.

The change in value for financial assets was NOK 98 (-64) million and was largely due to dividends and gains received in connection with the sale of VISA Europe Ltd. to VISA Inc. for NOK 45 million. Bonds and derivatives showed capital gains of NOK 44 (-65) million. The gains from securities were primarily due to gains in the bank's liquidity portfolio due to the contraction of risk premiums and capital gains linked to currency activities.

Income from ownership interests amounted to NOK 13 (71) million. The reduction is mainly due to the reduction in the share of the profit from SpareBank 1 Boligkreditt AS of NOK 53 million.

The reduction in profits from the ownership share in SpareBank 1 Boligkreditt AS is mainly related to changes in the value of basis swaps on the company's borrowing in the euro market.

Operating costs and losses on loans

Operating costs for 2016 amounted to NOK 753 (737) million. The increase was primarily attributable to increased costs linked to the merger process with Sparebanken Hedmark and write-downs due to disposals of fixed assets in connection with closed local bank branches in 2016.

The net loan loss provisions were NOK 12 (net receipts on losses of 18) million. Gross non-performing and impaired loans at year-end 2016 amounted to NOK 69 (87) million. Measured against gross lending, this was 0.2 (0.3) per cent. Individual write-downs at year-end 2016 amounted to NOK 13 (18) million. Group write-downs amounted to NOK 120 (99) million at year-end 2016. The increase in group write-downs reflects the weaker economic situation and is in line with indications from the Financial Supervisory Authority of Norway to Norwegian banks concerning assessing their level of loss write-downs.

Loans and deposits

Total lending amounted to NOK 52.9 billion. Of this, loans transferred to the covered bond companies accounted for NOK 18.3 billion. In the last 12 months, lending to customers, inclusive of transferred loans, grew by 10.1 per cent.

The distribution between the retail market and the corporate market at year-end 2016 was 82/18 (81/19) per cent, inclusive of loans transferred to the covered bond companies.

Hans-Christian Gabrielsen

(born 1967), board member, lives in Slemmestad. Gabrielsen is a qualified process operator and also holds qualifications within management and organisation. He has worked for Tofte Industrier and Fellesforbundet. He is currently the 2nd Vice President of the Norwegian Confederation of Trade Unions (LO). Board member since 2016.

Vibeke Hanvold Larsen

(born 1977), board member, lives in Ottestad. Larsen holds a Bachelor of Business and is also a market economist. She has worked for Coop Prix and Santander. She currently works as a customer consultant in Sparebanken Hedmark. She became a board member in 2016 and is a Bank employee representative.

The credit risk profile has seen a general improvement in the last year.

Deposits from customers at year-end 2016 amounted to NOK 26.8 (23.5) billion, which represents growth of 14.1 per cent.

The on balance sheet deposit coverage ratio (deposits/loans) was, at year-end 2016, 77.4 (73.9) per cent.

Funding and financial strength

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

The group's capital and core capital ratios at year-end 2016 were 19.5 (17.8) per cent and 16.4 (15.9) per cent, respectively. The core equity tier 1 ratio was 14.4 (15.3) per cent. The group's primary capital was NOK 3.5 (3.0) billion.

SUBSIDIARIES - OTHER

The financing company SpareBank 1 Finans Østlandet AS (95 per cent ownership interest) posted a profit after tax of NOK 86 (74) million. At year end, the finance company's gross lending totalled NOK 6.3 (5.6) billion. Gross lending growth over the past 12 months was 12.1 (16.9) per cent.

SpareBank 1 Regnskapshuset Østlandet AS posted earnings of NOK 158 (172) million and achieved a profit after tax of NOK 2 (11) million.

The estate agency EiendomsMegler 1 Hedmark Eiendom AS posted earnings of NOK 99 (81) million and achieved a profit after tax of NOK 14 (5) million.

PART-OWNED COMPANIES

SpareBank 1 Gruppen AS (12.4 per cent stake) achieved a consolidated profit after tax of NOK 1,598 (1,287) million. The return on equity was 19.4 (16.9) 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 -110 (+473) million. The result for 2016 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 84 (89) million.

SpareBank 1 Kredittkort AS (18.9 per cent stake) is the alliance banks' joint credit card company. The company posted a profit after tax of NOK 129 (112) million. The return on equity was 12.7 (12.9) per cent.

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 -135 million that reflects a significant development of the payment solution mCash. In February 2017, the SpareBank 1 Alliance decided to join forces with DnB and a number of other Norwegian banks in a joint project centred on the payment service Vipps. mCash will be operated until the new joint Vipps-solution is established.

SPAREBANKEN HEDMARK – PROFORMA CONSOLIDATED RESULT

Key figures have been prepared for the proforma group to show what they would have been with 100 per cent ownership of Bank 1 Oslo Akershus AS from 1 January 2016.

The proforma consolidated profit after tax for 2016 was NOK 1,204 million. The return on equity was 10.8 per cent.

Lending growth over the past 12 months, inclusive of transferred loans, was 9.3 per cent for the proforma group, while the growth in deposits was 10.7 per cent. The deposit coverage ratio was 76.0 per cent.

The lending margin, inclusive of home mortgages in the covered bond company, amounted to 2.13 (2.40) per cent. The deposit margin was 0.10 (-0.26) per cent. The net interest margin was 2.23 (2.14) per cent.
Net interest income amounted to NOK 1,739 million. Total net interest income amounted to NOK 2,039 million, inclusive of commissions from loans and credit transferred to the part-owned covered bond companies

(recognised as commissions) totalling NOK 300 million.

Net commissions and other operating income amounted to NOK 1,229 million.

The operating costs for Sparebanken Hedmark – Proforma Group amounted to NOK 1,573 (1,788) million. The costs were affected by the winding up of the defined benefit pension schemes in Sparebanken Hedmark (Parent Bank), Eiendomsmegler 1 Hedmark Eiendom AS and SpareBank 1 Finans Østlandet AS, which resulted in a combined recognition of income in personnel costs of NOK 271 million.

Losses amounted to NOK 86 (38) million. Of this, changes in group write-downs accounted for NOK 43 (18) million.

RISK MANAGEMENT

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

The Board has adopted the "Risk and Capital Management Policy in Sparebanken Hedmark". This document defines the principal framework for risk management, including the management of the various risks. Each year, the Board adopts an overarching risk strategy, governing documents for the area of credit, for funding and market risk, as well as for operational risk. Risk exposure and development are monitored and reported to the Bank's board and executive management team periodically.

Credit risk

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

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

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

The risk profile in the corporate market portfolio improved in 2016. Expected losses and risk-adjusted capital have been reduced in relative terms. Total defaults have decreased and loan losses remain at a very low level, although marginally higher than in 2015. Lending growth was somewhat lower in 2016 than in 2015.

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

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

The Board believes that the Bank's credit risk related to lending operations overall has developed positively in 2016. The Group's credit risk is considered to be moderate.

Market risk

Market risk is defined as the risk of losses due to changes in interest rates, share prices and foreign exchange rates. The Board adopts limits and guidelines for managing market risk. Risk exposure and development are continuously monitored and reported to the Bank's board and executive management team.

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

Guidelines and limits for investments in fixed-income securities are adapted to the regulatory requirements for funding management. Total investments in fixed income securities amounted to NOK 9.7 billion at year end. The relative share of fixed income securities with the lowest credit risk increased throughout the year due to the gradual adaptation to regulatory funding requirements. 92.4 per cent of the portfolio was rated AA or better at year end.

The holding of securities issued increased during the year from a nominal value of NOK 11.8 billion to a nominal value of NOK 22.8 billion, mainly due to the acquisition of Bank 1 Oslo Akershus. The liability's market value varies with changes in interest rates and risk premiums.

Interest rate risk arises as a result of the Group's balance sheet items having different remaining interest rate commitment terms. The Group manages interest rate risk in accordance with adopted risk limits by adapting the interest rate commitment terms for the aforementioned investments and funding. At year end, an increase in the interest rate level of one percentage point through a parallel shift in the entire yield curve would have increased the result by NOK 6.5 million.

Currency risk is managed by means of the adopted exposure limits. The positions were low throughout 2016.

The price risk for equity capital instruments is measured in relation to exposure to such instruments. The greatest part of the exposure concerns strategic investments in Alliance associated companies.

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

Funding risk

Funding risk is the risk that the Group is not able to fulfil its obligations when due, or finance assets, including desired growth, without significant extra costs.

The management of funding risk is based on board adopted guidelines that set limits and requirements for long-term and diversified funding, the size of the liquidity reserve, and time horizons for which the Group must be independent of new external financing.

Deposits from customers represent the Group's main source of funding. Sparebanken Hedmark's goal is to maintain a broad base of deposits from both retail and corporate customers. At year-end 2016, the Group had a deposit coverage ratio of 76 per cent.

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

As part of the funding management, Sparebanken Hedmark maintains a portfolio of liquid securities. In addition to the securities portfolio, the Group has a liquidity reserve in the form of cash, funds and equities, as well as loans prepared for sale to the covered bond companies.

The Group satisfies the regulatory liquidity requirements by having liquid assets that satisfy heavy short-term stress in addition to survival in a longer perspective. At year end, the Bank had a liquidity coverage ratio (LCR) of 116.6 (120.8) per cent and a net stable funding ratio (NSFR) of 118.9 (114.5) per cent, at the same time as the Group has sufficient liquid assets to survive for more than 14 months without the supply of external funding in an ordinary operating situation with budget growth.

Operational risk

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

The management of operational risk is based on the 'Policy for Operational Risk'. Risk assessments are carried out of various areas to which the Group is exposed at any given time. Special systems have been established for following up risk assessment control measures and improvement measures, as well as for reporting adverse events. Events that have impacted or could impact the Group's profitability and/or reputation are systematically followed up.

Based on the risk inherent in using information technology, this area is subject to continuous monitoring. Internal audits carry out independent reviews and tests of the Bank's security in the area. Banks in the SpareBank 1 Alliance work together closely to ensure good, stable operations. No serious events occurred in 2016 and operational losses are low.

On the basis of the Bank's earnings and financial strength, as well as the organisation's competence and management systems, the Board believes that the Bank's overall risk exposure in relation to operational risk is acceptable. In the opinion of the Board, the area is under satisfactory control but requires continuous monitoring.

ORGANISATION AND HR

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

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

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

2016 was characterised by the merger process with Bank 1 Oslo Akershus AS, which entails the largest organisational development project in the Bank's history. Management and employee representatives have worked very well together in different projects and cooperative forums in order to resolve both matters of principle and practical issues.

The process was based on principles of transparency, predictability, and broad participation, and surveys were conducted to monitor the working environment in different phases of the process.

Organisational development and HSE

The most important organisational activities in 2016 were linked to designing the organisational structure and the focus on building a corporate culture as part of the process towards establishing the merged bank. Besides that, processes were carried out in the individual departments where there have been working environment-related or managerial challenges.

An annual survey is conducted of the organisation. This plays an important role in the evaluation, follow-up and development of all of the organisation's managers. In 2016, a choice was made to conduct a somewhat less comprehensive survey. The results were a bit lower than in 2015, but still at a very high level.

The sick leave rate was 4.3 per cent in 2016. Short-term sick leave was 1 per cent and long-term sick leave was largely related to serious illnesses that were not work related. Sparebanken Hedmark is an IW enterprise and works systematically on preventing and following up sick leave. No occupational accidents were registered in 2016.

Basic working environment training was provided via e-learning.

Four meetings were held in the Bank's cooperation and working environment committee. The cooperation between the management and the employee representatives is very good.

Gender equality

Sparebanken Hedmark is striving for a balance between the genders in different roles at all levels of the organisation, and facilitates equal opportunities through continuous personnel management and development measures. The percentage of women in managerial positions with personnel responsibilities is 44 per cent.

The chief executive's management team consists of two women and seven men. The Bank's Board consists of four women and four men, while the Board of Representatives consists of 18 women and 22 men.

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

In 2016, the Board adopted a new remuneration system for the entire Group – including general principles for determining and setting salaries. All employees must have the same opportunities for salary development and local salary supplements are made on the basis of an assessment of individual performance and contributions to the collective achievement of results over time. The Bank has no bonus schemes or special incentive schemes for managers.

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

Ethics and sustainability

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

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

An annual "Ethics Weeks" that involves employees throughout the organisation ensures the code of conduct is firmly embedded. In connection with this, all employees must each year confirm that they have reviewed and understood the contents of the code of conduct.

The Group shall have sustainable and socially responsible business operations. Through dialogue with and requirements to suppliers the Bank will stimulate environmentally-friendly choices. The Group's direct environmental impact is mainly related to energy and waste through its office operations. The group is not considered to have operations which pollute the environment in particular. Please refer to the chapter on Sustainability Report 2016 for a detailed description of Sparebanken Hedmark's description of measures related to sustainability and community involvement.

OUTLOOK

The international economy was generally weak in 2016, due in part to instability in the financial markets in the first half of the year. Meanwhile, a number of economies saw improved growth in the second half of the year. The International Monetary Fund expects this improvement to continue in 2017. Better prospects for global economic growth are reflected in higher share prices, interest rates and oil prices. However, there appears to be a great deal of uncertainty. The combination of Brexit negotiations and the French presidential election constitute a political risk in Europe. Potentially unpredictable economic policy in the US could also result in turmoil in the financial markets. The trends toward greater protectionism weigh heavily on long-term growth prospects.

Economic activity in Norway remains lower than normal. Better economic outlooks internationally in combination with higher oil prices have, however, contributed to expectations of higher growth for the Norwegian economy as well. Unemployment is showing signs of stabilising, although Norges Bank is not expecting any notable decline in unemployment before 2018. Norges Bank also appears to be planning for very gradual rate hikes. The central bank's forecast shows that there is a slightly greater probability that the key policy rate will be lowered rather than raised in the next year.

The Norwegian authorities are concerned about the development of financial imbalances in light of strong growth in house prices. Given this background, the Ministry of Finance recently increased the countercyclical capital buffer from 1.5 to 2 per cent, with effect from 31 December 2017, in line with Norges Bank's advice. In addition, the government introduced new home mortgage regulations from 1 January 2017.

Sparebanken Hedmark recently received the Financial Supervisory Authority of Norway's Pillar 2 requirement for core equity tier 1 capital of 1.7 per cent. Sparebanken Hedmark's goal is still to be the most solid regional savings bank with a core equity tier 1 ratio target of 16 per cent over time. At year-end 2016, the Group had a core equity tier 1 ratio of 16.9 per cent, well above the authorities' overall requirements.

Sparebanken Hedmark's home market has been the Interior Region encompassing the counties of Hedmark and Oppland. This region 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 the last few years, the region has benefited from a weak Norwegian krone. On the other hand has the strengthening of the Norwegian krone in the last 6 months had a negative effect on local business.

The Group has significant activities in the housing market in the capital region through its ownership in Bank 1 Oslo Akershus AS. The increase in housing prices in this region in the last year appears excessive. However, the Board believes that the Bank's lending practices have significantly reduced its vulnerability in the event of any correction in the housing market, reflected in part by the Bank operating well within the framework of the new home mortgage regulations.

The Board deems the overall risk in the Group's loan portfolio to be low. Actual losses and the proportion of problem loans are very low. The Group is well positioned, with a strong position in a stable home market and good opportunities in the Bank's growth areas based on continued prudent lending practices. Based on its high capital adequacy, a good liquidity situation and a conservative loan portfolio, the Board believes that the Group is well-prepared should the macroeconomic trends deteriorate.

Bank 1 Oslo Akershus AS will be operated as a subsidiary of Sparebanken Hedmark until the legal merger has been completed. The plan is to complete the merger on 1 April 2017. A technical merger during 2017 is also planned. The two banks' network of branches does not overlap, but during the integration process they will amalgamate common functions to create more expert and efficient environments.

Sparebanken Hedmark is planning to list on the stock exchange in 2017 after the legal merger has been completed and if the market conditions are satisfactory. Listing on the stock exchange will enable the Bank to play an active role in the future structural development of the industry. At the same time, it will give the Bank an opportunity to offer ownership to customers, staff and investors.

The Board of Directors of Sparebanken Hedmark
Hamar, 09. March 2017

Siri J. Strømmevold Chairman	Nina C. Lier	Erik Garaas
Espen Bjørklund Larsen	Guro Nina Vestvik	Vibeke Hanvold Larsen
Morten Herud	Hans-Christian Gabrielsen	Richard Heiberg Chief executive officer

Income Statement

Creating together. The employees are in good spirits while working on the merger. The picture was taken in Hamar in June 2016.

Income statement

Parent bank 2015	Parent bank 2016	(NOK million)	Notes	Group 2016	Group 2015
1 748	1 692	Interest income	20	2 494	1 972
868	689	Interest expenses	20	1 004	867
880	**1 003**	**Net interest income**		**1 490**	**1 105**
435	427	Commission income	21	830	514
27	28	Commission expenses	21	71	53
21	21	Other operating income	21	180	190
429	**420**	**Net commission and other income**		**939**	**651**
9	45	Dividends	22	46	9
259	369	Net profit from ownership interests	22,40	236	301
205	-122	Net profit from other financial assets and liabilities	22	-62	205
473	**293**	**Net income from financial assets and liabilities**		**220**	**514**
1 782	**1 714**	**Total net income**		**2 649**	**2 270**
381	162	Personnel expenses	23,24	573	590
36	38	Depreciation	33,35	65	46
327	320	Other operating expenses	25	565	416
743	**519**	**Total operating expenses before losses on loans and guarantees**		**1 203**	**1 052**
1 038	**1 195**	**Profit before losses on loans and guarantees**		**1 446**	**1 220**
35	47	Losses on loans and guarantees	11	75	56
1 003	**1 148**	**Profit/loss before tax**		**1 371**	**1 164**
207	186	Tax charge	26	271	234
796	**964**	**Results for the accounting year**		**1 100**	**930**
		Majority interests		**1 095**	**930**
		Minority interests		**4**	
		Profit per ECC		**6,95**	**7,00**

Parent bank 2015	Parent bank 2016		Group 2016	Group 2015
796	**964**	**Statement of other comprehensive income according to IAS1**	**1 100**	**930**
79	-71	Actuarial gains / losses on pensions	-52	85
-20	18	Tax effect of actuarial gains / losses on pensions	12	-21
		Share of other comprehensive income from equity investements	-7	34
59	**-54**	**Total items not reclassified through profit or loss**	**-46**	**98**
67	5	Change in value of financial assets available for sale	4	67
		Financial assets available for sale transferred to profit and loss on write-downs due to permanent impairment of value		
		Financial assets available for sale transferred to profit and loss on realisation		
		Share of other comprehensive income from equity investements	7	15
67	**5**	**Total items reclassified through profit or loss**	**11**	**82**
127	**-48**	**Total profit and loss items recognised in equity**	**-35**	**180**
923	**915**	**Total profit/loss for the accounting year**	**1 064**	**1 109**
		Majority share of comprehensive income	**1 060**	**1 109**
		Minority share of comprehensive income	**4**	

Balance sheet

Parent bank				Group	
2015	2016	(NOK million)	Notes	2016	2015
		Assets			
264	354	Cash and deposits with central banks		759	264
5 701	7 191	Loans to and receivables from credit institutions	7	1 335	864
37 953	41 762	Loans to and receivables from customers	8	82 537	43 526
6 133	5 630	Certificates and bonds	30	9 776	6 133
455	349	Financial derivatives	31	810	455
294	321	Shares, units and other equity interests	32	747	294
2 457	1 681	Investments in associates and joint ventures	40	3 618	3 386
859	3 842	Investments in subsidiaries	40		
		Assets held for sale		5	
314	304	Property, plant and equipment	35	587	341
104	102	Goodwill and other intangible assets	33,34	371	211
13		Deferred tax asset	26		
314	338	Other assets	36	695	497
54 861	**61 873**	**Total assets**		**101 240**	**55 970**
		Liabilities			
661	1 666	Deposits from and liabilities to credit institutions	7	1 654	660
33 508	36 259	Deposits from and liabilities to customers	37	63 070	33 458
11 576	12 404	Liabilities arising from issuance of securities	38	21 937	11 576
320	233	Financial derivatives	31	349	320
163	148	Current tax liabilities	26	247	167
	10	Deferred tax liabilities	26	118	65
440	222	Other debt and liabilities recognised in the balance sheet	39	554	510
496	502	Subordinated loan capital	38	1 203	496
47 166	**51 443**	**Total liabilities**		**89 132**	**47 253**
		Equity capital			
3 987	5 310	Equity certificates	42	5 310	3 987
	520	Premium fund	42	520	
503	974	Cohesion funds	42	974	503
3 019	3 313	Primary capital	42	3 313	3 019
50	33	Endowment fund	42	33	50
135	134	Fund for unrealised gains	42	134	135
	148	Dividends	42	148	
		Hybrid capital		400	
		Other equity		1 228	1 023
		Minority interests		47	
7 695	**10 430**	**Total equity capital**		**12 107**	**8 718**
54 861	**61 873**	**Total equity capital and liabilities**		**101 240**	**55 970**

The Board of Directors of Sparebanken Hedmark
Hamar, 09. March 2017

Siri J. Strømmevold
Chairman

Nina C. Lier

Erik Garaas

Espen Bjørklund Larsen

Guro Nina Vestvik

Vibeke Hanvold Larsen

Morten Herud

Hans-Christian Gabrielsen

Richard Heiberg
Chief executive officer

Changes in equity capital

Parent bank	Paid-up equity		Earned equity capital					
(NOK million)	Equity certificates capital	Cohesion funds	Primary capital	Dividend equalisation fund	Endow-ment fund	Fund for unrealised gains	Divi-dends	Total equity capital
Equity capital at 1 January 2015			**6 644**		**42**	**109**		**6 795**
OB correction: Correction of previous years' errors			57			-57		
Adjusted equity capital at 1 January 2015			**6 701**		**42**	**52**		**6 795**
ECs transferred Foundation	3 987		-3 987					
Results for the accounting year			312	468		16		796
Actuarial gains / losses on pensions			24	35				59
Change revaluation reserve						67		67
Donations distributed from profit 2014			-6					-6
To endowment fund in 2015			-25		25			0
Grants from endowment fund in 2015					-17			-17
Equity capital at 31 December 2015	**3 987**		**3 019**	**503**	**50**	**135**		**7 695**
Equity capital at 1 January 2016	**3 987**		**3 019**		**50**	**135**		**7 695**
ECs transferred Foundation	1 323	520						1 843
Results for the accounting year			316	506		-7	148	964
Actuarial gains / losses on pensions			-17	-35				-53
Change revaluation reserve						5		5
Donations distributed from profit 2015			-6					-6
Grants from endowment fund in 2016					-18			-18
Equity capital at 31 December 2016	**5 310**	**520**	**3 313**	**974**	**33**	**134**	**148**	**10 430**

