



Quarterly report

Interim report

Third quarter 2016



Innhold

3	Main figures Group
4–10	Interim report
11	Income statement
12	Balance sheet
13	Changes in equity capital
15	Cash flow statement
16-17	Quarterly accounts
18-33	Notes to the accounts

Editor: Trine Lise Østberg

Design & production: Ferskvann reklamebyrå

Main figures Group

Result summary (NOK mill and % of average assets)	Proforma Q3 2016 ⁹⁾		Q3 2016 ⁸⁾		Q3 2015 ⁷⁾		31.12.2015	
	Amount	% ⁸⁾	Amount	% ⁷⁾	Amount	%	Amount	%
Net interest income	1 286	1,76 %	1 038	1,77 %	815	2,09 %	1 105	2,08 %
Net commissions and other (non-interest) income	934	1,28 %	644	1,10 %	492	1,26 %	651	1,23 %
Net income from financial investments	141	0,19 %	154	0,26 %	411	1,05 %	514	0,97 %
Total income	2 362	3,23 %	1 836	3,13 %	1 718	4,40 %	2 270	4,28 %
Total operating expenses before losses on loans and guarantees	1 096	1,50 %	727	1,24 %	758	1,94 %	1 051	1,98 %
Profit before losses on loans and guarantees	