Group	Paid-up equity		Earned equity capital								
(NOK million)	Equity certificates capital	Cohesion funds	Primary capital	Dividend equalisation fund	Endow-ment fund	Fund for unrealised gains	Other equity	Divi-dends	Hybrid capital	Minority interests	Total equity capital
Equity capital at 1 January 2015			**6 645**		**42**	**109**	**827**				**7 624**
OB correction: Correction of previous years' errors in associated companies and joint ventures							5				5
OB correction: Correction of previous years' errors			57			-57					
Adjusted equity capital at 1 January 2015			**6 702**		**42**	**52**	**832**				**7 630**
ECs transferred Foundation	3 987		-3 987								0
Results for the accounting year			312	468		16	134				930
Actuarial gains / losses on pensions			24	35			5				65
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss							34				34
Change revaluation reserve						67					67
Other items that will be reclassified in associated companies and joint ventures							14				14
Adjusted equity capital in associated companies and joint ventures						2					2
Donations distributed from profit 2014			-6								-6
To endowment fund in 2015			-25		25						0
Grants from endowment fund in 2015					-17						-17
Equity capital at 31 December 2015	**3 987**		**3 019**	**503**	**50**	**135**	**1 023**				**8 718**
Equity capital at 1 January 2016	**3 987**		**3 019**	**503**	**50**	**135**	**1 023**				**8 718**
OB correction: Correction of previous years' errors in associated companies and joint ventures							73				73
Adjusted equity capital at 1 January 2016	**3 987**		**3 019**	**503**	**50**	**135**	**1 096**				**8 791**
Equity certificates issued and trans-ferred 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				-40
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
Adjusted equity in associated compa-nies and joint ventures							-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
Equity capital at 31 December 2016	**5 310**	**520**	**3 313**	**974**	**33**	**134**	**1 228**	**148**	**400**	**47**	**12 107**

Cash flow statement

Parent bank 2015	Parent bank 2016	(NOK million)	Group 2016	Group 2015
10 912	11 442	This year's downpayment on repayment loans etc. to customers	24 740	13 378
		Change in advance rent leasing	15	9
-14 568	-16 232	Newly discounted repayment loans etc. to customers for the year	-31 296	-17 868
74	157	Change in balances of foreign currency lending	167	74
513	760	Change in balances of credits	650	511
1 403	1 314	Interest and commission income on lending	2 251	1 726
4	24	Included in previous years' realised losses on lending Net cash flow from assets held for sale	33	9
-1 663	**-2 535**	**Cash flow from lending operations (A)**	**-3 441**	**-2 161**
2 146	1 201	Change in balances of deposits from customers at call	2 295	2 118
277	1 548	Change in balances of deposits from customers with agreed maturity dates	1 503	277
-566	-374	Interest payments to customers	-518	-564
1 857	**2 375**	**Cash flow from deposit operations (B)**	**3 279**	**1 831**
-2 184	517	Net cash flow from certificates and bonds	-540	-2 184
39	-85	Cash flow linked to exchange rate gains / losses on certificates and bonds	-112	39
92	89	Interest received on certificates and bonds	120	92
-2 053	**522**	**Cash flow from investments in securities (C)**	**-532**	**-2 053**
-835	-1 502	Change in receivables from credit institutions with agreed maturity dates	-44	-170
126	150	Interest received on deposits in credit institutions	153	126
-709	**-1 352**	**Cash flow from deposits in credit institutions (D)**	**110**	**-44**
563	562	Other income	1 108	814
-860	-766	Operating expenses payable	-1 500	-1 186
-128	-177	Tax payments	-181	-130
-24	-23	Donations	-23	-24
-40		Group contribution		-6
-10	-30	Net cash flow from change in other assets	61	-43
57	-67	Net cash flow from change in accruals	-164	-45
-33	10	Net cash flow from change in other liabilities	520	-16
-475	**-491**	**Remaining cash flow from current operations (E)**	**-178**	**-635**
-3 043	**-1 482**	**CASH FLOW FROM OPERATIONS (A+B+C+D+E=F)**	**-762**	**-3 062**
-6	999	Change in deposits from credit institutions	467	-10
4 000	2 901	Receipts arising from issuance of securities	2 901	4 000
-658	-1 631	Payments arising from redemption of securities issued	-1 846	-658
-440	-492	Buy-back of own securities	-542	-440
-241	-261	Interest payments on financing	-336	-241
2 656	**1 517**	**Cash flow from financing activities (G)**	**644**	**2 651**
-31	-27	Investments in fixed assets and intangible assets	-43	-50
2		Sales of fixed assets and intangible assets at sales price		2
-174	-49	Net cash flow from purchase and sale of equity interests	-49	-174
268	435	Share dividends from equity interests	371	187
64	**358**	**Cash flow from investments (H)**	**279**	**-35**
	-225	Liquidity effect of acquisition and sale of subsidiaries(I)	-238	-28
-150	-95	Payments arising from placements in subsidaries (L)	5	
-474	**73**	**CHANGE IN CASH AND CASH EQUIVALENTS (F+G+H+I+L)**	**-71**	**-474**
783	309	Cash and cash equivalents at 1 January (B1OA 100% incl)	1 152	783
309	**382**	**Cash and cash equivalents at 31 December**	**1 082**	**309**
		Cash and cash equivalents at 31 December comprise:		
264	354	Cash and deposits with central banks	759	264
46	28	Deposits etc. at call with banks	323	46
309	**382**	**Cash and cash equivalents at 31 December (B1OA 100% incl)**	**1 082**	**309**

Project management. The work on the merger is lead by (from the left): Tormod Rødshagen, Anita Hanstad Kværnes, Siv Stenseth, Lene Mamre-Johansen, Dag Eivin Rognlien and Dag-Arne Hoberg.

Notes

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Note 1 General information

The Sparebanken Hedmark Group
The Sparebanken Hedmark Group consists of Sparebanken Hedmark and the wholly owned subsidiaries Bank 1 Oslo Akershus AS, Eiendomsmegler 1 Hedmark Eiendom AS, SpareBank 1 Finans Østlandet AS, Vato AS, SpareBank 1 Regnskapshuset Østlandet AS and Eiendomsmegler 1 Oslo Akershus group.

Sparebanken Hedmark is domiciled in Norway and its head office is in Hamar. With Bank 1 Oslo Akershus AS the Group has a total of 41 branches in four counties. The Bank has a total of 41 branches spread across four counties. The branch network is located in Hedmark, Oppland, Oslo and Akershus. Bank 1 Oslo Akershus have a head office in Oslo, the other subsidiaries have a head office in Hedmark County.

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

Joint ventures
Sparebanken Hedmark owns 12,4 per cent of SpareBank 1 Gruppen AS. The stake is classified as an investment in a joint venture. Other owners are SpareBank 1 SR-bank ASA, SpareBank 1 Nord-Norge, SpareBank 1 SMN, and Samarbeidende Sparebanker AS, each of which owns a 19.5 per cent stake, as well as the Norwegian Federation of Trade Unions (LO) with a 9.6 per cent stake. The Alliance's management structure is regulated by an agreement between the owners.

The Bank also owns 50 per cent of Torggata 22 AS and 19 per cent of SpareBank Banksamarbeidet DA. These investments are also classified as joint ventures. The other owners of the SpareBank 1 Banksamarbeidet DA are the banks in the SpareBank 1 Alliance.

Associated companies
Sparebanken Hedmark owns 18.9 per cent of SpareBank 1 Kredittkort AS, 21.2 per cent of SpareBank 1 Mobilbetaling AS, and 23.7 per cent of KOMM-IN 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 above companies are classified as associated companies.

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

Changes in the composition of the Group and strategic investments

2016
On 29 June 2016 Sparebanken Hedmark puchased the remaining 59.5 per cent of the shares in Bank 1 Oslo Akerhus 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.

The group has through consolidation of B1OA increased its holdings in SpareBank 1 Gruppen, SpareBank 1 Banksamarbeidet DA, SpareBank 1 Kredittkort AS, SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS from the same date.

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.

Allocation according to shareholder agreements in SpareBank 1 Kredittkort AS, SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS have during the year resulted in minor adjustments of the ownership interests in these companies.

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

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

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

Note 2 Accounting policies

Basis for preparation of the consolidated financial statements
The company and the consolidated financial statements for Sparebanken Hedmark have been prepared in accordance with the International Financial Reporting Standards (IFRS), which the EU has ruled shall be used as of 31 December 2016. These include interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and the preceding interpretations committee, the Standing Interpretations Committee (SIC). Sparebanken Hedmark has not taken advantage of the opportunity to start applying new standards or changes in standards, which are mandatory from 1 January 2017 or later. No new standards were adopted in the annual financial statements for 2016.

Following the introduction of the interpretation, there has been a discussion as to whether the fee for the Norwegian Banks Guarantee Fund for 2015 should be recognised in its entirety for the first quarter of 2016. The fee to the Norwegian Banks Guarantee Fund is normally charged on the basis of the average guaranteed deposits and the average calculation base for previous quarters. It has not been regulated whether a withdrawal from the scheme will entail repayment of excess taxes paid. The general practice has been a pro rata charge at the time of registration. In 2016, Sparebanken Hedmark chose to continue the earlier practice of accruing the fee monthly. The annual cost to the Group in 2016 was NOK 31 million.

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

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

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

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

On achieving a controlling influence in an enterprise (business combination), all identifiable assets and liabilities are shown at fair value in accordance with IFRS 3. Any positive difference between fair value of the payment on acquisition and fair value of identifiable assets and liabilities is recognised as goodwill, whereas any negative difference is recognised as income at the time of acquisition.

The accounting of goodwill after the initial recognition is commented on under the section on intangible assets. The Bank has not applied IFRS 3 retrospectively on business combinations that were implemented before 1 January 2006.

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

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

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

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

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

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

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

Objective proof of reduction in value of a financial asset or group of financial assets includes observed data that is known to the Group relating to the following loss events:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pensions
The Group has applied IAS 19R Employee Benefits since 1 January 2013 Sparebanken Hedmark Group has established various pension schemes for its employees. These pension schemes satisfy the mandatory occupational pension requirements.

Defined benefit scheme
The Group has applied IAS 19R Employee Benefits since 1 January 2013.
In defined benefit pension schemes, the employer undertakes to provide a future pension of a given size. The basis for calculating the pension expenses is a linear distribution of pension entitlements measured against the estimated accumulated commitments at the time of retirement. Expenses are calculated on the basis of pension entitlements earned during the year, with a deduction for the return on funds assigned to pensions. Pension liabilities are calculated at the present value of the estimated future pension benefits regarded as accrued for accounting purposes on the balance sheet date. Actuarial and economic assumptions, such as life expectancy, wage inflation and withdrawal tendency, are used for calculation of the pension commitments. The corporate bond interest rate on the balance sheet date, possibly adjusted for the maturity of the liability, is used as the discount rate.

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

The pension schemes in the Group are administered by a separate pension fund and SpareBank 1 Livsforsikring AS, and provide entitlement to future pension benefits from the age of 62. The benefit based pension schemes ensure most of the members a pension of approximately 70 per cent of their final salary before retirement at age 67, up to a maximum of 12G. The defined benefit schemes are closed to new members and had partially been wound up as at 1 July 2016. Further winding up has been approved with effect from 1 January 2017. See note 24 for more details.

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

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

The Act on state subsidies to employees who take out an early retirement pension in the private sector (Early Retirement Subsidy Act) entered into force on 19 February 2010. Employees who take out early retirement from an implementation date in 2011 or later, will receive benefits in accordance with the new scheme. The new early retirement (AFP) scheme is a lifelong addition to the National Insurance benefits and can be taken out from age 62. Employees earn an annual entitlement to early retirement at the rate of 0.314 per cent of their pensionable income up to 7.1 G up to and including the calendar year in which the employee turns 62. Accrual in the new scheme is calculated based on the employee's lifelong income, so that all earlier working years are included in the accrual basis.

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

Securities issued
Securities issued are recognised in the accounts at their borrowing cost, which is the fair value of the amount received after deductions for transaction costs. Securities issued are thereafter measured at fair value through profit or loss using the fair value option (FVO) or at amortised cost or at fair value with hedge accounting in accordance with IAS 39. Changes in fair value and realised gains and losses are recognised on a net basis from other financial assets and liabilities. The debt is presented inclusive of accrued interest (dirty price).

Issued subordinated loans
Subordinated loans have priority after all other liabilities and are measured in the same way as other securities issued.

Deposits from and liabilities to financial institutions
Liabilities other than securities issued are recognised at borrowing cost and classified at amortised cost. Any difference between the borrowing cost and settlement amount upon maturity is subject to accrual accounting over the life of the loan, by applying the loan's effective rate of interest.

Issued hybrid tier 1 capital
Hybrid tier 1 capital are bonds with nominal interest, however the Bank is not obliged to pay any interest in periods when no dividend is paid and the investor cannot later claim any interest that has not been paid, i.e. interest is not accumulated. Hybrid tier 1 capital is approved as a constituent of core capital, up to a limit of 15 per cent of total core capital. The Financial Supervisory Authority of Norway can demand that hybrid instruments be written down proportionally with equity if the Bank's core capital ratio falls below 5 per cent or the total capital ratio falls below 6 per cent. The written down amount relating to the hybrid tier 1 capital should be written up before dividends can be disbursed to shareholders or the equity written up. From and including the second quarter of 2016, hybrid tier 1 capital was reclassified from liabilities to equity since it does not satisfy the definition of a financial liability pursuant to IAS 32. The hybrid tier 1 capital is perpetual and the Bank has a unilateral right not to pay interest to the investors under certain conditions. Interest is not presented as an interest cost in the income statement, but as a reduction in other equity.

Certificates and bonds
Purchased certificates and bonds are recognised at borrowing cost and later measured at fair value through profit or loss pursuant to the FVO in IAS 39. Changes in fair value and realised gains and losses are recognised in the income statement under "Net profit from other financial assets and liabilities". The fixed-income papers are presented inclusive of accrued interest (dirty price).

Shares, units and other equity interests
Shares, units and other equity interests are classified in compliance with IAS 39 as either financial assets held for trading or financial assets available for sale. Equity interests are measured at fair value on the basis of listed prices or using different valuation methods. Changes in the fair value of equity interests held for sale are recognised in profit or loss as the net result from other financial assets and liabilities.

Unrealised gains and losses on equity interests available for sale are included in other comprehensive income in compliance with IAS 1. Realised gains and losses, dividends and write-downs are included under net profit from other assets and liabilities.

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

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

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

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

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

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

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

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

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

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

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

Standard/ interpretation	Subject (main changes)	Approved by the EU	In effect from
New IFRS 9 Financial Instruments	Replaces current IAS 39 Financial Instruments. IFRS 9 deals with the classification, measurement and recognition of financial assets and liabilities, as well as new rules for hedge accounting and a new loss model for loans. The Group has started work on preparing for the implementation of IFRS 9 and on the impact assessment for this. Work continued on models in 2016, as well as on clarifications concerning valuation, classification, etc. The work on models and analysis of the economic consequences will continue throughout 2017, meaning that the Group will be ready for implementation on 1 January 2018. Please refer to the more detailed description in note 43.	Yes	Financial year 2018
New IFRS 15 Revenue from Contracts with Customers	The standard introduces a new model for recognising revenue from customer contracts. The effect of this with regard to the Bank's financial statements is regarded as negligible.	Yes	Financial year 2018
New IFRS 16 Leases	Replaces the current IAS 17 Leases and related interpretations. The effect of this with regard to the Bank's financial statements is regarded as negligible.	Expected H2 2017	Financial year 2019
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	The amendments clarify the accounting treatment when recognising a deferred tax asset linked to debt instruments measured at fair value in given situations.	Expected Q2 2017	Financial year 2017
Amendments to IAS 7 - Preparation of disclosure requirement	The amendments result in new requirements for note information concerning changes in liabilities that arise from financing activities.	Expected Q2 2017	Financial year 2017
Changes in IAS 40 - Classification of investment property	The amendments deal with how the company should treat reclassification to or from investment property under IAS 40.	Expected H2 2017	Financial year 2018
Amendments to IAS 28 and IFRS 10	The amendments clarify how gains and losses should be recognised upon the sale or deposit of assets to associated companies or joint ventures.	No	Postponed indefinitely
Amendments linked to the annual improvement project 2014-2016	The amendments to IAS 28 clarify that the access to measure investments in associated companies and joint ventures at fair value through profit or loss must be assessed for each individual investment upon initial recognition.	Expected H2 2017	Financial year 2018
	Elimination of short-term exemptions in IFRS 1 that no longer apply linked to IFRS 7, IAS 19, IFRS 12 and IAS 27.	Expected H2 2017	Financial year 2018
	Clarification in IFRS 12 that the requirement for note information, with the exception of paragraph B17, should be applied to each investment that is classified as "held for sale", "held for distribution to owners" or "discontinued operations" under IFRS 5.	Expected H2 2017	Financial year 2017

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

MANAGEMENT'S ASSESSMENTS IN CONNECTION WITH THE CHOICE OF ACCOUNTING POLICIES

Financial assets and liabilities

Financial assets and liabilities are also stated at fair value through profit and loss pursuant to the Fair Value Option (FVO) in IAS 39, section 9: Bonds, and certificates, fixed-rate loans and loans with interest-rate guarantees for customers, securities debt, fixed-rate deposits for customers, and term deposits. FVO is applied with a view to achieving a consistent assessment of assets and liabilities that are assessed together. Moreover, assessment at fair value reduces the accounting disparity that would otherwise have arisen if assets and liabilities were recognised on a basis other than as derivatives.

Equity instruments are classified as available for sale (AFS). Changes in the fair value of assets classified as AFS are recognised directly in equity. In the event of a prolonged, major decrease in fair value of an AFS asset, the cumulative loss recognised directly in equity is removed and recognised in profit and loss. What is to be interpreted as a significant or long-term impairment in value is a question of judgement. In deciding this question, Sparebanken Hedmark follows the IFRIC guidelines, recommendations from the auditing profession and professional standards. This assessment is made at the instrument level and has been operationalised to apply to an impairment in value that values the asset to less than 80 per cent of the cost price on the date of the balance sheet or if a market price lower than the cost price lasts for more than twelve months. Further reductions in value on previously written-down AFS assets are subsequently recognised continuously in profit and loss each time the financial statements are published.

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

CRITICAL ESTIMATES

Losses on loans

The Bank examines both its retail market portfolio and its corporate portfolio in order to identify credit risk and the need for provisions for losses. Substantial and especially exposed commitments are followed up at least twice a year. Both the corporate and retail banking portfolios are subject to assessment, with default older than 62 days triggering forwarding for collection and an assessment of the basis for individual write-down for losses.

Individual write-down for losses on individual commitments is done when objective events entail a loss for the Bank. Individual write-down is calculated as the difference between the commitment's book value and the present value of discounted cash flows based on the effective interest rate at the time of initial write-down. This means that the commitment is placed in the highest risk class. The same method is used regardless of whether the loan is recognised at amortised cost or fair value (fixed-rate loans).

Estimating impairment can be complicated as the prediction of future events always involves uncertainty. Importance is attached to concrete information in value assessment as the basis for realisation of collateral assets pledged as security. Cash flow is updated periodically, at least once a year.

Group write-down comprises the Bank's assessment of the basis for impairment in groups of loans with practically identical risk characteristics. This also includes loans assessed for individual write-down, but where there is no objective proof of impairment. All loans are consequently assessed with the exception of those that have been subject to individual write-downs. The model for the calculation of group write-down is based on the Bank's risk classification system.

Financial assets and liabilities assessed at fair value

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

SHARES, UNITS AND OTHER EQUITY INTERESTS

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

BONDS AND CERTIFICATES (LOANS)

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

DEBT SECURITIES ISSUED

Issued certificates and bonds are valued against the yield curve (bid), adjusted for indicated spread curve from Nordic Bond Pricing and other well-known brokerage for Sparebanken Hedmark and Bank 1 Oslo Akershus's issued debt securities.

DERIVATIVES

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

OTHER FINANCIAL ASSETS AND LIABILITIES ASSESSED AT FAIR VALUE (FIXED-RATE DEPOSITS, TERM DEPOSITS, FIXED-RATE LOANS AND LOANS WITH INTEREST-RATE GUARANTEE)
Fair value is assessed as the value of the agreed cash flows discounted by the market interest rate adjusted for a discretionary trading spread on the balance sheet date. See note 27 for more information.

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

Impact on the net pension liabilities

	Change in a assumption	Increase in an assumption	Reduction in an assumption
Discount rate	0,5 %	-6,7 %	7,5 %
Discount rate	0,5 %	2,9 %	2,6 %
Estimated economic life	1 year	3,5 %	-3,5 %

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

Note 4 Segment information

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

- Retail banking, corporate banking, property, financing, accounting and other activities.
- Property brokerage, leasing, financing and accounting are organised as independent companies.
- The result of the elimination of companies appears with other activities in a separate column.
- Tax is calculated at 25 per cent (27 per cent in 2015) for retail banking and corporate banking.

2016	**Sparebanken Hedmark PM**	**Sparebanken Hedmark BM**	**Bank 1 Oslo Akershus**	**SpareBank 1 Finans Østlandet**	**Eiendoms-Megler 1 Hedmark Eiendom**	**SpareBank 1 Regnskaps-huset Østlandet**	**Other**	**Total**
Income statement								
Net interest income	552	457	262	238		-1	-19	1 490
-of which internal items			*-4*			*1*	*-3*	
Net commission and other income	340	87	280	-29	99	158	4	939
-of which internal items			*-2*	*-2*			*2*	
Net return on financial investments	2		53				165	220
Operating expenses*	509	202	383	68	79	155	-193	1 203
Profit before losses by segment	**385**	**343**	**212**	**142**	**19**	**2**	**343**	**1 446**
Losses on loans and guarantees	15	31	1	27				75
Profit / loss per segment before tax	**370**	**311**	**211**	**115**	**19**	**2**	**343**	**1 371**
Tax	93	78	50	29	5		16	271
Profit / loss per segment after tax	**278**	**234**	**160**	**86**	**14**	**2**	**327**	**1 100**
Balance sheet								
Gross lending to customers	24 053	17 169	34 659	6 327			737	82 945
-of which internal items						*21*	*21*	
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	9 911	18 703
Total assets per segment	**24 091**	**16 994**	**42 850**	**6 458**	**55**	**144**	**10 648**	**101 240**
Deposits from and liabilities to customers	21 985	13 614	26 838				634	63 070
-of which internal items								
Other liabilities and equity	2 106	3 380	16 012	6 458	55	144	10 014	38 169
Total equity capital and liabilities per segment	**24 091**	**16 994**	**42 850**	**6 458**	**55**	**144**	**10 648**	**101 240**

2015	**Sparebanken Hedmark PM**	**Sparebanken Hedmark BM**	**SpareBank 1 Finans Østlandet**	**Eiendoms-Megler 1 Hedmark Eiendom**	**SpareBank 1 Regnskaps-huset Østlandet**	**Other**	**Total**
Income statement							
Net interest income	482	390	227	1	-2	7	1 105
-of which internal items			*-1*		*-2*	*3*	
Net commission and other income	350	78	-26	81	172	-3	651
-of which internal items			*-1*			*1*	
Net return on financial investments						514	514
Operating expenses*	534	210	86	74	155	-7	1 052
Profit before losses by segment	**298**	**258**	**115**	**7**	**15**	**526**	**1 220**
Losses on loans and guarantees	6	29	21				56
Profit / loss per segment before tax	**292**	**229**	**95**	**7**	**15**	**526**	**1 164**
Tax	79	62	20	2	4	67	234
Profit / loss per segment after tax	**213**	**167**	**75**	**5**	**11**	**459**	**930**
Balance sheet							
Gross lending to customers	21 270	16 174	5 643			693	43 779
-of which internal items					*-23*	*23*	
Individual loan write-downs	-32	-87	-13				-133
Collective loan write-downs	-27	-76	-17				-120
Other assets	128	1	67	43	135	12 070	12 444
Total assets per segment	**21 339**	**16 012**	**5 680**	**43**	**135**	**12 762**	**55 970**
Deposits from and liabilities to customers	21 068	11 915				475	33 458
-of which internal items							
Other liabilities and equity	271	4 097	5 680	43	135	12 286	22 513
Total equity capital and liabilities per segment	**21 339**	**16 012**	**5 680**	**43**	**135**	**12 761**	**55 970**

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

Note 5 Capital adequacy and capital management

Parent Bank Basel III 2015	Parent Bank Basel III 2016		Group Basel III 2016	Group Basel III 2015
3 987	5 310	Equity capital certificates	5 310	3 987
	520	Cohesion funds	520	
503	974	Dividend equalisation fund	974	503
3 019	3 313	Primary capital	3 313	3 019
50	33	Endowment fund	33	50
135	134	Fund for unrealised gains	134	135
		Hybrid capital	400	
	148	Dividends	148	
		Other equity	1 228	1 023
		Minority interests	47	
7 695	**10 430**	**Total equity carried**	**12 107**	**8 718**
		Tier 1 capital		
	-160	Results for the accounting year not included	-604	
		Minority interests that can not be included in core capital	36	
-119	43	Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	43	-119
-104	-90	Goodwill and other intangible assets	-371	-217
-155	-117	Revaluation reserve available for sale (Basel II / transitional rule)	-205	-182
-264		Positive value of expected losses under the IRB approach		
		CET1 instruments of financial sector entities where the institution does not have a significant investment	-452	-1 720
		Adjustments to core equity tier 1 capital linked to regulatory filters	10	
-10	-10	Value adjustments due to the requirements for prudent valuation	-33	-13
-220		Excess of deduction from AT1 items over AT1 Capital		
6 823	**10 095**	**Total common equity Tier 1 capital**	**10 530**	**6 468**
		Additional Tier 1 capital		
		Hybrid capital	619	162
-220		AT1 instruments of financial sector entities where the institution does not have a significant investment		
		AT1 instruments of financial sector entities where the institution does have a significant investment		-32
		Excess of deduction from T2 items over AT1 Capital		
220		Excess of deduction from AT1 items over AT1 Capital		
0	**0**	**Total additional Tier 1 capital**	**619**	**130**
		Supplementary capital in excess of core capital		
		36 per cent (45 per cent under Basel II) of unrealised gain on shares classified as available for sale		
500	500	Subordinated loan capital	1 524	783
-277		T2 instruments of financial sector entities where the institution does not have a significant investment		
		T2 instruments of financial sector entities where the institution does have a significant investment	-17	-202
		Excess of deduction from T2 items over AT1 Capital		
223	**500**	**Total supplementary capital**	**1 507**	**581**
7 047	**10 595**	**Net subordinated capital**	**12 656**	**7 179**
4 257	3 624	Corporates - SME	4 546	4 639
6 253	6 791	Corporates - Specialised Lending	10 628	8 270
763	532	Corporates - Other	768	847
905	847	SME exposure	1 104	939
6 301	5 997	Retail mortgage exposure	18 393	8 538
624	1 392	Other retail exposure	1 834	704
19 103	**19 183**	**Risk-weighted assets credit risk IRB**	**37 273**	**23 937**
7 068	10 505	Exposures calculated using the standardised approach	14 495	10 237
		Market risk		
199	162	CVA	452	234
1 989	2 253	Operational risk	3 702	3 269
		Basel I	6 279	
28 359	**32 104**	**Risk-weighted assets**	**62 201**	**37 677**
2 269	**2 568**	**Capital requirements (8%)**	**4 976**	**3 014**

Parent Bank Basel III 2015	Parent Bank Basel III 2016		Group Basel III 2016	Group Basel III 2015
		Buffer requirements		
709	803	Conservation buffer (2.5%)	1 555	942
284	482	Countercyclical capital buffer (1.5 % in 2016 and 1 % 2015)	933	377
851	963	Systemic risk buffer (3%)	1 866	1 130
1 843	**2 247**	Total buffer requirements for common equity (7 % in 2016 and 6.5 % in 2015)	**4 354**	**2 449**
3 704	**6 403**	Available common equity (net minimum requirement of 11.5 % in 2016 and 11 % in 2015)	**3 378**	**2 323**
		Capital adequacy ratio		
24,1 %	**31,4 %**	Common equity Tier 1 capital ratio	**16,9 %**	**17,2 %**
24,1 %	**31,4 %**	Tier 1 Capital ratio	**17,9 %**	**17,5 %**
24,8 %	**33,0 %**	Capital adequacy ratio	**20,3 %**	**19,1 %**

Note 6 Financial risk management

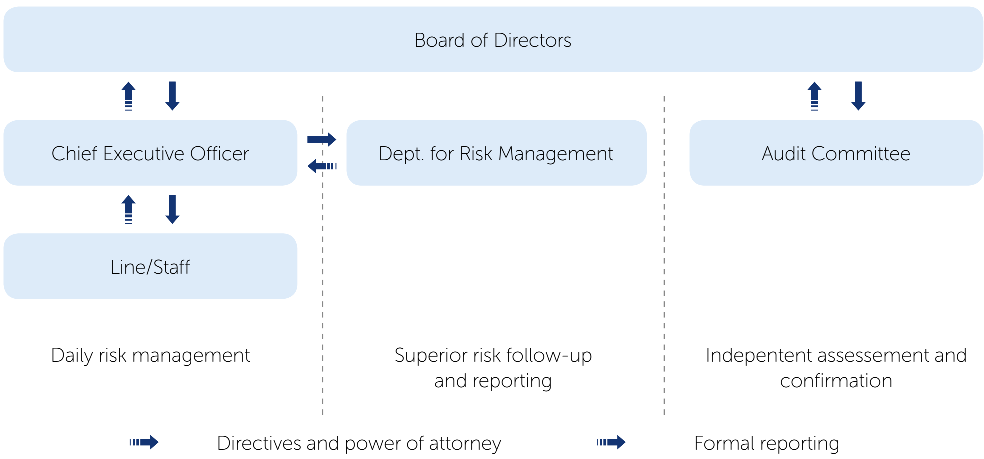
Overall responsibility and supervision
Sparebanken Hedmark's risk management shall support the Bank's strategic development and the attainment of its goals. Risk management shall also ensure financial stability and satisfactory asset management. This is to be achieved by:

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

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

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

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



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

Sparebanken Hedmark shall have a moderate to low risk profile. Risikoprofilen defineres gjennom fastsettelse av Groupets risikovilje og risikoevne på vesentlige risikoområder.

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

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

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

process. The Internal Audit's improvement recommendations are considered on an on-going basis.

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

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

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

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

For further information see notes 7 – 15.

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

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

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

For further information, see notes 16 and 17.

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

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

The liquidity reserves consist of deposits with Norges Bank, depositable bonds, unused committed drawing facilities and listed shares. The reserve totalled NOK 23,2 billion as at 31 December 2016. At year-end, the average maturity of the Bank's funding was 3,1 years.

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

For further information, see notes 18 and 19.

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

Note 7 Credit institutions – claims and liabilities

Parent bank			Group	
2015	**2016**	**Loans to and receivables from credit institutions**	**2016**	**2015**
48	35	Loans and receivables at call	329	48
5 654	7 156	Loans and receivables with agreed maturities or notice	1 006	817
5 701	**7 191**	**Total**	**1 335**	**864**
		Loans and receivables specified by major currencies		
5 667	7 170	NOK	1 228	830
11	9	EUR	56	11
		USD	12	
4	1	CHF	9	4
4	1	JPY	9	4
14	10	Other	21	14
5 701	**7 191**	**Total**	**1 335**	**864**
2015	**2016**	**Liabilities to credit institutions**	**2016**	**2015**
28	32	Loans and deposits at call	422	28
633	1 634	Loans and deposits with agreed maturities or notice	1 232	631
661	**1 666**	**Total**	**1 654**	**660**
		Liabilities specified by major currencies		
619	1 656	NOK	1 640	618
1	2	EUR	6	1
41	8	Other	8	41
661	**1 666**	**Total**	**1 654**	**660**
1,6 %	**1,4 %**	**Average interest rate**	**1,7 %**	**1,6 %**

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

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

Note 8 Loans to and receivables from customers

Parent bank 2015	Parent bank 2016		Group 2016	Group 2015
		Loans by type of receivable		
		Financial leasing	2 854	2 490
10 940	9 884	Overdraft facilities and operating credits	13 417	10 940
860	1 153	Building loans	1 491	847
26 295	30 885	Repayment loans	65 017	29 412
80	81	Accrued interest	165	90
38 175	**42 003**	**Gross loans to and receivables from customers**	**82 945**	**43 779**
222	241	Write-downs	408	253
37 953	**41 762**	**Loans to and receivables from customers**	**82 537**	**43 526**
		Loans by type of market		
21 814	24 653	Private customers	53 421	24 289
16 354	17 346	Corporate	29 331	19 287
6	4	Public sector	193	203
38 175	**42 003**	**Gross loans to and receivables from customers**	**82 945**	**43 779**
222	241	Write-downs	408	253
37 953	**41 762**	**Loans to and receivables from customers**	**82 537**	**43 526**
		Of repayment loans, loans stated at fair value through profit and loss (FVO):		
2 758	*3 301*	*- Fixed-rate loans to customers, book value*	*5 913*	*2 758*
2 707	*3 291*	*- Fixed-rate loans to customers, face value*	*5 861*	*2 707*

Parent bank 2015	Parent bank 2016	Total commitments by risk group	Group 2016	Group 2015
29 215	34 780	Low risk	70 784	31 115
12 052	11 201	Medium risk	17 785	15 224
2 000	1 802	High risk	3 309	2 654
452	398	Defaults	560	532
43 719	**48 181**	**Total commitments by risk group**	**92 437**	**49 525**

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

In addition are loans approved not disbursed to a value to NOK 177 million in the Retail Division and worth NOK 542 million in the Corporate Division on 31 December 2016 in the Bank. The group have loans approved not disbursed to a value of 1 699 million at the same date. These have not been paid and are therefore not included in total commitments.

Parent bank 2015	Parent bank 2016	Gross loans by risk group	Group 2016	Group 2015
25 119	29 866	Low risk	63 046	26 901
10 853	10 079	Medium risk	16 282	13 957
1 760	1 666	High risk	3 068	2 398
442	392	Defaults	549	522
38 175	**42 003**	**Gross loans by risk group**	**82 945**	**43 779**

Parent bank 2015	Parent bank 2016	Individual write-downs by risk group	Group 2016	Group 2015
119	**118**	Defaults (internal definition)	**145**	**132**

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

Parent bank 2015	2016	Expected annual average net loss by risk group	Group 2016	2015
14	18	Low risk	36	14
63	58	Medium risk	80	67
66	49	High risk	78	75
28	15	Defaults	30	33
171	**140**	**Total expected annual average net loss by risk group**	**224**	**189**

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

Parent bank 2015	2016	Total commitments by sector and industry	Group 2016	2015
23 870	27 033	Private customers	57 269	26 345
177	166	Public sector	407	374
4 304	4 776	Primary industries	5 102	4 543
336	202	Paper and pulp industries	218	357
858	938	Other industry	1 236	1 136
1 491	2 447	Building and construction	3 429	2 140
258	237	Power and water supply	435	404
1 214	1 013	Wholesale and retail trade	1 660	1 589
185	325	Hotel and restaurants	627	197
8 286	8 805	Real estate	15 007	8 345
2 386	1 819	Commercial services	5 275	2 937
334	364	Transport and communications	1 518	1 138
21	57	Other	255	21
43 719	**48 181**	**Total commitments by sector and industry**	**92 437**	**49 525**

Parent bank 2015	2016	Gross loans by sector and industry	Group 2016	2015
21 814	24 653	Private customers	53 421	24 289
6	4	Public sector	193	203
3 731	4 102	Primary industries	4 428	3 970
275	202	Paper and pulp industries	218	292
534	542	Other industry	801	777
836	831	Building and construction	1 684	1 417
228	214	Power and water supply	407	374
804	791	Wholesale and retail trade	1 332	1 128
169	188	Hotel and restaurants	476	181
7 667	8 283	Real estate	14 157	7 722
1 836	1 917	Commercial services	4 356	2 365
254	220	Transport and communications	1 287	1 041
21	56	Other	187	21
38 175	**42 003**	**Total gross loans by sector and industry**	**82 945**	**43 779**

Parent bank 2015	2016	Individual write-downs by sector and industry	Group 2016	2015
32	29	Private customers	41	38
5	14	Primary industries	14	5
1	1	Paper and pulp industries	1	1
5	16	Other industry	21	9
9	8	Building and construction	9	9
1	1	Power and water supply	1	1
20	16	Wholesale and retail trade	21	20
		Hotel and restaurants		
20	14	Real estate	14	21
25	20	Commercial services	20	25
		Transport and communications	4	2
119	**118**	**Total individual write-downs by sector and industry**	**146**	**132**

Parent bank			Group	
2015	**2016**	**Expected annual average net loss by sector and industry**	**2016**	**2015**
38	35	Private customers	72	42
9	6	Primary industries	6	9
9	4	Paper and pulp industries	4	9
		Other industry	3	2
13	13	Building and construction	15	15
1	1	Power and water supply	1	3
9	9	Wholesale and retail trade	12	12
2	2	Hotel and restaurants	3	2
59	55	Real estate	80	59
29	13	Commercial services	17	31
2	2	Transport and communications	6	4
		Øvrig næring	5	
171	**140**	**Total expected annual average net loss by sector and industry**	**224**	**189**

Parent bank			Group	
2015	**2016**	**Gross loans by geographic area**	**2016**	**2015**
25 847	28 379	Hedmark County	30 167	27 479
3 542	3 828	Oppland County	4 980	4 361
3 102	3 459	Akershus County	16 867	4 111
	4 204	Oslo	25 982	
5 534	1 991	Rest of Norway	4 709	7 671
69	61	Abroad	159	69
80	81	Accrued interest, undistributed	81	88
38 175	**42 003**	**Total gross loans by geographic area**	**82 945**	**43 779**

Parent bank			Group	
2015	**2016**		**2016**	**2015**
731	812	Loans to employees	1 103	906
292	*301*	*-Of which loans in SpareBank 1 Boligkreditt AS*	*411*	*397*

Repayment loans are granted to employees with up to 30 years repayment period and monthly instalments. The rate of interest for repayment loans and Flexiloans for employees is 75 per cent of the lowest ordinary interest rate for private market loans and Flexiloans.
Per 31.12.16 the total loan amount on these terms is limited to NOK 2.5 million per individual employee.

	Group	
Loans to and receivables from customers linked financial leasing agreements (Group only)	**2016**	**2015**
Gross receivables linked to financial leasing agreements		
- Up to 1 year	284	239
- 1 to 5 years	2 006	1 822
- More than 5 years	564	429
Total gross receivables	**2 854**	**2 490**
Not accrued income linked to financial leasing agreements	7	7
Net investments linked to financial leasing agreements	2 847	2 483
Net investments in financial leasing agreements		
can be analysed thus:		
- Up to 1 year	283	238
- 1 to 5 years	2 002	1 817
- More than 5 years	562	428
Total net receivables	**2 847**	**2 483**

Note 9 Classification of financial assets

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

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

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

SpareBank 1 Boligkreditt AS
SpareBank 1 Boligkreditt AS is owned by the banks that make up the SpareBank 1 Alliance. The Group Sparebanken Hedmark owned a 20.26 per cent stake as at 31 December 2016 (9.9 per cent as at 31 December 2015). SpareBank 1 Boligkreditt AS acquires loans with collateral in housing and issues covered bonds in accordance with the regulations established for this in 2007. Loans sold to SpareBank 1 Boligkreditt AS are secured by collateral in housing up to a ceiling of 75 per cent of their valuation. The sold loans are legally owned by SpareBank 1 Boligkreditt AS and Sparebanken Hedmark has, apart from the right to administer them and receive commissions, as well as the right to take over fully or partially written down loans, no right to use the loans. The Bank administers the sold loans and receives commissions based on the net return on the loans the Bank has sold less the company's costs.

A total of NOK 35.2 billion had been derecognised in home mortgages sold to SpareBank 1 Boligkreditt AS at the end of the financial year. The remaining involvement is as follows:

	Book value asset	Fair value asset	Book value liability	Fair value liability	Maximum exposure to loss
Remaining involvement	0	0	0	0	216 MNOK

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

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

SpareBank 1 Næringskreditt AS
SpareBank 1 Næringskreditt AS is owned by the banks that make up the SpareBank 1 Alliance. The Group Sparebanken Hedmark owned a 9.24 per cent stake as at 31 December 2016 (3.84 per cent as at 31 December 2015). SpareBank 1 Næringskreditt AS acquires loans with security in commercial real estate and issues covered bonds under the regulations for this established in 2007. Loans sold to SpareBank 1 Næringskreditt AS are secured by security in commercial real estate within 60 per cent of its valuation. Sold loans are legally owned by SpareBank 1 Næringskreditt AS and the Bank has, beyond the right to manage and receive commissions for this and the right to take over part or all of written down loans, no right to use the loans. Sparebanken Hedmark manages the sold loans and the Bank receives commissions based on the net returns on the loans the Bank has sold and the costs in the company.

	Book value asset	Fair value asset	Book value liability	Fair value liability	Maximum exposure to loss
Remaining involvement	0	0	0	0	8 MNOK

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

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

Note 10 Distribution by age of defaulted loans not written down

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

Parent bank **2016**	**Up to 30 days**	**31–60 days**	**61–90 days**	**More than 91 days**	**Total**
Loans to and receivables from customers					
- Retail market	2			5	**7**
- Corporate market	57	1		35	**93**
Total	**59**	**1**	**0**	**40**	**100**

Group **2016**	**Up to 30 days**	**31–60 days**	**61–90 days**	**More than 91 days**	**Total**
Loans to and receivables from customers					
- Retail market	4	1	1	42	**48**
- Corporate market	97	1		38	**136**
Total	**101**	**2**	**1**	**80**	**184**

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

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

Note 11 Losses on loans and guarantees

Parent bank							**Group**					
2015			**2016**				**2016**			**2015**		
RM	**CM**	**Total**	**RM**	**CM**	**Total**		**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
-4	5	**1**	-2	3	**1**	Change in individual write-downs in the period	-1	8	**7**	-2	7	**5**
-6	8	**2**	9	10	**19**	+ Change in collective write-downs in the period	10	11	**22**	-5	9	**4**
7	14	**21**	6	11	**16**	+ Realised losses on commitments previously written down	18	22	**40**	14	22	**36**
12	3	**15**	23	11	**34**	+ Realised losses on commitments not previously written down	26	12	**38**	15	6	**21**
-3		**-3**	-21	-3	**-24**	- Recoveries on loans and guarantees previously written down	-28	-5	**-33**	-6	-3	**-9**
7	**29**	**35**	**15**	**31**	**47**	**Total losses on loans and guarantees**	**27**	**48**	**75**	**16**	**40**	**56**

2015			**2016**				**2016**			**2015**		
RM	**CM**	**Total**	**RM**	**CM**	**Total**	**Individual write-downs**	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
35	99	**134**	31	102	**134**	Individual write-downs to cover losses on loans and guarantees at 1 January	39	107	**147**	41	101	**143**
7	14	**21**	6	14	**20**	Realised losses in the period on loans and guarantees previously written down individually	15	24	**39**	14	22	**35**
5	9	**14**	6	13	**19**	Reversal of write-downs in previous years	8	19	**28**	9	14	**24**
	3	**3**	2	4	**6**	Increase in write-downs on commitments previously written down individually	3	6	**9**	2	6	**8**
						Changes in equity because og buing B1OA	6	7	**13**			
9	23	**32**	7	21	**28**	Write-downs on commitments not previously written down individually	19	35	**53**	19	36	55
31	**102**	**134**	**27**	**100**	**128**	**Individual write-downs to cover losses on loans and guarantees at 31 December ***	**43**	**112**	**156**	**39**	**107**	**147**

*Guarantee provisions are included under "Other liabilities" in the balance sheet and at 31 December amounted to NOK 10.0 million. The corresponding figures in 2015 are NOK 14.4 million.

Parent bank							Group					
2015			2016				2016			2015		
RM	CM	Total	RM	CM	Total	**Collective write-downs**	RM	CM	Total	RM	CM	Total
33	68	**101**	27	76	**103**	Collective write-downs to cover losses on loans and guarantees at 1 January	34	86	**120**	39	77	**116**
-6	8	**2**	9	10	**19**	Collective write-downs to cover losses on loans and guarantees in the period	10	11	**22**	**-5**	**9**	**4**
						Changes in equity because og buing B1OA	36	84	**120**			
27	**76**	**103**	**36**	**86**	**122**	**Collective write-downs to cover losses on loans and guarantees at 31 December**	**80**	**182**	**262**	**34**	**86**	**120**

Parent bank			Group	
2015	**2016**	**Losses by sector and industry**	**2016**	**2015**
14	6	Private customers	20	19
6	9	Primary industries	9	6
	13	Other industry	13	2
		Building and construction	2	2
		Power and water supply		2
	2	Wholesale and retail trade	5	3
5	1	Real estate	2	5
8	-3	Commercial services	-2	10
		Transport and communications	3	2
2	19	Collective write-downs	22	4
35	**47**	**Losses on loans to customers**	**75**	**56**

Parent bank				Group		
2014	**2015**	**2016**		**2016**	**2015**	**2014**
263	180	137	Gros defaulted commitments for more than 90 days	233	234	339
44	32	40	Individual write-downs on defaulted commitments	54	41	52
219	**148**	**97**	**Net defaulted commitments**	**179**	**193**	**246**
17 %	18 %	29 %	Provision rate	23 %	18 %	14 %
205	234	230	Gros problem commitments (not in default)	272	257	209
90	102	88	Individual write downs on problem commitments	101	107	91
115	**132**	**142**	**Net problem commitments**	**171**	**150**	**118**
44 %	44 %	38 %	Provision rate	37 %	42 %	44 %
29 %	**32 %**	**35 %**	**Total provition rate**	**31 %**	**30 %**	**26 %**
25	20	18	Interest on written down loans recognised as income	18	20	25

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

Note 12 Credit risk exposure for each internal risk rating

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

Parent bank	Average unsecured exposure (%) 2016	Total commitment 2016	Average unsecured exposure (%) 2015	Total commitment 2015
Low risk	2,0 %	34 780	2,9 %	29 215
Medium risk	6,1 %	11 201	7,3 %	12 052
High risk	4,3 %	1 802	6,5 %	2 000
Defaulted and written down	16,5 %	398	18,8 %	452
Total	**3,1 %**	**48 181**	**4,5 %**	**43 719**

Group	Average unsecured exposure (%) 2016	Total commitment 2016	Average unsecured exposure (%) 2015	Total commitment 2015
Low risk	3,0 %	70 475	4,9 %	31 115
Medium risk	4,7 %	18 141	17,3 %	15 224
High risk	4,9 %	3 265	9,2 %	2 654
Defaulted and written down	14,8 %	556	19,2 %	532
Total	**3,5 %**	**92 437**	**9,1 %**	**49 525**

Average unsecured exposure is calculated on the basis of average security coverage in each collateral class.

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

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

Parent bank			Group	
2015	2016		2016	2015
		Assets		
148	268	Deposits with central banks	657	148
5 701	7 191	Loans to and receivables from credit institutions	1 735	864
38 175	42 003	Gross loans to and receivables from customers	82 945	43 779
-119	-118	- Individual write-downs	-145	-132
-103	-122	- Write-downs to cover groups of loans	-262	-120
37 953	41 762	Net loans to and receivables from customers	82 537	43 526
6 133	5 630	Certificates and bonds	9 776	6 133
455	349	Financial derivatives	810	455
50 390	**55 199**	**Credit risk exposure, balance sheet**	**95 115**	**51 127**
		Liabilities		
1 049	1 044	Contingent liabilities (guarantees provided)	1 179	929
5 123	5 616	Unutilised credit lines	8 274	4 604
542	719	Loans approved not disbursed	1 699	542
6 714	**7 379**	**Total financial guarantees, off balance sheet items**	**11 151**	**6 075**
57 105	**62 578**	**Total credit risk exposure**	**106 666**	**57 202**

Credit risk exposure on financial assets distributed by geographic area

Parent bank			Group	
2015	2016		2016	2015
		Banking activities		
35 331	39 022	Hedmark	36 456	31 306
4 140	4 465	Oppland	5 615	4 992
3 626	4 035	Akershus	18 701	4 676
	5 654	Oslo	25 944	
7 436	3 564	Rest of Norway	9 056	9 658
126	100	Abroad	309	126
-222	-240	Provisions for losses, undistributed	-408	-252
80		Accrued interest, undistributed	7	109
50 517	**56 599**	**Total banking activities**	**95 680**	**50 614**
		Financial market activities		
4 843	4 348	Norway	7 587	4 843
1 689	1 586	Europe	2 954	1 689
57	45	USA	45	57
6 588	**5 979**	**Total financial market activities**	**10 586**	**6 588**
57 105	**62 578**	**Total distributed by geographic area**	**106 666**	**57 202**

Note 14 Financial instruments and offsetting

In accordance with IFRS 7.13 A-F it should be disclosed about the financial instruments the Bank considers to fulfill the requirements for 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 statesments.

Sparebanken Hedmark has two sets of agreements which regulate counterparty risk and netting of derivatives. For retail and corporate customers, use is made of framework agreements requiring provision of collateral. For customers engaged in trading activity, only cash deposits are accepted as collateral. The agreements are unilateral, i.e it is only the customers that provide collateral. As regards financial institutions, the Bank enters into standardised and mainly bilateral ISDA agreements. Additionally the Bank has entered into supplementary agreements on provision of collateral (CSA) with ten institutional counterparties. Reverse reprchase agreements are covered by GMRA agreements counterparty. The Group has two GRMA agreements per 31.12.16.

The assets and liabilities below may be offset.

Parent bank

				Amounts not presented on the balance sheet on a net basis		
31.12.2016	**Gross financial assets/(liabilities)**	**Recognised on a net basis**	**Net financial assets/(liabilities) on the balance sheet**	**Financial instruments**	**Cash collateral given/ (received)**	**Net amount**
Derivatives as assets	349	0	349	-50	0	299
Derivatives as liabilities	-233	0	-233	50	136	-47

31.12.2015	**Gross financial assets/(liabilities)**	**Recognised on a net basis**	**Net financial assets/(liabilities) on the balance sheet**	**Financial instruments**	**Cash collateral given/ (received)**	**Net amount**
Derivatives as assets	455	0	455	-48	0	407
Derivatives as liabilities	-320	0	-320	48	116	-157

Group

				Amounts not presented on the balance sheet on a net basis		
31.12.2016 (inc. B1OA)	**Gross financial assets/(liabilities)**	**Recognised on a net basis**	**Net financial assets/(liabilities) on the balance sheet**	**Financial instruments**	**Cash collateral given/ (received)**	**Net amount**
Derivatives as assets	810	0	810	-126	-201	483
Derivatives as liabilities	-349	0	-349	126	168	-54

31.12.2015 (without B1OA)	**Gross financial assets/(liabilities)**	**Recognised on a net basis**	**Net financial assets/(liabilities) on the balance sheet**	**Financial instruments**	**Cash collateral given/ (received)**	**Net amount**
Derivatives as assets	455	0	455	-48	0	407
Derivatives as liabilities	-320	0	-320	48	116	-157

Note 15 Credit quality per class of financial assets

Parent bank		Neither defaulted nor written down				
2016	Notes	Low risk	Medium risk	High risk	Defaulted or individually written down	Total
Loans to and receivables from credit institutions	7	7 191				7 191
Gross loans to and receivables from customers measured to amortisert cost						
Retail market	8	18 733	2 464	429	153	21 779
Corporate market	8	8 363	7 155	1 190	238	16 946
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value through profit and loss on initial recognition						
Retail market	8	2 514	314	45	1	2 874
Corporate market	8	256	146	2		404
Total gross lending		**37 057**	**10 079**	**1 666**	**392**	**49 194**
Financial investments						
Certificates and bonds	30	5 620	8	3		5 630
Total financial investments		**5 620**	**8**	**3**		**5 630**
Total lending-related assets		**42 676**	**10 087**	**1 669**	**392**	**54 824**

Group		Neither defaulted nor written down				
2016	Notes	Low risk	Medium risk	High risk	Defaulted or individually written down	Total
Loans to and receivables from credit institutions	7	1 335				1 335
Gross loans to and receivables from customers measured to amortisert cost						
Retail market	8	41 292	9 532	814	233	51 870
Corporate market	8	14 115	9 355	1 511	252	25 233
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value through profit and loss on initial recognition						
Retail market	8	4 890	389	60	1	5 339
Corporate market	8	352	148	2		502
Total gross lending		**61 983**	**19 424**	**2 386**	**487**	**82 279**
Financial investments						
Certificates and bonds	30	9 757	17	3		9 776
Total financial investments		**9 757**	**17**	**3**		**9 776**
Total lending-related assets		**72 140**	**19 441**	**2 389**	**487**	**94 056**

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

Group		Neither defaulted nor written down				
2015	Notes	Low risk	Medium risk	High risk	Defaulted or individually written down	Total
Loans to and receivables from credit institutions	7	864				**864**
Gross loans to and receivables from customers measured to amoritisert cost						
Retail market	8	17 305	3 815	610	209	**21 939**
Corporate market	8	6 689	8 377	1 351	263	**16 679**
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value through profit and loss on initial recognition						
Retail market	8	1 899	365	61	7	**2 332**
Corporate market	8	1 027	1 395	362	44	**2 828**
Total gross lending		**27 784**	**13 952**	**2 384**	**523**	**44 643**
Financial investments						
Certificates and bonds	30	6 122	8	4		**6 133**
Total financial investments		**6 122**	**8**	**4**		**6 133**
Total lending-related assets		**33 906**	**13 960**	**2 387**	**523**	**50 776**

Classification of financial investments into different risk groups is based on ratings from Standard Poor's, Moody's, or Fitch (or a combination of these) according to the conversion table shown below. No official ratings are available for some issues/issuers. In the Parent Bank these amount to NOK 1,013 million for 2016 and mainly consist of certificates and bonds in Norwegian local authorities and county councils (NOK 449 million), senior loans in Bank 1 Oslo Akershus AS (NOK 410 million), and a subordinated loan in SpareBank 1 Forsikring AS (NOK 125 million). In the Group the equivalent investments amounted to NOK 1,564 million and were largely made up of fixed income securities in Norwegian local authorities and county councils (NOK 1,096 million), covered bonds in Verd Boligkreditt AS (NOK 220 million), subordinated loans in SpareBank 1 Forsikring AS (NOK 125 million), a senior loan in Steen & Strøm AS (NOK 50 million), and a senior loan in Kredittforeningen for Sparebanker (NOK 35 million). Following individual assessments, based on, among other things, market pricing and alternative risk analyses from recognised brokerage houses, the aforementioned issues are assigned to the risk group low risk based on a judgement.

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

Note 16 Market risk related to interest rate risk

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

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

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

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

Parent bank Interest rate risk, 1 per cent change			Group Interest rate risk, 1 per cent change	
2015	**2016**	**Basis risk**	**2016**	**2015**
-43	-31	Certificates and bonds	-44	-43
-53	-60	Fixed-rate loans	-115	-53
1	3	Fixed-rate deposits	18	1
1		Certificate-based loans		1
144	147	Bonds	293	144
1	2	Other fixed-rate funding and investements	3	1
-62	-73	Derivatives	-145	-62
-10	**-13**	**Total interest rate risk, effect on profit after tax and equity**	**11**	**-10**

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

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

Parent bank Renterisiko, ett prosent poeng endring			Group Renterisiko, ett prosent poeng endring	
2015	**2016**	**Yield curve risk**	**2016**	**2015**
1	1	0–1 month	1	1
2	4	1–3 months	9	2
1		3–6 months		1
	3	6–12 months	8	
-11	-12	1–3 years		-11
-2	-3	3–5 years	-3	-2
	-5	5–10 years	-4	
-10	**-13**	**Total interest rate risk, effect on profit after tax and equity**	**11**	**-10**

Note 17 Market risk related to currency exposure

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

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

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

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

Parent bank			Group	
2015	**2016**	**Net Currency exposure NOK**	**2016**	**2015**
4	-1	USD		4
3	-1	EUR	5	3
2	2	SEK	6	2
2	1	GBP	2	2
2	4	CHF	5	2
1		DKK	1	1
1		PLN		1
		JPY		
	-2	Other	3	
14	**4**	**Total**	**22**	**14**
0	0	Effect on after-tax profit/loss and equity of a 3 per cent change in Fx-rates	0	0
1	0	Effect on after-tax profit/loss and equity of a 10 per cent change in Fx-rates	2	1

Note 18 Liquidity risk

Parent bank

2016	**At call**	**Less than 3 months**	**3–12 months**	**1–5 years**	**More than 5 years**	**Total**
Cash flows related to liabilities						
Liabilities to credit institutions	-27	-470	-36	-678	-585	-1 749
Deposits from and liabilities to customers	-32 821		-3 437			-36 258
Liabilities arising from issuance of securities		-252	-1 684	-9 962	-1 045	-12 943
Subordinated loan capital		-4	-11	-506		-521
Derivatives related to liabilities		13	28	64	18	124
Current tax liabilities			-148			-148
Other liabilities		-718				718
Total cash flows related to liabilities	**-32 821**	**-1 430**	**-5 267**	**-11 082**	**-1 612**	**-52 212**

Group

2016	**At call**	**Less than 3 months**	**3–12 months**	**1–5 years**	**More than 5 years**	**Total**
Cash flows related to liabilities						
Liabilities to credit institutions	-27	-464	-36	-678	-585	-1 790
Deposits from and liabilities to customers	-57 649	-1 638	-3 783			-63 070
Liabilities arising from issuance of securities		-440	-2 712	-17 258	-3 444	-23 854
Subordinated loan capital		-4	-11	-1 735		-1 750
Derivatives related to liabilities		9	19	-185	-194	-352
Current tax liabilities		-96	-151			-247
Forpliktelser ved utsatt skatt				-118		-118
Other liabilities		-1 699				-1 699
Total cash flows related to liabilities	**-57 649**	**-4 332**	**-6 674**	**-19 974**	**-4 223**	**-92 879**

2015	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Cash flows related to liabilities						
Liabilities to credit institutions		-2	-6	-95	-592	-695
Deposits from and liabilities to customers	-31 620	-1 740	-148			-33 508
Liabilities arising from issuance of securities		-516	-1 658	-8 407	-1 667	-12 247
Subordinated loan capital		-4	-11	-521		-535
Derivatives related to liabilities		19	50	124	30	224
Current tax liabilities			-163			-163
Other liabilities		-97	-47	-34	-263	-440
Total cash flows related to liabilities	**-31 620**	**-2 340**	**-1 982**	**-8 931**	**-2 492**	**-47 365**

Group

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

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

Note 19 Maturity analysis of assets and liabilities

Parent bank

2016	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	354					354
Loans to and receivables from credit institutions	5 467	106	190	1 428		7 191
Gross loans to and receivables from customers	13 245	434	1 498	6 109	20 716	42 003
- Individual write-downs	-44	-6	-6	-27	-36	-118
- Write-downs of groups of loans				-122		-122
Net loans to and receivables from customers	13 201	428	1 492	5 960	20 680	41 762
Certificates and bonds		1 134	252	3 442	802	5 630
Financial derivatives		8	34	166	140	349
Shares, units and other equity interests					321	321
Investments in associates and joint ventures					1 681	1 681
Investments in subsidiaries					3 842	3 842
Property, plant and equipment				74	229	304
Goodwill and other intangible assets			15	30	57	102
Other assets		18	81	137	103	338
Total assets	**19 021**	**1 695**	**2 064**	**11 237**	**27 856**	**61 873**
Liabilities						
Deposits from and liabilities to credit institutions	27	470	20	600	549	1 666
Deposits from and liabilities to customers	32 821		3 437			36 259
Liabilities arising from issuance of securities		175	1 525	9 640	1 064	12 404
Financial derivaties		55	5	90	82	233
Current tax liabilities			148			148
Defferred tax liabilities				10		10
Other debt and liabilities recognised in the balance sheet		43	129	10	40	222
Subordinated loan capital				502		502
Total liabilities	**32 848**	**743**	**5 264**	**10 851**	**1 736**	**51 443**

Group

2016	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	759					759
Loans to and receivables from credit institutions	66	402	190	678		1 735
Gross loans to and receivables from customers	18 244	840	2 919	13 669	47 274	82 945
- Individual write-downs	-44	-7	-19	-40	-36	-145
- Write-downs of groups of loans				-262		-262
Net loans to and receivables from customers	18 200	833	2 900	13 367	47 238	82 537
Certificates and bonds		1 433	331	6 562	1 450	9 776
Financial derivatives		15	138	439	217	810
Shares, units and other equity interests				426	321	747
Investments in associates and joint ventures					3 618	3 618
Assets held for sale			5			5
Property, plant and equipment				85	501	586
Goodwill and other intangible assets			42	32	297	371
Other assets		28	413	151	103	695
Total assets	**19 025**	**2 710**	**4 019**	**21 740**	**53 745**	**101 640**
Liabilities						
Deposits from and liabilities to credit institutions	26	460	20	600	549	1 654
Deposits from and liabilities to customers	57 649	1 638	3 783			63 070
Liabilities arising from issuance of securities		388	2 214	17 584	1 752	21 937
Financial derivatives		61	30	135	122	349
Current tax liabilities		96	151			247
Defferred tax liabilities				118		118
Other debt and liabilities recognised in the balance sheet		114	292	29	119	554
Subordinated loan capital				502	700	1 203
Total liabilities	**57 675**	**2 758**	**6 489**	**18 967**	**3 243**	**89 132**

Parent bank

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

Group

2015	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	264					264
Loans to and receivables from credit institutions	46	2	499	317		864
Gross loans to and receivables from customers	14 190	514	1 685	8 733	18 656	43 779
- Individual write-downs	-44	-2	-11	-45	-31	-132
- Write-downs of groups of loans				-120		-120
Net loans to and receivables from customers	14 147	512	1 674	8 569	18 625	43 526
Certificates and bonds		435	848	3 878	973	6 134
Financial derivatives		92	5	215	143	455
Shares, units and other equity interests					294	294
Investments in associates and joint ventures					3 386	3 386
Property, plant and equipment				91	250	341
Goodwill and other intangible assets			10	31	170	211
Other assets		17	283	123	73	497
Total assets	**14 457**	**1 058**	**3 319**	**13 223**	**23 913**	**55 971**
Liabilities						
Deposits from and liabilities to credit institutions	27	1	18	65	549	660
Deposits from and liabilities to customers	31 569	1 740	148			33 458
Liabilities arising from issuance of securities	6	439	1 704	7 827	1 600	11 576
Financial derivatives	43	46	23	-6	216	320
Current tax liabilities			167			167
Defferred tax liabilities				65		65
Other debt and liabilities recognised in the balance sheet		92	123	16	280	510
Subordinated loan capital					496	496
Total liabilities	**31 645**	**2 317**	**2 183**	**7 966**	**3 141**	**47 253**

Note 20 Net interest income

Parent bank 2015	Parent bank 2016		Group 2016	Group 2015
		Interest income		
165	186	Interest on loans to and receivables from credit institutions	65	68
1 475	1 400	Interest on loans to and receivables from customers	2 287	1 796
88	89	Interest on certificates and bonds	124	88
20	18	Interest income from written-down loans charged to income	18	20
1 748	**1 692**	**Total interest income**	**2 494**	**1 972**
		Interest expenses		
31	37	Interest on debt to credit institutions	43	31
567	377	Interest on deposits from and liabilities to customers	526	564
232	238	Interest on securities issued	379	232
15	14	Interest on subordinated loan capital	25	15
22	24	Fees to the Banks' Guarantee Fund	31	25
868	**689**	**Total interest expenses**	**1 004**	**867**
880	**1 003**	**Total net interest income**	**1 490**	**1 105**

Note 21 Net commission income and other operating income

Parent bank 2015	Parent bank 2016		Group 2016	Group 2015
		Commission income		
17	18	Guarantee commissions	18	16
7	8	Securities trading	11	7
132	148	Payment transmission	238	132
81	88	Insurance services	129	81
188	154	Commission from loans transferred to cover bond companies	225	188
		Commission from real estate brokerage	198	80
10	10	Other commission income	12	10
435	**427**	**Total commission income**	**830**	**514**
		Commission expenses		
21	22	Payment transmission	36	21
6	6	Other commission expenses	34	32
27	**28**	**Total commission expenses**	**71**	**53**
		Other operating income		
8	8	Operating income from real estate	6	6
		Income from accounting	159	164
7	4	Income payroll	4	7
7	9	Other operating income	10	15
21	**21**	**Total other operating income**	**180**	**190**
429	**420**	**Total net commission income and other operating income**	**939**	**651**

Note 22 Net income from financial assets and liabilities

Parent bank 2015	2016		Group 2016	2015
9	45	Net income from equity instruments available for sale	46	9
9	**45**	**Net income from equity instruments available for sale**	**46**	**9**
259	389	Income from ownership interests	236	301
	-20	Write-down of assets in group companies		
259	**369**	**Net income from ownership interests**	**236**	**301**
-75	22	Net change in bonds and certificates at fair value through profit and loss	35	-75
7	15	Net change in value of derivatives related to bonds (assets)	21	7
-68	*36*	Net change in value on bonds and certificates including hedging	*56*	*-68*
294	-65	Net change in securities at fair value through profit and loss	100	294
-42	-87	Net change in value of derivatives related to funding loans	-246	-42
252	*-151*	Net change in value of securities debt including hedging	*-146*	*252*
15	-41	Net change in fixed-rate loans to customers at fair value through profit and loss	-78	15
-6	6	Net change in value of other derivatives	54	-6
	13	Gains / losses on realisation of equity instruments available for sale	29	
12	16	Net income from currency trading	24	12
205	**-122**	**Total net income from other financial assets and liabilities**	**-62**	**205**
473	**293**	**Total net income from financial assets and liabilities**	**220**	**514**

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

Parent bank 2015	2016		Group 2016	2015
271	309	Payroll	646	440
43	53	Employers' National Insurance contribution	110	67
46	-220	Pension costs (note 24)	-215	54
22	20	Social security expenses	32	30
381	**162**	**Total personnel expenses**	**573**	**590**
484	484	Average no. of employees	986	735
470	462	No. of fulltime equivalents at 31 December	1 173	728
490	478	No. of employees at 31 December	1 209	762

Payments to Group management (NOK thousands)

2016 Title / name	Salaries and other short-term benefits	Other remunera-tion	Accrued pension entitlements in the last 12 months	Board fees in subsidi-aries etc.	Loans	Guarantees
Chief Executive Officer Richard Heiberg *)	3 001	124	2 063	449	150	
Executive Director Corporate Market Vegard Sæten to 31.3.2016*)	952	621	43	95		
Executive Director Corporate Market Hans Olav Wedvik from 1.5.2016*)	889	200	79		20 117	
Executive Director Retail Market Kari E. Gisnås*)	1 457	398	216	326	4 787	
CFO Geir-Egil Bolstad from 1.12.2016	300	13				
CFO Tore Anstein Dobloug*)	1 390	293	184	249		
Executive Director HR Eldar Kjendlie*)	1 343	301	144		781	
Chief Operating Officer Dag-Arne Hoberg*)	1 343	424	233	50	1 979	
Chief Risk Officer Vidar Nordheim*)	1 318	303	158	55	3 212	
General Manager Capital Market Tor Morten Nygård*)	1 021	238	177		3 459	
Executive Director Communication Siv Stenseth*)	1 177	356	204		5 179	
Managing Director, EiendomsMegler 1 Hedmark Eiendom AS Magnus Aasen	1 187	207	136	50	1 622	
Managing Director, SpareBank 1 Finans Østlandet AS Bjarne Chr. Finstad from 1.5.2016	568	12	72			
Managing Director, SpareBank 1 Finans Østlandet AS Hans Olav Wedvik to 30.4.2016	1 196	203	135		7 480	
Managing Director, SpareBank 1 Regnskapshuset Østlandet AS Ove Jahnsen *)	1 350	16	75	20		

*) Other compensation includes compensation for changes in pension scheme..
The total lending to Group management, NOK 39 million was transferred to SpareBank 1 Boligkreditt AS in 2016 (0,5 million in 2015).

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

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

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

2016 Title / name	Fees	Other remuneration	Guarantees	Number of meetings
Board:				
Chairman Siri J. Strømmevold	318	6	2 274	11
Vice Chairman Nina C. Lier	210		1 989	9
Board member Erik Garaas	230			11
Board member Guro Nina Vestvik	106			6
Board member Morten Herud	177	1		11
Board member Hans-Christian Gabrielsen	57			3
Board member Espen B. Larsen (employee, incl. in salary)	798	136	4 392	10
Board member Vibeke Hanvold Larsen (employee, incl. in salary)	575	112	2 487	8
Deputy Hanne Sverderup Dahl	37	1	2 550	2
Deputy Alexander S Lund	23			1
Deputy Ole Reidar Gulli (employee, incl salary)	559	114	2 000	
Deputy Marit Astrup				
Deputy Susanne Valberg Granheim			3 573	

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

Remuneration to the Board of Representatives (NOK thousands)	2016	2015
Chairman Pål Jan Stokke	63	45
Other members	2-50	2-36

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

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

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

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

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

The Remuneration Committee receives a similar briefing on the assessments that have been made concerning the pay conditions of the managing directors of the Bank's subsidiaries and thereby have an opportunity to present any comments before decisions are made in the subsidiaries' boards. The chief executive's terms are set by the Board following recommendations from the Remuneration Committee.

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

Note 24 Pensions

Defined benefit scheme in the companies Sparebanken Hedmark, EiendomsMegler 1 Hedmark Eiendom and SpareBank 1 Finans Østlandet AS
The pension scheme is administered by a separate pension fund and gives entitlement to future pension benefits from the age of 67, but it is possible to receive a pension from age 62 The scheme also covers a disability pension subject to specific rules. The Group's defined benefit pension scheme guarantees most of the members a pension of approximately 70 per cent of their final salary, up to a maximum of 12G.

The defined benefit scheme was closed to new members in 2008 and was in 2016 wound up with effect from 1 July. Employees who had a defined benefit pension were moved to the defined contribution scheme, with the exception of a few people who, after this date, were on sick leave or partially disabled. Upon transitioning to a contribution based pension scheme, employees who were in the defined benefit scheme received a paid-up policy for their earned rights. The changes have reduced pension liabilities. The effect recognised in the financial statements for 2016 was income recognition of NOK 271 million.

Defined benefit scheme in the companies Bank 1 Oslo Akershus AS and EiendomsMegler 1 Oslo AS
The companies have a collective pension scheme for their employees in SpareBank 1 Livsforsikring AS. The pension scheme ensures most people a pension of approximately 70 per cent of final salary until the age of 77 with subsequent gradual decreases in payments. The defined benefit plan was closed on 1 January 2005. The defined benefit plan covers 87 employed people and 113 pensioners. It was decided that the defined benefit scheme would be wound up from and including 1 January 2017.

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

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

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

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

Defined-contribution pension from 1 July 2016	
Salary between 0 - 7,1 times the National Insurance basic amount (G)	5,00 %
Salary between 7,1 - 12 times the National Insurance basic amount (G)	8,00 %

Defined-contribution pension (for B1OA)	
Salary between 0 - 6 times the National Insurance basic amount (G)	5,00 %
Salary between 6 - 12 times the National Insurance basic amount (G)	8,00 %

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

The discontinued pension scheme includes	Parent bank	Group
Employees	7	94
Pensioners	8	121

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

Assumptions 31 December	01.01.2017	01.01.2016	01.01.2015
Discount rate	2,60 %	2,70 %	2,30 %
Expected return on assets	2,60 %	2,70 %	2,30 %
Expected future wage development	2,00 %	2,25 %	2,50 %
Expected adjustment of the basic amount (G)	2,00 %	2,25 %	2,50 %
Expected pension adjustment	2,00 %	2,25 %	2,50 %
Employers' National Insurance contribution	19,10 %	14,10 %	14,10 %
Expected voluntary retirement	2 % og 4 %	2,00 %	2,00 %
Expected contractual early retirement from 62 years	0,00 %	0,00 %	0,00 %
Disability table applied	IR02 og IR03	IR02	IR02
Mortality table applied	K2013 BE	K2013 BE	K2013 BE

The dates used above indicate the date from which the liability is calculated with changed assumptions. For example, this means that the pension liability at 31 December 2016 has been discounted on the basis of the assumptions that apply on 1 January 2017, whereas the annual cost for 2016 is based on the assumptions that applied at the beginning of the year.

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

Pension cost

SECURED SCHEME

Parent bank			Group	
2015	**2016**		**2016**	**2015**
21	8	Present value of pension accruals for the year	14	26
	-258	Nettoeffekt ved overgang fra ytelse til innskuddspensjon	-271	
18	11	Interest cost of pension liability	15	19
-11	-6	Return on pension assets	-9	-11
		Adminstrative cost	-1	
4	2	Accrued employer contributions		4
33	**-243**	**Net pension cost**	**-252**	**39**

Actual return on pension assets:				
3,2 %	2,4 %		NA	3,2 %

UNSECURED PENSION SCHEME

Parent bank			Group	
2015	**2016**		**2016**	**2015**
2	5	Present value of pension accruals for the year	5	2
1	1	Interest cost of pension liability	1	1
6	12	Defined-contribution pension charged to profit and loss	25	6
4	5	Effect of new AFP scheme charged to profit and loss	6	4
	1	Accrued employer contributions	1	
13	**23**	**Net pension cost**	**37**	**13**

TOTAL SECURED AND UNSECURED SCHEMES

Parent bank			Group	
2015	**2016**		**2016**	**2015**
23	13	Present value of pension accruals for the year	19	28
	-258	Nettoeffekt ved overgang fra ytelse til innskuddspensjon	-271	
19	12	Interest cost of pension liability	16	20
-11	-6	- Return on pension assets	-9	-11
6	12	Defined-contribution pension charged to profit and loss	25	7
4	5	Effect of new AFP scheme charged to profit and loss	6	4
4	2	Accrued employer contributions		5
46	**-220**	**Net pension cost**	**-215**	**53**

Pension liability

SECURED SCHEME

Parent bank 2015	Parent bank 2016		Group 2016	Group 2015
869	802	Gross liabilities at 1 January	844	912
		Liability new group company	290	
21	9	Pension accruals for the year	20	25
	-769	Transition from benefit to contribution	-769	
18	11	Interest on pension liability	19	19
-24	-26	Benefits paid	-87	-24
-82	-9	Actuarial differences included in equity	28	-87
802	**18**	**Gross liability at 31 December**	**344**	**844**
583	599	Pension assets at 1 January	626	605
		Funds new group company	272	
	-576	Paid-up policies issued upon transition from benefit to contribution	-589	
44	25	Paid into the scheme	35	48
11	6	Expected return on pension assets	12	11
-24	-26	Benefits paid	-55	-24
-14	-11	Actuarial gains and losses included in equity	-22	-14
599	**17**	**Pension assets at 31 December**	**280**	**626**
40	28	Employers' National Insurance contribution liability at 1 January	30	42
		Employers' NI contribution new group company	3	
-6	-4	Employers' National Insurance contribution on pension premium paid in	-4	-6
	-27	Employers' NI contribution for paid-up policies	-27	
-10	1	Employers' National Insurance contribution on actuarial differences	6	-10
4	2	Employers' National Insurance contribution on the pension cost for the year	2	4
		Other changes	1	
28	**0**	**Employers' National Insurance contribution liability at 31 December**	**11**	**30**
326	231	Net pension liability secured scheme at 1 January	249	348
231	1	Net pension liability secured scheme at 31 December	76	249

Premium transfers in 2017 are estimated to NOK 1 (40) million for the parent bank and NOK 1 (43) million for the Group.

UNSECURED PENSION SCHEME

Parent bank 2015	Parent bank 2016		Group 2016	Group 2015
30	27	Gross liabilities at 1 January	27	30
2	5	Pension accruals for the year	10	2
1	1	Interest on pension liability	1	1
-4	-3	Benefits paid	-3	-4
-2	4	Actuarial differences included in equity	4	-2
27	**34**	**Gross liability at 31 December**	**38**	**27**
5	4	Employers' National Insurance contribution liability at 1 January	4	5
-1		Employers' National Insurance contribution on paid benefits		-1
	1	Employers' National Insurance contribution on actuarial differences	1	
	1	Employers' National Insurance contribution on the pension cost for the year	1	
4	**5**	**Employers' National Insurance contribution liability at 31 December**	**5**	**4**
35	31	Net pension liability unsecured scheme at 1 January	31	35
31	39	Net pension liability unsecured scheme at 31 December	43	31

TOTAL SECURED AND UNSECURED SCHEMES

Parent bank 2015	Parent bank 2016	Sammendrag forpliktelse	Group 2016	Group 2015
361	262	Net pension liability at 1 January	280	383
262	40	Net pension liability at 31 December	119	280

ACTUARIAL GAINS AND LOSSES (CHANGES IN ESTIMATES)

Parent bank 2015	Parent bank 2016		Group 2016	Group 2015
79	-71	Actuarial gains and losses and pre-tax losses in equity capital for the period	-52	85
115	186	Cumulative actuarial gains and losses and pre-tax losses in equity capital	192	140

Parent bank	2016	2015	2014	2013	2012
Present value of pension liability	18	862	944	861	773
Fair value of pension assets	17	599	583	558	524
Deficit / surplus	**1**	**262**	**361**	**303**	**249**
Experience adjustments to pension liabilities	-5	-74	63	73	-129
Experience adjustments to pension assets	-13	-17	6	-3	-18

Group	2016	2015	2014	2013	2012
Present value of pension liability	399	905	989	897	801
Fair value of pension assets	280	626	605	578	541
Deficit / surplus	**119**	**279**	**384**	**319**	**260**
Experienced adjustments to pension liabilities	28	-78	65	78	-148
Experienced adjustments to pension assets	-25	-16	5	-5	-24

See note 3 for sensitivity analysis of pension liabilities.

Composition of the Group's pension assets	2016	2015
Fixed income funds and short-term bonds	42,9 %	71,6 %
Term bonds	27,5 %	5,6 %
Property	15,4 %	
Unit trusts	12,5 %	6,5 %
Deposits in credit institutions	1,3 %	15,8 %
Other	0,4 %	0,5 %

Note 25 Other operating expenses

Parent bank 2015	Parent bank 2016		Group 2016	Group 2015
127	142	IT-expenses	171	132
47	40	Marketing	68	71
58	52	External fees	62	64
15	14	Operating expenses property	16	16
7	7	Wealth tax	7	7
72	65	Other operating expenses	242	126
327	**320**	**Total other operating expenses**	**565**	**416**
		Auditor's fee (NOK thousands)		
809	597	Statutory audit	1 844	1 547
		Tax consulting	34	
	61	Other attestation services	485	18
	269	Other services	532	295
809	**927**	**Total, including VAT**	**2 895**	**1 860**

Note 26 Taxes

Parent bank 2015	Parent bank 2016		Group 2016	Group 2015
1 003	1 148	Profit before taxes	1 371	1 163
-255	-409	+/- permanent differences *	-350	-295
		+/- group contribution		
-248	-103	+/- changes in temporary differences	-164	-368
79	-71	+/- tax effect recorded directly against equity	-127	85
579	**566**	**Tax base / taxable income for the year**	**730**	**585**
156	141	Of which is tax payable 25% (27 %)	181	161
71	26	Change in deferred tax	57	104
1	3	Excess/insufficient tax allocation in previous years	14	1
-2	-2	Excess/insufficient deferred tax allocation in previous years	1	-2
-20	18	- of which change not recorded in income statement	19	-31
207	**186**	**Total tax charge**	**271**	**234**
		Explanation of why the tax charge for the year is not 25 % (27 %) of the year's profit before tax		
271	287	25% (27%) tax on profit before tax	343	314
-66	-102	25% (27%) of permanent differences*	-86	-77
1	3	Excess/insufficient tax allocation in previous years	14	1
-2	-2	Excess/insufficient deferred tax allocation in previous years	1	-2
3		Reduction in the tax rate for tax deferred assets from 27% to 25%		-3
207	**186**	**Estimated tax charge**	**271**	**234**
			20 %	**20 %**
21 %	**16 %**	**Effective tax rate (%)**		
-67	**-18**	**Total deferred tax assets**	**-118**	**-77**
53	**28**	**Total deferred tax**	**236**	**141**
-14	**10**	**Net deferred tax/deferred tax asset**	**118**	**65**
		Specification of temporary differences		
10	8	Gains and loss account	15	17
-263	-40	Pension liabilities	-115	-280
78	69	Operating equipment	515	408
93	-29	Differences in finacial items	-23	93
27	31	Other temporary differences	84	42
		Carry forward tax loss	-3	-23
-54	**39**	**Total temporary differences**	**473**	**257**
27 %	25 %	Tax rate applied	25 %	27 %

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

Pursuant to IFRS, wealth tax is classified as a levy and not as a tax charge. Wealth tax of NOK 7 million was recognised as a cost in 2016 (NOK 7 million in 2015) and classified as other operating costs.

Note 27 Determination of fair value of financial instruments

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

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

Group

2016 (inklusiv B1OA)

Eiendeler	Nivå 1	Nivå 2	Nivå 3	Total
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
- Equity instruments	356			356
Financial assets available for sale				
- Equity instruments	188		203	391
- Other financial assets (Visa Norge)			32	32
Total assets	**544**	**10 585**	**6 150**	**17 279**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities 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 deposits			107	107
Total liabilities	**0**	**19 700**	**107**	**19 807**

2015 (without B1OA)

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

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

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

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

2016 (inclusive B1OA)	Loans with interest-rate guarantees	Equity instruments	Derivatives	Fixed-rate deposits from customers	Other financial assets	Total
Opening balance	5 447	199	-3	-61	71	**5 653**
Investments in the period	1 237	1		-47		**1 190**
Sales / redemption in the period	-692	-4	3	1		**-692**
Gains / losses recognised through profit and loss	-79	-1	3			**-77**
Gains / losses recognised directly against comprehensive income		8			-39	**-31**
Closing balance	5 913	203	2	-107	32	**6 043**
Gains / losses for the period included in the profit for assets owned on the balance sheet day	-79		3			**-77**

2015 (without B1OA)	Loans with interest-rate guarantees	Equity instruments	Derivatives	Fixed-rate deposits from customers	Other financial assets	Total
Opening balance	1	108	3			**112**
Investments in the period		30		-61		**-30**
Sales / redemption in the period	-1	-2	-3			**-6**
Gains / losses recognised through profit and loss			-3			**-3**
Gains / losses recognised directly against comprehensive income		3			40	**43**
Closing balance	0	139	-3	-61	40	**117**
Gains / losses for the period included in the profit for assets owned on the balance sheet day			-3			**-3**

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.

Spesification of fair value instruments classified as level 3:

2016 (inklusiv B1OA)	Loans with interest-rate guarantees	Equity instruments	Derivatives	Fixed-rate deposits from customers	Other financial assets	Total
Nominal value including accrued interest (fixed income securities)/cost (shares)	5 861	152		-107		**5 907**
Fair value adjustment	52	51	2		32	**137**
Value balance	5 913	203	2	-107	32	**6 043**

Sensitivity, instruments classified in level 3:
Fixed-rate loans to customers are measured on the basis of the interest rate agreed with the customer. The loans are discounted using the applicable interest rate curve plus an estimated market premium. A ten-basis point increase in the discount rate would have resulted in a negative change in fair value of NOK 15 million.

Equity instruments in level 3 mainly consist of stakes in Oslo Kongressenter Folkets Hus BA (NOK 56 million), Eksportfinans ASA (NOK 75 million) and SpareBank 1 Markets AS (NOK 30 million). The valuations of the first two are based on the carrying amount of the companies' equity adjusted for excess value or shortfall. Based on an appraisal from 2010 and subsequent broker assessments, the assessment is that there is considerable excess value in the property portfolio of Oslo Kongressenter Folkets Hus (P/B 4.9). Based on a third party valuation in connection with a demerger in 2012 and subsequent result achievement, the assessment is that there is significant shortfall in market value in Eksportfinans (P/B 0.8). The value of the shareholding in SpareBank 1 Markets is based on the issue price on 29 October 2015.

Derivatives in level 3 are entirely made up of a 1.3 per cent share of a portfolio hedging agreement with Eksportfinans ASA. The agreement protects Eksportfinans against further falls in value in the portfolio after 29 February 2008 up to NOK 1.5 billion. Any recovery in value seen in relation to nominal value falls to the participants in the portfolio hedging agreement as payment for the hedging. Eksportfinans performs monthly valuations of the hedging agreement based on the fair value of underlying instruments.

Term deposits are measured on the basis of the interest rate agreed with the customer. The deposits are discounted using the applicable interest rate curve plus a discretionary market premium. A ten-basis point decrease in the discount rate would have resulted in an insignificant negative change in fair value of NOK 38,000.

Other financial assets are in their entirety made up of the Group's proportion of the remaining settlement for Visa Norges FLI's sale of Visa Europe Ltd to Visa Inc. This consists of an agreed cash payment with settlement in 2019, plus preferred shares in Visa Inc. that will be converted to tradable shares no later than by 2028. The valuation of the Group's asset is based on the exchange rates (EUR and USD) on the balance sheet date, the share price for tradable Visa Inc. shares, the purchase agreement's conversion factor for preferred shares, and the adopted settlement share from Visa Norge FLI to the member banks Sparebanken Hedmark and Bank 1 Oslo Akerhus AS. The value of this item in NOK will change in line with the aforementioned conditions.

Note 28 Classification of financial instruments

Parent bank 2016	Financial investments at fair value through profit and loss					
	Held for trading	To be recognised at fair value	Financial investments held to maturity	Financial instruments held for sale	Financial instruments assessed at amortised cost	Total
Assets						
Cash and deposits with central banks					354	354
Loans to and receivables from credit institutions					7 191	7 191
Gross loans to and receivables from customers		3 301			38 702	42 003
- Individual write-downs					-118	-118
- Write-downs of groups of loans					-122	-122
Net loans to and receivables from customers		3 301			38 462	41 762
Certificates and bonds		5 630				5 630
Financial derivatives	349					349
Shares, units and other equity interests				321		321
Total assets	**349**	**8 931**		**321**	**46 006**	**55 607**
Liabilities						
Deposits from and liabilities to credit institutions					1 666	1 666
Deposits from and liabilities to customers		646			35 613	36 259
Liabilities arising from issuance of securities		12 404				12 404
Financial derivatives	233					233
Subordinated loan capital		502				502
Total liabilities	**233**	**13 551**			**37 279**	**51 064**

Group 2016	Financial investments at fair value through profit and loss					
	Held for trading	To be recognised at fair value	Financial investments held to maturity	Financial instruments held for sale	Financial instruments assessed at amortised cost	Total
Assets						
Cash and deposits with central banks					759	759
Loans to and receivables from credit institutions					1 335	1 335
Gross loans to and receivables from customers		5 913			77 032	82 945
- Individual write-downs					-145	-145
- Write-downs of groups of loans					-262	-262
Net loans to and receivables from customers		5 913			76 624	82 537
Certificates and bonds		9 776				9 776
Financial derivatives	399		411			810
Shares, units and other equity interests		356		392		747
Total assets	**399**	**16 045**	**411**	**392**	**78 718**	**95 966**
Liabilities						
Deposits from and liabilities to credit institutions					1 654	1 654
Deposits from and liabilities to customers		646			62 424	63 070
Liabilities arising from issuance of securities		17 790			4 147	21 937
Financial derivatives	349					349
Subordinated loan capital		502			701	1 203
Total liabilities	**349**	**18 292**			**69 572**	**88 213**

Parent bank 2015	Financial investments at fair value through profit and loss: Held for trading	To be recognised at fair value	Financial investments held to maturity	Financial instruments held for sale	Financial instruments assessed at amortised cost	Total
Assets						
Cash and deposits with central banks					264	264
Loans to and receivables from credit institutions					5 701	5 701
Gross loans to and receivables from customers		2 771			35 404	38 175
- Individual write-downs					-119	-119
- Write-downs of groups of loans					-103	-103
Net loans to and receivables from customers		2 771			35 182	37 953
Certificates and bonds		6 133				6 133
Financial derivatives	455					455
Shares, units and other equity interests				294		294
Total assets	**455**	**8 904**		**294**	**41 147**	**50 800**
Liabilities						
Deposits from and liabilities to credit institutions					661	661
Deposits from and liabilities to customers		149			33 359	33 508
Liabilities arising from issuance of securities		11 576				11 576
Financial derivatives	320					320
Subordinated loan capital		496				496
Total liabilities	**320**	**12 222**			**34 020**	**46 563**

Group 2015	Financial investments at fair value through profit and loss: Held for trading	To be recognised at fair value	Financial investments held to maturity	Financial instruments held for sale	Financial instruments assessed at amortised cost	Total
Assets						
Cash and deposits with central banks					264	264
Loans to and receivables from credit institutions					864	864
Gross loans to and receivables from customers		2 770			41 009	43 779
- Individual write-downs					-132	-132
- Write-downs of groups of loans					-120	-120
Net loans to and receivables from customers		2 770			40 757	43 526
Certificates and bonds		6 133				6 133
Financial derivatives	455					455
Shares, units and other equity interests				294		294
Total assets	**455**	**8 903**		**294**	**41 885**	**51 536**
Liabilities						
Deposits from and liabilities to credit institutions					660	660
Deposits from and liabilities to customers		149			33 309	33 458
Liabilities arising from issuance of securities		11 576				11 576
Financial derivatives	320					320
Subordinated loan capital		496				496
Total liabilities	**320**	**12 222**			**33 969**	**46 511**

Note 29 Information about fair value

Parent bank	Book value	Fair value	Level in the valuation hierarchy	Book value	Fair value	Level in the valuation hierarchy
ASSETS						
Loans to and receivables from credit institutions	7 191	7 191	2	5 701	5 701	2
Net loans to and receivables from customers						
RM	24 588	24 588	3	21 756	21 756	3
CM	17 174	17 174	3	16 196	16 196	3
Securities	5 951	5 951	1,2,3	6 427	6 427	1,2,3
Derivatives	349	349	2	455	455	2
Total financial assets	**55 253**	**55 253**		**50 535**	**50 535**	
LIABILITIES						
Liabilities to credit institutions	1 666	1 666	2	661	661	2
Deposits from and liabilities to customers	36 259	36 259	3	33 508	33 508	3
Liabilities arising from issuance of securities	12 404	12 404	2	11 576	11 576	2
Derivatives	233	233	2	320	320	2
Subordinated loan capital	502	502	2	496	496	2
Total financial liabilities	**51 064**	**51 064**		**46 563**	**46 563**	

Group	Book value	Fair value	Level in the valuation hierarchy	Book value	Fair value	Level in the valuation hierarchy
ASSETS						
Loans to and receivables from credit institutions	1 735	1 735	2	864	864	2
Net loans to and receivables from customers						
RM	53 300	53 300	3	24 215	24 215	3
CM	29 237	29 237	3	19 311	19 311	3
Securities	10 524	10 524	1,2,3	6 427	6 427	1,2,3
Derivatives	810	810	2	455	455	2
Total financial assets	**95 206**	**95 206**		**51 272**	**51 272**	
LIABILITIES						
Liabilities to credit institutions	2 054	2 054	2	660	660	2
Deposits from and liabilities to customers	63 070	63 070	3	33 458	33 458	3
Liabilities arising from issuance of securities	21 937	21 937	2	11 576	11 576	2
Derivatives	349	349	2	320	320	2
Subordinated loan capital	1 203	1 203	2	496	496	2
Total financial liabilities	**88 213**	**88 213**		**46 511**	**46 510**	

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

Financial instruments assessed at amortised cost
Financial instruments that are not assessed at fair value are recognised at amortised cost. See note 2 for a more detailed description.

Amortised costs entails assessing balance sheet items after originally agreed cash flows and, as applicable, adjusted for write-downs.

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

Differing pricing methods are used for loans to customers and loans to credit institutions. Below is a summary of the various pricing models for the different categories:

- Loans to and receivables from credit institutions are priced using NIBOR.
- Loans to retail market customers are priced using floating and fixed customer interest rates.
- Loans to corporate market customers are priced using floating and fixed customer interest rates, and a number of loans are priced using NIBOR.

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

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

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

Note 30 Certificates, bonds and fixed-income funds

Parent bank 2015	2016	Certificates and bonds by sector of issuers	Group 2016	2015
		Government		
150	50	nominal value	50	150
159	57	fair value	57	159
		Other public sector issuers		
1 082	951	nominal value	2 347	1 082
1 080	954	fair value	2 356	1 080
		Financial institutions		
4 658	4 567	nominal value	7 198	4 658
4 686	4 612	fair value	7 246	4 686
		Non-financial institutions		
209	7	nominal value	117	209
207	7	fair value	118	207
6 098	**5 575**	**Total fixed-income papers, nominal value**	**9 713**	**6 098**
6 133	**5 630**	**Total fixed-income papers at fair value through profit and loss**	**9 776**	**6 133**

Fair value is presented including accrued interest (dirty price). Accrued interest in the parent bank amounts to NOK 24 million i 2016 and NOK 26 million in 2015.
Accrued interest in the group amounts to NOK 35 million in 2016 and NOK 26 million in 2015.

Note 31 Financial derivatives

Assessment at fair value through profit and loss	Parent bank 2016		
		Fair value	
Currency instruments	**Contract sum**	**Assets**	**Liabilities**
Currency forward contracts	558	6	8
Currency swaps	1 686	7	3
Total currency instruments	**2 244**	**13**	**11**
Interest rate instruments			
Interest rate swaps (including cross-currency swaps)	10 970	334	222
Others			
Total interest rate instruments	**10 970**	**334**	**222**
Other derivatives			
Guarantee liability in respect of Eksportfinans ASA	20	2	0
Total currency and interest rate instruments			
Total currency instruments	**2 244**	**13**	**11**
Total interest rate instruments	**10 970**	**334**	**222**
Total other derivatives	**20**	**2**	**0**
Total	**13 234**	**349**	**233**

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

Assessment at fair value through profit and loss	Group 2016		
		Fair value	
Currency instruments	**Contract sum**	**Assets**	**Liabilities**
Currency forward contracts	805	7	10
Currency swaps	2 076	19	7
Total currency instruments	**2 881**	**26**	**18**
Interest rate instruments			
Interest rate swaps (including currency-cross swaps)	21 853	783	331
Others	50		
Total interest rate instruments	**21 903**	**783**	**331**
Other derivatives			
Guarantee liability in respect of Eksportfinans ASA	20	2	0
Total currency and interest rate instruments			
Total currency instruments	**2 881**	**26**	**18**
Total interest rate instruments	**21 903**	**783**	**331**
Total other derivatives	**20**	**2**	**0**
Total	**24 804**	**810**	**349**

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

Note 32 Shares, units and other equity interests

Parent bank			Group	
2015	**2016**		**2016**	**2015**
		Designated at fair value through profit or loss (FVO)	**356**	
		Listed		
		Unlisted	356	
294	**321**	Available for sale (AFS)	**391**	**294**
154	175	Listed	188	154
139	145	Unlisted	203	139
294	**321**	**Total**	**747**	**294**

Spesification (Group)

Listed companies	Classification	Ownership (%)	No. of shares	Cost of acquisition	Market value/ book value
Visa Inc. (shares, NYSE)	TFS	0,0 %	73 404	8	49
Totens Sparebank (equity capital certificates, OSE)	TFS	23,5 %	1 440 530	95	138
Total listed shares and equity certificates				**103**	**188**

Unlisted companies	Classification	Ownership (%)	No. of shares	Cost of acquisition	Market value/ book value
Eiendomskreditt AS	TFS	1,1 %	32 510	3	4
Eksportfinans ASA	TFS	1,3 %	3 499	52	77
NorgesInvestor IV AS	TFS	1,7 %	79 000	7	7
NorgesInvestor Proto AS	TFS	16,9 %	150 000	15	19
Oslo Kongressenter Folkets Hus BA	TFS	13,7 %	70 638	7	56
SpareBank 1 Markets AS	TFS	6,2 %	139 454	47	30
Verdipapirfondet Holberg Likviditet	FVO	2,7 %	1 962 641	200	203
Verdipapirfondet Holberg Likviditet 20	FVO	3,5 %	495 616	50	50
Pengemarkedsfondet Pluss Likviditet II	FVO	2,7 %	99 985	100	102
Others	TFS			17	9
Total shares unlisted companies				**498**	**559**
Total shares, units and equity certificates				**601**	**747**

Note 33 Goodwill and other intagible assets

Parent bank 2015	2016		Group 2016	2015
		Goodwill		
22	22	Acquisition cost at 1 January	128	115
		Acquisitions	162	32
		Disposals		19
22	22	Acquisition cost at 31 December	290	128
		Accumulated write-downs at 1 January	20	20
		Current year's write-downs		
		Accumulated write-downs at 31 December	20	20
22	**22**	**Goodwill incorporated in the balance sheet at 31 December**	**270**	**108**

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

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

Group
The remaining shares in Bank 1 Oslo Akershus AS were acquired in 2016. This purchase includes a goodwill item valued at NOK 151 million. See Note 34.

Goodwill in the group is linked to the acquisition of office from Bank 1 Oslo Akershus AS in 2006, a minor post goodwill EiendomsMegler 1 Hedmark Eiendom AS, and the goodwill of the subsidiary SpareBank 1 Regnskapshuset Østlandet AS that have arisen in connection with various acquisitions of new offices. There is also a goodwill item linked to the Bank's acquisition of SpareBank 1 Regnskapshuset Østlandet AS in April 2011. The residual value of this item is NOK 4 million. The value of goodwill in subsidiaries, associated companies and joint ventures has been tested as at 31 December 2015. Given the equity and expected future earnings of the companies, goodwill was not written down in the consolidated profit for 2016. Disposals of goodwill due to sale of accounting offices that belonged to SpareBank 1 RegnskapshusetAS.

Parent bank 2015	2016		Group 2016	2015
		Other intangible assets		
130	132	Acquisition cost at 1 January	154	133
2	7	Acquisitions	8	21
		Disposals	2	
132	139	Acquisition cost at 31 December	160	154
43	51	Accumulated depreciation at 1 January	51	43
		Disposals accumulated depreciation		
8	8	Current year's depreciation	8	8
51	59	Accumulated depreciation at 31 December	59	51
82	**80**	**Other intangible assets at 31 December**	**101**	**103**

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

Parent bank 2015	2016		Group 2016	2015
104	**102**	**Total intangible assets at 31 December**	**371**	**211**

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

Note 34 Acquisition of businesses/business combinations

Acquisition of Bank 1 Oslo Akershus

In December 2015, Sparebanken Hedmark entered into separate purchase agreements to acquire the remaining shares in Bank 1 Oslo Akershus AS (B1OA), which is a regional bank with its head office in Oslo. Sparebanken Hedmark previously owned 40.5 per cent of the shares in B1OA. Separate agreements were concluded to purchase the remaining shares from the Norwegian Confederation of Trade Unions and its affiliated bodies, which held 29.9 per cent of the shares in B1OA, and from the other SpareBank 1 banks, which together held 29.6 per cent of the shares. The agreements to purchase the remaining shares were subject to approval from both the Supervisory Board of Sparebanken Hedmark and public authorities. The purchase agreements were approved by the Supervisory Board of Sparebanken Hedmark in the first quarter and by public authorities in the second quarter of 2016.

Sparebanken Hedmark set the date of transfer and control over B1OA at 29 June 2016.
Since 29 June 2016, B1OA has been consolidated as a wholly-owned subsidiary.

The purchase of the remaining shares in B1OA extends the geographical area covered by Sparebanken Hedmark and provides for increased diversification of the customer portfolio. The bank also aims to achieve cost synergies through greater economies of scale.

The fair value of identifiable assets and liabilities in B1OA at the date of acquisition was:

	29.06.2016
Assets	
Cash and deposits with central banks	576
Loans to and receivables from credit institutions	803
Loans to and receivables from customers	33 377
Certificates and bonds	4 659
Shares, units and other equity interests	423
Investments in associates and joint ventures	1 304
Property, plant and equipment	276
Other assets	523
Total assets	**41 941**
Liabilities	
Deposits from and liabilities to credit institutions	536
Deposits from and liabilities to customers	25 911
Liabilities arising from issuance of securities	10 387
Financial derivatives	195
Other debt and liabilities recognised in the balance sheet	578
Subordinated loan capital	701
Total liabilities	**38 308**
Hybrid capital	**400**
Total net assets at fair value	**3 233**
Paid	2 068
Fair value of existing interest	1 316
Total identifiable net assets at fair value	-3 233
Goodwill	**151**
Issuance of ECC in Sparebanken Hedmark	1 843
Cash	225
Total paid	**2 068**

Based on the purchase price and the fair value of assets and liabilities, NOK 151 million have been allocated to goodwill, of which NOK 12 million result from deferred tax. The identified goodwill is mainly associated with expected synergies and other benefits of combining the assets and liabilities of B1OA with those of Sparebanken Hedmark. The goodwill is not expected to produce any tax deduction.

The consideration, in the form of equity certificates in Sparebanken Hedmark, is made up of 26 462 540 certificates in total. The fair value of the equity certificates has been measured by market-based valuation methods applied by external assessors.

No issue fees were posted to the income statement for 2016. Purchased receivables in the form of loans to customers have a gross contractual value of NOK 33,505 million, and our best estimate of the cash flows which are not expected to be paid back is NOK 128 million.

The existing holding of 40.5 per cent in B1OA , which was previously classified as an associated company, was measured at fair value on the date of acquisition. The fair value on this date was NOK 1,316 million, which produced a profit of NOK 25 million.

Earlier costs totalling NOK 21 million posted to comprehensive income were recirculated via profit on ordinary activities in connection with the acquisition.

Because the transfer date was 29 June, under IFRS 3, Income and expenses from B1OA were not consolidated by the gross method in the first half of 2016. The share of profits was recognised by the equity method, and amounted to NOK 71 million as at 30.06.2016. If the acquisition had taken place at the beginning of the year, the contribution from continuing operations would have been NOK 596 million in income and NOK 215 million in net profit before tax in the first half-year.

Note 35 Property, plant and equipment

Parent bank				Group		
Buildings, land and other property	**Fixtures, fittings and vehicles**	**Total**		**Buildings, land and other property**	**Fixtures, fittings and vehicles**	**Total**
404	219	622	Acquisition cost at 1 January 2015	468	274	742
7	22	29	Acquisitions	17	27	44
1	8	9	Disposals	1	8	9
409	**233**	**642**	**Acquisition cost at 31 December 2016**	**483**	**294**	**777**
149	157	307	Accumulated depreciation and write-downs at 1 January 2015	205	201	406
11	18	28	Current year's depreciation	14	24	38
1	6	7	Current year's disposal	1	6	7
159	**169**	**328**	**Accumulated depreciation and write-downs at 31 December 2015**	**218**	**219**	**438**
250	**64**	**314**	**Book value at 31 December 2015**	**265**	**75**	**341**
409	233	642	Acquisition cost at 1 January 2016	483	294	777
			Changes after buying B1OA	215	189	404
	20	20	Acquisitions		34	34
2	24	26	Disposals	3	57	60
407	**229**	**636**	**Acquisition cost at 31 December 2016**	**696**	**459**	**1 155**
159	169	328	Accumulated depreciation and write-downs at 1 January 2016	218	219	438
			Changes after buying B1OA	25	104	129
11	18	29	Current year's depreciation	17	40	57
			Current year's write-downs			
2	23	25	Current year's disposal	2	53	55
168	**164**	**333**	**Accumulated depreciation and write-downs at 31 December 2016**	**259**	**310**	**569**
239	**65**	**304**	**Book value at 31 December 2016**	**437**	**149**	**586**

Collateral security

The Bank has not pledged or accepted any other limitations on its right to dispose of the fixed assets.

Acquisition cost of depreciated assets

The acquisition cost of fully depreciated assets still in use in the Bank in 2016 was NOK 158 million.
The corresponding figure for 2015 was NOK 172 million.

Gross value of fixed assets temporarily not in operation

The Group did not have any fixed assets temporarily out off operation at 31 December 2016.

Investment properties (NOK thousands)

Parent bank					Group				
Value 01.01.2016	**Acqu./depr.**	**Value 31.12.2016**	**Rent**	**Rented on 31.12.2016**	**Value 01.01.2016**	**Acqu./depr.**	**Value 31.12.2016**	**Rent**	**Rented on 31.12.2016**
6 590		6 590	555	100 % Brugata 7 - Brumunddal	6 590		6 590	493	66 %
6 590		**6 590**	**555**	**Total**	**6 590**		**6 590**	**493**	
				Fair value			8391		

Parent bank					Group				
Value 01.01.2015	**Acqu./depr.**	**Value 31.12.2015**	**Rent**	**Rented on 31.12.2015**	**Value 01.01.2015**	**Acqu./depr.**	**Value 31.12.2015**	**Rent**	**Rented on 31.12.2015**
6 722	-132	6 590	559	100 % Brugata 7 - Brumunddal	6 722	-132	6 590	445	66 %
6 722	**-132**	**6 590**	**559**	**Total**	**6 722**	**-132**	**6 590**	**445**	
		8 391		Fair value			8 391		

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

Note 36 Other assets

Parent bank 2015	Parent bank 2016		Group 2016	Group 2015
73	103	Capital payments into pension fund	103	73
17	17	Accrued income, not yet received	31	21
27	26	Prepaid costs, not yet incurred	138	27
197	193	Other assets	424	376
314	**338**	**Other assets**	**695**	**497**

Note 37 Deposits from and liabilities to customers

Parent bank 2015	Parent bank 2016	Deposits from and liabilities to customers	Group 2016	Group 2015
31 618	32 817	Deposits from and liabilities to customers at call	55 018	31 570
1 888	3 437	Deposits from and liabilities to customers with agreed maturity dates	8 018	1 888
2	4	Accrued interest	34	
33 508	**36 259**	**Total deposits from and liabilities to customers**	**63 070**	**33 458**
		Of total deposits, deposits stated at fair value through profit and loss (FVO):		
89	*642*	*Fixed-rate deposits, book value*	*642*	*89*
88	*643*	*Fixed-rate deposits, nominal value*	*643*	*88*
61	*107*	*Term deposits, book value*	*107*	*61*
60	*107*	*Term deposits, nominal value*	*107*	*60*

2015	2016	Deposits by sector and industry	2016	2015
20 396	21 998	Private customers	21 998	20 396
4 126	4 256	Public sector	4 256	4 126
921	941	Primary industries	941	921
104	103	Paper and pulp industries	103	104
503	670	Other industry	670	503
806	884	Building and construction	884	806
124	259	Power and water supply	259	124
882	782	Wholesale and retail trade	782	882
131	120	Hotel and restaurants	120	131
1 487	1 920	Real estate	1 920	1 487
3 756	4 006	Commercial services	30 817	3 706
268	305	Transport and communications	305	268
4	14	Other operations	14	4
33 508	**36 259**	**Total deposits by sector and industry**	**63 070**	**33 458**

2015	2016	Deposits by geographic area	2016	2015
27 683	30 320	Hedmark County	30 265	27 635
1 002	1 043	Oppland County	1 043	1 002
1 393	1 306	Akershus County	7 477	1 393
1 818	2 126	Oslo	19 047	1 818
1 177	945	Rest of Norway	4 690	1 177
433	515	Abroad	515	433
2	4	Accrued interest, undistributed	34	
33 508	**36 259**	**Total deposits by geographic area**	**63 070**	**33 458**

Note 38 Liabilities arising from issuance of securities

Parent bank 2015	Parent bank 2016		Group 2016	Group 2015
		Certificate-based debt		
500		- nominal value		500
501		- book value		501
		Bond debt		
10 814	12 093	- nominal value	21 212	10 814
11 076	12 404	- book value	21 937	11 076
		Subordinated loan capital		
500	500	- nominal value	1 200	500
496	502	- book value	1 203	496
11 314	**12 093**	**Total liabilities arising from issuance of securities, nominal value**	**21 212**	**11 314**
500	**500**	**Total subordinated loan capital, nominal value**	**1 200**	**500**
11 576	**12 404**	**Total liabilities arising from issuance of securities, book value**	**21 937**	**11 576**
496	**502**	**Total subordinated loan capital, book value**	**1 203**	**496**
1,3 %	1,5 %	Average interest rate on certificate-based debt	1,5 %	1,3 %
2,3 %	2,1 %	Average interest rate on bond debt	2,1 %	2,3 %
3,2 %	2,9 %	Average interest rate on subordinated loan capital	3,1 %	3,2 %

2015	2016	Liabilities from issuance of securities by maturity date	2016	2015
1 884		2016		1 884
1 900	1 659	2017	2 457	1 900
2 680	2 930	2018	5 330	2 680
1 650	2 000	2019	4 100	1 650
2 100	2 550	2020	4 450	2 100
1 000	2 454	2021	4 454	1 000
200	600	2022	950	200
400	400	2023	400	400
		2024		
		2025		
		2026	270	
11 814	**12 593**	**Total liabilities from issuance of securities, nominal value**	**22 412**	**11 814**

Parent bank

Changes in liabilities from issuance of securities	31.12.16	Issued	Due / redeemed	Other changes	31.12.15
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
Total debt raised through issuance of securities and subordinated loan capital, fair value	**12 906**	**2 904**	**-2 550**	**478**	**12 073**

Changes in liabilities from issuance of securities	31.12.15	Issued	Due / redeemed	Other changes	31.12.14
Certificate-based debt, nominal value	500	500			0
Bond debt, nominal value	10 814	3 500	-1 205	110	8 410
Subordinated loan capital, nominal value	500				500
Accrued interest	136			4	131
Adjustments	123			-291	415
Total debt raised through issuance of securities and subordinated loan capital, fair value	**12 073**	**4 000**	**-1 205**	**-178**	**9 455**

Group

Changes in liabilities from issuance of securities (with B1OA)	31.12.16	Issued	Due/redeemed	Other changes	31.12.15
Certificate-based debt, nominal value			-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
Total debt raised through issuance of securities and subordinated loan capital, fair value	**23 140**	**3 877**	**-3 845**	**-63**	**23 170**

Changes in liabilities from issuance of securities (without B1OA)	31.12.15	Issued	Due/redeemed	Other changes	31.12.14
Certificate-based debt, nominal value	500	500			
Bond debt, nominal value	10 814	3 500	-1 205	110	8 410
Subordinated loan capital, nominal value	500				500
Accrued interest	136			4	131
Adjustments	123			-291	415
Total debt raised through issuance of securities and subordinated loan capital, fair value	**12 073**	**4 000**	**-1 205**	**-178**	**9 455**

Securities issued are presented net own holdings. Fair value includes accrued interest (dirty price).

Increased level of revenue spreads in 2016 in isolation reduced the real value of the bank's securities by an estimated NOK 173 million. The estimate corresponds to the calculated difference between the market value of the debt securities based on the spread curve on the date of the balance sheet and the estimated market value of the same holdings based on the spread curve at the end of 2015, possibly with initial recognition of debt that was issued in 2016. All other factors remain the same.

By comparison narrowing spreads in 2015 led to an reduction in the fair value of debt securities by an estimated 222 million.

As of 31.12.2016 a cumulative realized gains was recordet, including hedging derivatives, 66 million relating to the assessment of the group's securities at fair value.

Note 39 Other debt and liabilities

Parent bank 2015	Parent bank 2016	Other debt and liabilities recognised in the balance sheet	Group 2016	Group 2015
263	40	Pension liabilities (note 24)	119	280
14	10	Guarantee provisions	10	14
7	7	Banker's drafts	8	7
34	30	Accounts payable	38	41
121	134	Other	379	167
440	**222**	**Total other debt and liabilities recognised in the balance sheet**	**554**	**510**
		Guarantee commitments etc. (amounts guaranteed)		
593	584	Payment guarantees	474	473
363	398	Contract guarantees	583	362
		Loan guarantees	7	
5	5	Guarantees for taxes	5	5
88	58	Other guarantees	110	88
1 049	**1 044**	**Total guarantees**	**1 178**	**928**
		Other liabilities - not on the balance sheet		
5 123	5 616	Unutilized credit lines	8 274	4 604
542	719	Loans approved (not discounted)	1 699	542
		Other liabilities		
5 665	**6 334**	**Total other liabilities**	**9 973**	**5 360**
7 155	**7 600**	**Total liabilities**	**11 705**	**6 798**

Buildings	Securities	Total	Assets pledged as security	Buildings	Securities	Total
			Assets pledged as security in 2016			
	3 439	3 439	Related liabilities 2016		4 051	4 051
	3 275	3 275	Assets pledged as security in 2015		3 275	3 275
			Related liabilities 2015			

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

Secured debt
Debt secured against financial instruments is made up entirely of securities lodged as collateral for access to overnight loans with Norges Bank.

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

Note 40 Investments in subsidiaries, associates and joint ventures

Company	Type of business	Date of acquisition	Business office [2] headquarters1	Percentage [1] ownership
Investments in subsidiaries				
Shares owned by the parent bank				
Bank 1 Oslo Akershus AS	Banking	2010/2016	Oslo, Norge	100,00 %
EiendomsMegler 1 Hedmark Eiendom AS	Real estate	1988	Hamar, Norge	100,00 %
SpareBank 1 Finans Østlandet AS	Financing	1995	Hamar, Norge	95,00 %
SpareBank 1 Regnskapshuset Østlandet AS	Accounting	2011	Hamar, Norge	100,00 %
Vato AS	Rental of real estate	1981	Hamar, Norge	100,00 %
Investments in associated companies				
SpareBank 1 Boligkreditt AS	Coverd bond company	2007	Stavanger, Norge	10,04 %
SpareBank1 Næringskreditt AS	Coverd bond company	2012	Stavanger, Norge	5,05 %
SpareBank 1 Kredittkort AS	Credit card	2012	Trondheim, Norge	9,28 %
SpareBank 1 Mobilbetaling AS	Payment services.	2015	Oslo, Norge	12,60 %
KOMM-IN AS	Consulting	2013	Raufoss, Norge	23,70 %
Investments in joint ventures				
Torggt 22 AS	Rental of real estate	2001	Hamar, Norge	50,00 %
SpareBank 1 Gruppen AS	Financial holding company	2006	Tromsø, Norge	11,00 %
SpareBank 1 Banksamarbeidet DA	Develop and coordinate co-operation in SpareBank 1 Alliansen	2006	Oslo, Norge	11,30 %

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

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

2016	The company's share capital	No. of shares	Assets *)	Short-term debt	Long-term debt	Total income	Total expenses	Company profit	Book value
SpareBank 1 Finans Østlandet AS	807,5	807 500	6 458	119	5 400	238	97	86	808
Bank 1 Oslo Akershus AS	457,0	4 573 339	42 850	474	38 646	595	383	160	2 925
Total investments in credit institutions			**49 308**	**592**	**44 046**	**833**	**480**	**246**	**3 732**
EiendomsMegler 1 Hedmark Eiendom AS	12,4	12 400	55	19	5	99	79	14	20
SpareBank 1 Regnskapshuset Østlandet AS	38,3	1 250 000	144	42	21	157	155	2	81
Vato AS	0,6	352	16		4	4	2	1	9
Total investments in other subsidiaries			**215**	**61**	**30**	**259**	**237**	**17**	**109**
Total investments in Group companies parent bank			**49 522**	**653**	**44 076**	**1 092**	**716**	**263**	**3 842**

2015	The company's share capital	No. of shares	Assets *)	Short-term debt	Long-term debt	Total income	Total expenses	Company profit	Book value
SpareBank 1 Finans Østlandet AS	750,0	750 000	5 766	92	4 846	226	111	74	750
Total investments in credit institutions			**5 766**	**92**	**4 846**	**226**	**111**	**74**	**750**
EiendomsMegler 1 Hedmark Eiendom AS	12,4	12 400	6	21		81	74	5	20
SpareBank 1 Regnskapshuset Østlandet AS	38,34	1 250 000	99	43	24	171	154	11	80
Vato AS	0,6	352	14	3	13	3	2	1	9
Total investments in other subsidiaries			**119**	**67**	**37**	**255**	**230**	**17**	**109**
Total investments in Group companies parent bank			**5 885**	**159**	**4 883**	**481**	**341**	**91**	**859**

*) Assets classified as fixed assets.

Investments in associates and joint ventures

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

Parent bank			Group	
2015	**2016**		**2016**	**2015**
2 323	2 457	Book value at 1 January	3 386	3 073
134	-776	Acquisitions/disposals	247	134
		Write-downs		
		Changes in equity	85	57
		Share of the profit	236	301
		Dividend paid	-337	-179
2 457	**1 681**	**Book value at 31 December**	**3 618**	**3 386**

Income from investments in subsidiaries, associates and joint ventures

Parent bank			Group	
2015	**2016**		**2016**	**2015**
107	274	Dividend SpareBank 1 Gruppen AS		
51	17	Dividend Bank 1 Oslo Akershus AS		
19	10	Dividend SpareBank 1 Boligkreditt AS		
7	5	Dividend EM 1 Hedmark Eiendom AS		
73	74	Dividend SB 1 Finans Østlandet AS		
2	8	Dividend from others		
		Share of the profit SpareBank 1 Gruppen AS	192	142
		Share of the profit Bank 1 Oslo Akershus AS	71	103
		Share of the profit SpareBank 1 Boligkreditt AS	-25	46
		Share of the profit SpareBank 1 Næringskreditt AS	2	
		Share of the profit SpareBank 1 Kredittkort AS	17	
		Share of the profit SpareBank 1 Mobilbetaling AS	-25	
		Share of the profit from others	5	10
	-20	Impairment		
		Gains/losses on realisation of ownership investments		
259	**369**	**Total income**	**236**	**301**

The Group's stake in associates companies

2016	SpareBank 1 Gruppen AS	SpareBank 1 Banksamarbeidet DA	Torggt 22 AS	Total associated companies
Ownership in per cent	12,40 %	19,04 %	50,00 %	
Number of shares	242 594		8 000	
Current assets	5 878	61	2	
Fixed assets	1 945	135	19	
Total assets	**7 823**	**196**	**21**	
Short-term liabilities	762	71		
Long-term liabilities	6 098	97	11	
Equity capital	963	28	9	
Total equity capital and liabilities	**7 823**	**196**	**21**	
Income	1 747	210	2	
Operating expenses	1 497	208	1	
Profit/loss before tax	250	2	1	
Tax	55			
Result for the accounting year	**195**	**1**	**1**	
Comprehensive income	**1**			
Book value Parent Bank	**492**	**13**	**8**	**513**
Book value Group	**1 152**	**21**	**9**	**1 183**

2015	SpareBank 1 Gruppen AS	SpareBank 1 Bank-samarbeidet DA	Torggt 22 AS	Oslo Eiendom Holding AS	Total associated companies
Ownership in per cent	11,00 %	11,30 %	50,00 %		
Number of shares	215 204		8 000		
Current assets	4 743	17	2		
Fixed assets	1 638	68	19		
Total assets	**6 381**	**85**	**21**		
Short-term liabilities	270	25			
Long-term liabilities	5 236	46	5		
Equity capital	875	14	15		
Total equity capital and liabilities	**6 381**	**85**	**20**		
Income	1 343	107	2		
Operating expenses	1 166	102	1		
Profit/loss before tax	177	4	1		
Tax	36				
Result for the accounting year	**141**	**4**	**1**		
Comprehensive income	**20**				
Book value Parent Bank	**492**	**13**	**8**	**513**	**513**
Book value Group	**883**	**13**	**15**	**973**	**973**

The Group's stake in associates and joint ventures

2016	SpareBank 1 Boligkreditt AS	SpareBank 1 Næringskreditt AS	SpareBank 1 Kredittkort AS	SpareBank 1 Mobilbetaling AS	Other associated and joint ventures	Total associated and joint ventures
Ownership in per cent	20,25 %	9,24 %	18,87 %	21,20 %		
Number of shares	13 107 545	1 348 460	544 830	1 760		
Current assets	51 081	1 261	1 019	306		
Fixed assets						
Total assets	**51 081**	**1 261**	**1 019**	**306**		
Short-term liabilities	5 374	5	42	74		
Long-term liabilities	43 688	1 079	774			
Equity capital	2 019	176	203	232		
Total equity capital and liabilities	**51 081**	**1 261**	**1 019**	**306**		
Income	-22	11	97			
Operating expenses	7	1	64	28		
Profit/loss before tax	-30	10	32	-29		
Tax	-7	3	8			
Result for the accounting year	**-22**	**8**	**24**	**-29**		
Comprehensive income	**0**		**-1**			
Book value Parent Bank	**976**	**92**	**83**	**12**	**6**	**1 169**
Book value Group	**2 019**	**176**	**214**	**20**	**6**	**2 436**

2015	Bank 1 Oslo Akershus AS	SpareBank 1 Boligkreditt AS	SpareBank 1 Næringskreditt AS	SpareBank 1 Kredittkort AS	SpareBank 1 Mobilbetaling AS	Other associated and joint ventures	Total associated and joint ventures
Ownership i per cent	40,50 %	9,96 %	3,84 %	8,66 %	12,60 %		
Number of shares	1 854 126	6 143 099	560 000	250 098	1 046		
Current assets	15 147	26 813	610	454	83		
Fixed assets	639						
Total assets	**15 787**	**26 813**	**610**	**454**	**83**		
Short-term liabilities	10 308	3 805	3	19			
Long-term liabilities	4 210	22 040	533	349			
Equity capital	1 268	968	74	86	83		
Total equity capital and liabilities	**15 787**	**26 813**	**610**	**454**	**83**		
Income	426	65	5	80			
Operating expenses	298	3		67			
Profit/loss before tax	127	62	5	13			
Tax	32	17	1				
Result for the accounting year	**95**	**45**	**3**	**13**	**0**		
Comprehensive income	**30**						
Book value Parent Bank	**857**	**923**	**70**	**77**	**10**	**8**	**1945**
Book value Group	**1 267**	**968**	**73**	**85**	**10**	**8**	**2411**

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

Note 41 Material transactions with related parties

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

Subsidiaries

2016	Loans	Bonds and subordinated loans	Deposits	Interest income	Interest expences	Commission income	Other operating income	Operating expences	Guarantees
Bank 1 Oslo Akershus AS	750	409		9					
SpareBank 1 Finans Østlandet AS	5 458		2	121			2		120
EiendomsMegler 1 Hedmark Eiendom AS	6		4		2				
SpareBank 1 Regnskapshuset Østlandet AS	21		10	1					
Other subsidiaries	4		3	0				3	
Total subsidiaries	**6 238**	**409**	**19**	**132**	**2**	**0**	**2**	**3**	**120**

2015	Loans	Bonds and subordinated loans	Deposits	Interest income	Interest expences	Commission income	Other operating income	Operating expences	Guarantees
SpareBank 1 Finans Østlandet AS	4 837		2	98		1	3		120
EiendomsMegler 1 Hedmark Eiendom AS			8	3			1		
Other subsidiaries	37		24		2		3		1
Total subsidiaries	**4 874**	**0**	**34**	**101**	**2**	**1**	**6**	**0**	**121**

Associated companies and joint ventures

2016	Loans	Bonds and subordinated loans	Deposits	Interest income	Interest expences	Commission income	Other operating income	Operating expences	Guarantees
SpareBank 1 Boligkreditt AS		476		16					
SpareBank 1 Næringskreditt AS		21		1					
SpareBank 1 Gruppen AS	578	8		21					
SpareBank 1 Kredittkort AS	390			11					
Other associated companies and joint ventures									
Total associated companies and joint ventures	**968**	**505**	**0**	**49**	**0**	**0**	**0**	**0**	**0**

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

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

Note 42 Dividends from subsidiaries

Equity share capital as at 31.12.16 consisting of 106 202 540 equity certificates at NOK 50 each.

Parent bank	31.12.2016	31.12.2015
Equity capital certificates	5 310	3 987
Dividend equalisation fund	974	503
Premium reserve	520	
Fund for unrealised gains	90	
A. The equity capital certificate owners' capital	**6 894**	**4 490**
Primary capital	3 313	3 019
Fund for unrealised gains	44	50
B. Total primary capital	**3 357**	**3 069**
Endowment fund	33	135
Dividend declared	148	
Other equity	**181**	**135**
Total equity	**10 430**	**7 695**
Equity capital certificate ratio for distribution		
Equity capital certificate ratio (A/(A+B))	**67,3 %**	**59,4 %**
Equity share capital	**106 202 540**	**79 740 000**

Equity capital certificate ratio will be used for allocating the result.

Owner of equity certificates:	No. Of EC's	Share in %
Sparebanken Hedmark Sparebankstiftelse	79 740 000	75,08 %
LO og tilknyttede forbund	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 %

Note 43 IFRS 9 Financial Instruments

IFRS 9 Financial Instruments will replace the current IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 deals with the recognition, classification, measurement, and derecognition of financial assets and obligations, as well as hedge accounting. IFRS 9 will apply from 1 January 2018 and has been approved by the EU. The standard may be applied early. Sparebanken Hedmark will not avail itself of this option. Nor will Sparebanken Hedmark show comparable figures for earlier periods upon implementation of the standard on 1 January 2018.

In 2015, the SpareBank 1 Alliance put together a multidisciplinary implementation team with participants from all of the banks that use IFRS. This will prepare for the implementation of IFRS 9 ("the Project"). The Project is a steering group with the following sub-groups:

1. Models and methods
   Development of calculation solutions and models for establishing unbiased forward-looking estimates of expected losses.
2. Strategy, organisation and processes
   Defining how the organisation of the ongoing work of accounting in accordance with IFRS 9 will be organised between the cooperating banks.
3. Accounts and reporting
   Concretising the actual accounting and notes, including policy notes and note templates.
4. Classification and measurement
   Analysing the Group's financial instruments and classifying instruments in various categories.

At the same time, Sparebanken Hedmark has established a local project for resolving the technical adaptations of new regulations, as well as discussing and deciding on adaptations and the effects of new regulations.

A description of the new requirements in IFRS 9 and changes from the earlier standard is provided below, as are descriptions of the choices Sparebanken Hedmark has tentatively made and the status of the implementation project.

Classification and measurement
Financial assets
According to IFRS 9, financial assets must be classified into three measurement categories: fair value with value changes through profit or loss, fair value with value changes through other comprehensive income (OCI) and amortised cost. The measurement category must be determined upon initial recognition of the asset. In relation to financial assets, a distinction is made between debt instruments and equity instruments. Financial assets are classified on the basis of the contractual terms and conditions for the financial assets and the business model used to manage the portfolio of which the assets are a part.

Financial assets that are debt instruments
Debt instruments with contractual cash flows that are only payments of interest and the principal on given dates and that are held in a business model for the purpose of receiving contractual cash flows should initially be measured at amortised cost. Instruments with contractual cash flows that are only payments of interest and the principal on given dates and that are held in a business model for the purpose of receiving contractual cash flows and sales, should initially be measured at fair value with value changes through OCI, with interest income, currency translation effects, and any impairments presented in the ordinary income statement. Value changes recognised through OCI must be reclassified to the income statement upon the sale or other disposal of the assets.

Other debt instruments must be measured at fair value with value changes through profit or loss. This applies to instruments with cash flows that are not only payments of normal interest (time value of money, credit spread and other normal margins linked to loans and receivables) and the principal, and instruments that are held in a business model in which the main purpose is not the reception of contractual cash flows.

The provisional assessment is that the designation of financial instruments at fair value will be of about the same scope as today.

Investments in equity instruments
Investments in equity instruments must be measured on the balance sheet at fair value. Value changes shall as a rule be recognised in the ordinary income statement, but an equity instrument that is not held for trading purposes and that is not a conditional consideration following a business transfer may be designated as measured at fair value with value changes through OCI. When equity instruments are designated at fair value with value changes through OCI, ordinary dividends must be recognised as income, while value changes should not be posted to the income statement on either an ongoing basis or in the event of disposal.

Financial liabilities
The rules on financial liabilities are generally the same as those in today's IAS 39. As a general rule, financial liabilities should be measured at amortised cost with the exception of financial derivatives measured at fair value, financial instruments included in a trading portfolio, and financial liabilities it has been decided to recognise at fair value with value changes through profit or loss. One change from IAS 39 is that where it has been decided that financial liabilities will be recognised at fair value through profit or loss, changes in value that are due to changes in the company's own credit risk will be recognised in OCI, unless this creates or reinforces an "accounting mismatch", and not in the income statement results as is the situation today. Sparebanken Hedmark has securities issued measured at fair value through profit or loss pursuant to the fair value option (FVO) in IAS 39 that, as at 31 December 2016, amount to around NOK 13 billion and include an accumulated unrealised loss (adjusted for hedging) of NOK 66 million.

Derivatives
All derivatives must be measured at fair value with value changes through profit or loss, however derivatives that are designated hedge instruments must be recognised in line with hedge accounting principles.

Hedge accounting
IFRS 9 simplifies the requirement for hedge accounting in that the hedging effect is tied more closely to the management's risk management and provides greater room for judgement. The requirement for hedge effectiveness of 80-125% has been eliminated and replaced with a more qualitative requirement, including the fact that there should be a financial connection between the hedging instrument and hedged item, and that the credit risk should not dominate the value changes of the hedging instrument. According to IFRS 9, a prospective (forward-looking) effectiveness test is sufficient, while hedge effectiveness pursuant to IAS 39 must be assessed both prospectively and retrospectively (backwards-looking). Hedging documentation is still required. The Bank is still assessing the scope of its use of hedge accounting.

Other factors
The Bank will continue to finalise the assessment of the following selected issues with respect to classification:

- Current loans
- Loans with a fixed-rate and right to early redemption
- Sales of loans to part-owned covered bond companies
- Syndicated loans
- Loans with significant differences between the benchmark rate and frequency of rate fixing

The preliminary assessment is that the accounting classification will not result in material balance sheet or income statement related consequences. The reason little effect is expected is that, based on the inherent risk in the balance sheet items, there will be little difference in the measurement between amortised cost and fair value.

Impairment losses on loans
According to the current rules under IAS 39, impairment losses must only be made when objective evidence exists that a loss event has happened after initial recognition. According to IFRS 9 though, impairment losses must be recognised based on expected credit losses (ECL). The measurement of the provisions for expected losses depends on whether or not the credit risk has increased significantly since initial capitalisation. Upon initial capitalisation and when the credit risk has not increased significantly after initial capitalisation, provisions must be made for 12 months' expected losses. If the credit risk has risen significantly, provisions must be made for expected losses over the entire lifetime. The method in the IFRS 9 standard entails somewhat greater volatility in impairments and it is expected that impairments will be made earlier than is the case with the current practice. This will be especially noticeable at the start of an economic downturn.

More detailed description of the Bank's future impairment model
An estimate of losses will be made each quarter based on data in the data warehouse, which contains a history of account and customer data for the entire credit portfolio. The loss estimates will be calculated on the basis of the 12-month and lifelong probability of default (PD), loss given default (LGD) and exposure at default (EAD). The data warehouse contains a history of observed PD and observed LGD. This will provide the basis for producing good estimates of future values for PD and LGD. In line with IFRS 9, the Bank groups its loans into three stages.

Stage 1:
This is the starting point for all financial assets covered by the general loss model. All assets that do not have a significantly higher credit risk than they did upon initial recognition will have a loss provision equal to 12 months' expected losses. This category will contain all assets that have not been transferred to stages 2 or 3.

Stage 2:
In stage 2 the loss model is assets that have seen a significant rise in credit risk since initial recognition, but that do not have objective evidence of a loss event. For these assets the loss provision must cover expected losses over the lifetime. This group contains accounts with a significant degree of credit deterioration, but which on the balance sheet data belong to customers that are classified as healthy. As far as the demarcation with stage 1 is concerned, the Bank bases its definition of a significant degree of credit deterioration on the extent to which the commitment's calculated probability of default (PD) has increased significantly.

Stage 3:
In stage 3 the loss model is assets that have seen a significant rise in credit risk since being granted and where there is objective evidence of a loss event on the balance sheet date. For these assets the loss provision must cover expected losses over the lifetime. These are assets that are defined under the current regulations as non-performing and impaired.

Further development of the model
The impairment model is still under development. The Bank is assessing forward-looking information like macroeconomic factors such as unemployment, GDP growth, interest rates and house prices, and economic forecasts in order to provide forward-looking information that is as correct as possible. The model will calculate impairments based on data at the end of the month.

Effect on financial reporting
The provisional review of the future disclosure requirements indicates there will be some changes in disclosure requirements relating to impairment losses and some minor changes in relation to notes for financial instruments.

Quantitative effects of implementing IFRS 9
Any implementation effects will be recognised against equity upon the switch to IFRS 9 on 1 January 2018. Based on a preliminary review, no significant quantitative effects are expected. The largest potential quantitative effect will be linked to the changed method for loss impairments and any change of classification and measurement of securities issued that, pursuant to IAS 39, it has been decided to recognise at fair value with changes in value through profit or loss. However, some model development, several calculations, and more conclusive assessments are still required before the effects can be quantified. Sparebanken Hedmark aims to update the information provided here in interim reports in 2017 and in other public communication as information becomes available and is satisfactorily quality assured.

The effect on the capital adequacy ratio will, according to our preliminary calculations, be limited because of the deduction rules for regulatory expected losses. It therefore does not appear that Sparebanken Hedmark will require a 5-year implementation period, which the capital adequacy regulations allow.

Note 44 Proforma result

Proforma consolidated displayed as it would have been 100 per cent ownership in Bank 1 Oslo Akershus from January 1, 2016.

(mill. kroner)	**Proforma 2016**
Interest income	3 066
Interest expenses	1 328
Net interest income	**1 739**
Commission income	1 129
Commission expenses	89
Other operation income	189
Net income from finacial assets and liabilities	**1 229**
Dividens	77
Net profit from ownership interests	185
Net profit from other financial assets and liabilities	-55
Net income from financial assets and liabilities	**207**
Total net income	**3 175**
Personel expenses	765
Deprecation	65
Other operating expenses	743
Total operating expenses before losses and guarantees	**1 573**
Profit before losses on loans and guarantees	**1 602**
Losses on loans and guarantees	86
Profit/loss before tax	**1 516**
Tax charge	312
Result for the accounting year	**1 204**
Majority interests	**1 200**
Minority interests	**4**
Result for the accounting year	
Result for the accounting year	1 204
Actuarial gains / losses on pensions	-52
Tax effect of actuarial gains / losses on pensions	12
Share of other comprehensive income from equity investements	-7
Total items not reclassified through profit or loss	**-46**
Change in value of financial assets available for sale	4
Financial assets available for sale transferred to profit and loss on write-downs due to permanent impairment of value	
Financial assets available for sale transferred to profit and loss on realisation	
Share of other comprehensive income from equity investements	7
Total items reclassified through profit or loss	**11**
Total profit and loss items recognised in equity	**-35**
Total profit and loss for the accounting year	**1 169**
Majority interest of comprehensive income	1 164
Minority interest of comprehensive income	4

Note 45 Events occuring after the balance sheet date

There have been no subsequent events that are of significans to the financial statements.

To the committee of representatives “representantskapet” of Sparebanken Hedmark

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sparebanken Hedmark. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The financial statements of the group, which comprise the balance sheet as at 31 December 2016 and income statement, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Auditor's Report - 9 March 2017 - Sparebanken Hedmark

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of loans to customers	
We focus on this area because loans constitutes a significant portion of the total assets and because impairment evaluation of loans is subject to judgement. The Banks procedures and control systems related to monitoring of loans and identification of impaired loans and the valuation of impaired loans are central to the valuation of loans. The use of judgement could affect the financial result and affect the Bank's capital adequacy requirements due to the credit rate classification of loans. In accordance with accounting legislation, the Bank shall assess, at the end of each reporting period, whether there is objective evidence that impairment exists for the loans. If there are, the losses should be calculated as the residual of the book value less the present value of future cash flows. Both assessments involves elements of judgement. In our audit, we gave special attention to: • Management's process to identify loans with objective indications of impairment. • Management's assumptions used in calculating the impairment amount for loans where impairment exists. Refer to note 2, note 3 and note 11 to note 13 in the annual report for the Banks description of credit risk and impairment of loans.	We assessed and tested the key controls related to the impairment process. These include controls over the identification of loans with objective evidence that impairment exists and controls over the calculation of impairment amounts. We determined that we could rely on these controls for the purpose of our audit. We also tested a sample of loans to customers, which was not identified by management as loans with objective evidence that impairment exists. We formed our own judgement as to whether these loans were impaired and compared with management's conclusions. We found no further objective evidence of material impairments in the sample that we tested. For loans where the impairment amounts was individually calculated, we tested a sample by assessing the estimated future cash flows used by management to substantiate the impairment calculation. We challenged management's assumptions by interviewing key credit personnel and management both to assess the information received from customers and to assess how the reliability of the information were evaluated. We compared the assumptions made by management to external documentation when available. The result of the testing of individual impairments showed that management's assumptions in the calculation of impairment amounts was reasonable. Were impairment were calculated for a portfolio of loans, we tested how calculations were made and the data and assumptions used. We benchmarked the principal assumptions against our industry knowledge and our knowledge of the business sectors the Bank is exposed to. We compared the calculated impairment amounts from the impairment model to impairments recognised on a portfolio level in other banks in the Norwegian market with a comparable composition of loan portfolios. The

	result of this testing showed that the assumptions made when calculating impairments were reasonable.
Valuation of financial instruments at fair value The valuation of the Groups financial instruments is key to the audit due to the significance of the amounts. Further, management exercise material judgement in valuation of some of these financial assets and liabilities were only limited external information is available to support the values. Management have developed a model for calculating the value of the financial instruments at the balance sheet date. Refer to note 3 for description of the valuations.	We assessed and tested the design and operational effectiveness of the established controls over valuation of financial instruments. These controls includes reasonableness controls over pricing calculated in the investment system for each object and ongoing benchmarking against external pricing providers. We concluded that we could rely on these controls for the purpose of our audit. We performed our own independent assessment of the input data used including; Yield curve and public available pricing data. We tested the pricing performed by the Bank against other external parties and have formed our own opinion of the pricing. Our judgements and calculations resulted in no material deviations from the judgments and calculations made by management.
IT-systems supporting financial reporting We have focused on this area because the Banks financial reporting systems and operations is depending on complex IT-systems. Possible weaknesses in automated processes and supporting IT-dependent manual controls can cause problems in relation to the ongoing operation of the IT-systems and risk of error.	The Bank make use of external service providers for operating some significant IT-systems. The service providers auditor is used to evaluate the design and effectiveness of and testing of established controls to ensure the integrity of IT- and payment systems relevant for financial reporting. PwC have assessed the final reports and we evaluated possible deficiencies and actions. We have also performed testing of access controls and segregation of duties in areas essential to our audit. Our evaluations and testing show that we can rely on the Banks IT- and payment systems for the purpose of our audit.

pwc

Other information

Management is responsible for the other information. The other information comprises the financial statement analysis, words from the Chief Executive Officer, information about the group, Board of Directors' report and statements on Corporate Social Responsibility, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Oslo, 9 March 2017
PricewaterhouseCoopers AS

Magne Sem
State Authorised Public Accountant

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

STATEMENT FROM THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

We confirm that according to our firm belief the annual accounts for the period from 1 January to 31 December 2016 have been prepared in accordance with international standards for financial reporting (IFRS) and that the information in the annual report gives a true picture of the Parent Bank's and Group's assets, liabilities, financial position and result as a whole, and a correct overview of the information mentioned in the Securities Trading Act, § 5-5.

The Board of Directors of Sparebanken Hedmark
Hamar, 09. March 2017

Siri J. Strømmevold Chairman	Nina C. Lier	Erik Garaas
Espen Bjørklund Larsen	Guro Nina Vestvik	Vibeke Hanvold Larsen
Morten Herud	Hans-Christian Gabrielsen	Richard Heiberg Chief executive officer

Subsidiaries

Bank 1 Oslo Akershus AS

In 2016, the group's profit after tax increased to NOK 334 million, compared with NOK 254 million the year before. The increase was largely attributable to increased net interest income, capital gains on securities, compared with capital losses in 2015, and the positive effect of the sale of the bank's stake in VISA Europe Ltd. to VISA Inc.

The group's return on equity for 2016 was 10.0 per cent, compared with 8.4 per cent for 2015. The group saw total lending growth for retail and corporate customers of 10.1 per cent in 2016, inclusive of loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. Deposits grew by 14.1 per cent.

EiendomsMegler 1 Oslo Akershus's market share shrank slightly in 2016 to 8.9 per cent. The group still aims to grow significantly in the retail market, as long as this can be done profitability. This is also in line with the expressed strategy of the Parent Bank, Sparebanken Hedmark, concerning strong growth in new market areas.

The bank has strengthened its capitalisation in the last few years, both nominally and in relation to the authorities' increased requirements, and today has comfortable capital adequacy in relation to the current buffer requirements. The development of its capital adequacy in the last six months must be viewed in the context of the bank being acquired by Sparebanken Hedmark on 29 June 2016 and thereafter adapting to the capital adequacy at a group level.

The bank has a robust funding structure and is equipped to withstand considerable market instability should this infect the bank's market and operating area.

About the Bank 1 Oslo Akershus Group

Bank 1 Oslo Akershus AS operates under the brand name SpareBank 1 Oslo Akershus and offers products within financing, savings and investments, money-transfer services, insurance and financial advice. The bank also offers real estate agency services via its subsidiary EiendomsMegler 1 Oslo Akershus. The group has a total of 418 full-time equivalents, 14 bank branches and 20 real estate agent branches located in Oslo and Akershus. On 29 June 2016, the group became a wholly owned subsidiary of Sparebanken Hedmark. The bank will operate as a subsidiary of Sparebanken Hedmark until the legal merger has been completed.

For more information, see: www.sparebank1.no/nb/oslo-akershus/privat.html

EiendomsMegler 1 Hedmark Eiendom AS

2016 was a very good year for the company. Turnover increased from NOK 81.3 million in 2015 to NOK 98.6 million in 2016.

The operating profit amounted to more than NOK 19.3 million. This is an improvement of more than NOK 12.3 million since 2015. The operating margin also improved, from 8.5 per cent to 19.6 per cent.

Besides greater profitability and turnover, one important reason for the improvement in the profit for the year was the non-recurring effect of switching from a defined benefit pension to a defined contribution pension scheme. The effect of the switch amounted to a net approximately NOK 6.3 million. Without this switch, the operating margin would have been 13.2 per cent.

In the last 5 years, the company has increased its turnover by 73 per cent and the total operating margin for this period is 12 per cent, together with satisfactory equity and liquidity.

The company sold 1,947 properties in 2016. This represents growth of 19.2 per cent. The sales represented just under 30 per cent of all freely sold properties in our market area. The total value of sales was approximately NOK 4.25 billion.

In 2016, there were an average of 57.8 full-time equivalents in the company. The company was named one of Norway's ten best companies in the Great Place to Work employee survey in both 2015 and 2016.

About EiendomsMegler 1 Hedmark Eiendom AS

EiendomsMegler 1 Hedmark Eiendom AS is a wholly owned subsidiary of Sparebanken Hedmark and part of the EiendomsMegler 1 Alliance, Norway's largest chain of real estate agents. The company has branches in all major cities and towns in Hedmark, as well as branches in Nes in Akershus and Gjøvik in Oppland. The company opened a new branch in Hamar West during the year. The company has a total of 11 branches and is the Interior Region's largest local real estate agent.

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

SpareBank 1 Finans Østlandet AS

The company posted a profit after tax of NOK 85.6 million for 2016. This represents a return on equity after tax of 9.8 per cent. The board is satisfied with the company's financial development.

SpareBank 1 Finans Østlandet AS is a financing company that offers leasing and loans through distributors and collaborating banks, as well as directly to customers.

In 2016, SpareBank 1 Finans Østlandet AS saw an increase in total new sales (last year's figures in brackets) of 8.7 per cent (24.3 per cent). New sales of unsecured loans amounted to NOK 2,010 million (NOK 1,911 million). New leasing sales amounted to NOK 1,484 million (NOK 1,343 million). Consumer loans amounted to NOK 74.4 million (NOK 57.3 million).

The company expects continued good activity within both the retail and the corporate markets in 2017 and is aiming for further growth. Costs are developing satisfactorily in the company and in line with the strategy.

Losses amounted to 0.42 per cent of gross lending (0.36 per cent). Commitments that have at least 90 consecutive days of arrears of more than NOK 1,000 on day 90 are regarded as non-performing. At year-end, the proportion of non-performing commitments was 0.70 per cent (0.94 per cent).

Given its satisfactory financial strength, good earnings, good market outlook, and continued good risk management, the board expects SpareBank 1 Finans Østlandet AS to achieve good results in 2017 as well.

About SpareBank 1 Finans Østlandet AS

SpareBank 1 Finans Østlandet has 56 employees and is owned by Sparebanken Hedmark (95 per cent) and SpareBank 1 Ringerike Hadeland (5 per cent). The company's head offices is in Hamar and it has regional offices in Lillestrøm, Lillehammer, Gjøvik, and Fredrikstad.

For more information, see www.sb1fo.no

SpareBank 1 Regnskapshuset Østlandet AS

The accounting industry is facing major changes in which automation and digitalisation will affect the way it works. The company spent 2016 deciding how it would meet these challenges. Therefore, no business acquisitions of significance were made in 2016.

After making a number of major strategic acquisitions in 2015, the company chose in 2016 to focus its resources on preparing the company for the digital future. A great deal of resources were allocated to this work, which resulted in lower earnings than in the year before. This work will continue in 2017.

The Norwegian accounting industry brings in revenues of just over NOK 14 billion. The industry is made up of many small actors where no one holds a dominant role on a nationwide basis. However, the company's branches do hold solid positions in their respective market.

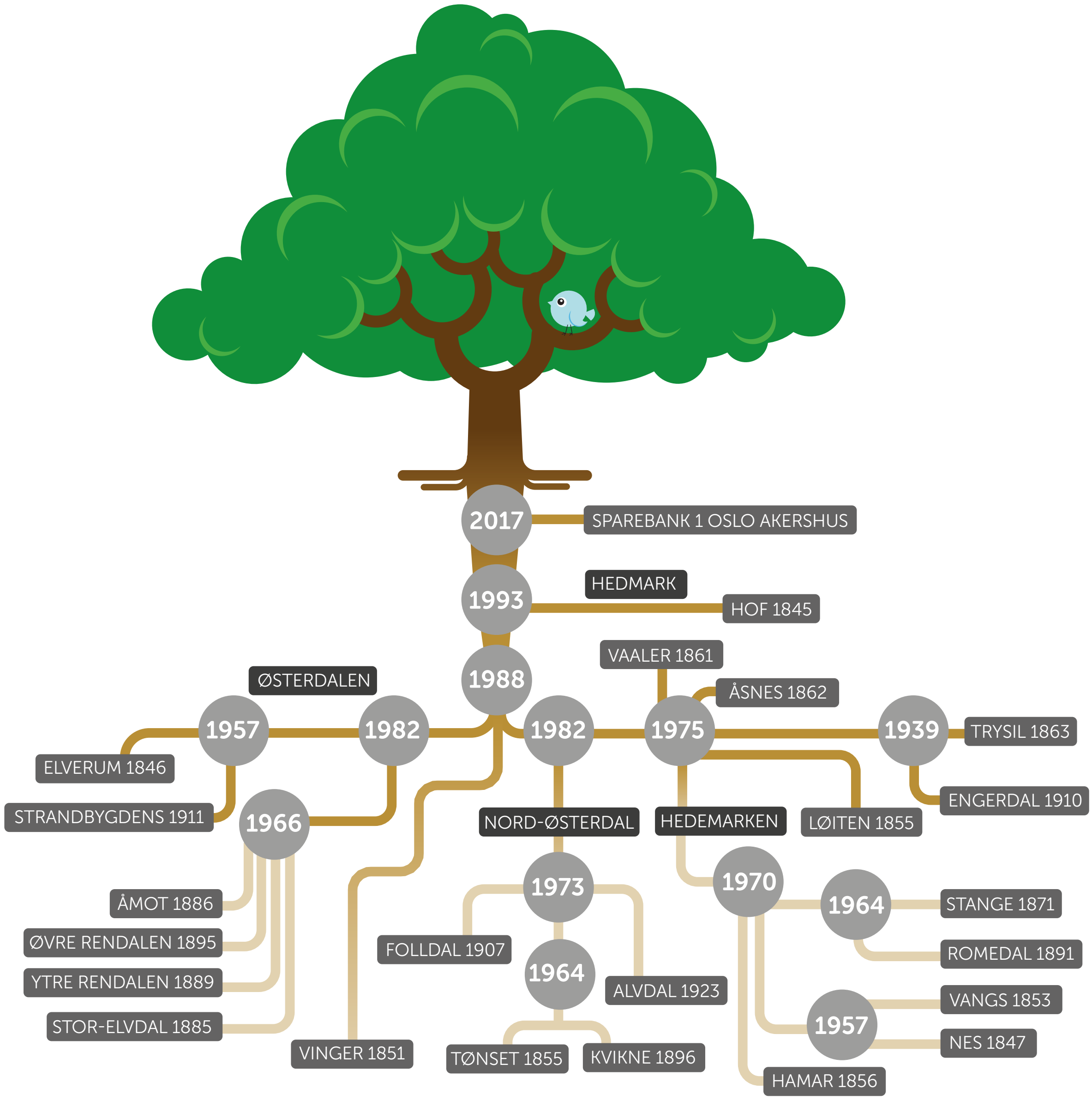
The business posted revenues of NOK 160 million in 2016 and it achieved a profit after tax of NOK 4 million. The figures include subsidiaries.

About SpareBank 1 Regnskapshuset Østlandet AS

SpareBank 1 Regnskapshuset Østlandet AS provides services within accounting, payroll, and advice to small and medium-sized companies within production, trade, and farming. The company is a wholly owned company of Sparebanken Hedmark and has 11 branches and one subsidiary (Frostad & Skyrud AS). These are located in Ringebu, Lillehammer, Moelv, Hamar, Tynset, Elverum, Kongsvinger, Jessheim, Kjeller, Skjetten, Oslo and Fredrikstad. The company had 168 employees at the end of the year.

For more information, see www.sb1r.no.

Rooted in Hedmark



In the autumn of 2011, Sparebanken Hedmark moved into the neighbouring county and the Bank now has branches in both Gjøvik and Lillehammer. In 2016, Bank 1 Oslo Akershus became a wholly owned subsidiary of Sparebanken Hedmark.

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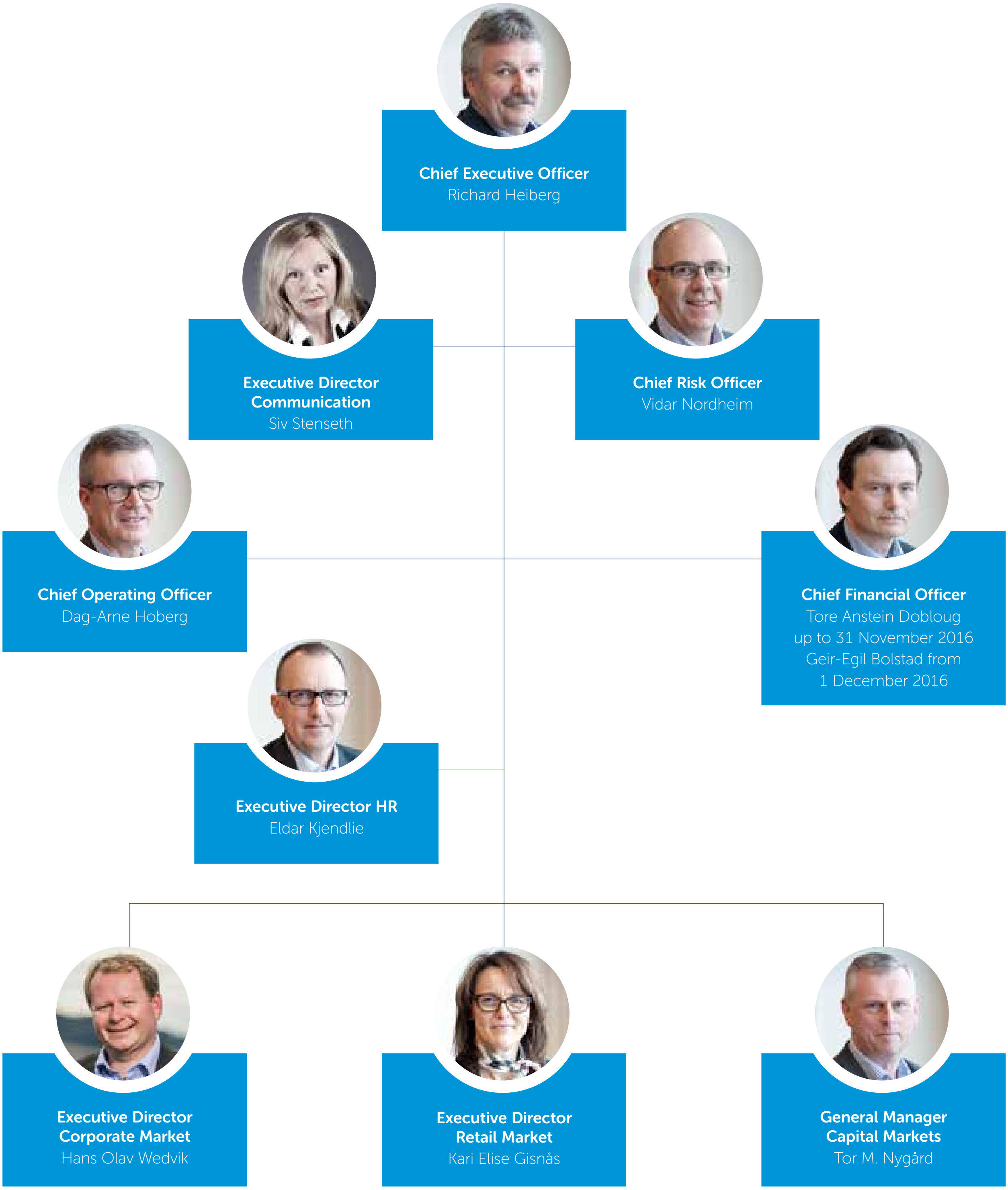
Company administration
Strandgata 15, Postboks 203, N-2302 Hamar
Organisation number: 920 426 530

Group Management 2016



Creating together

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

Sparebanken HEDMARK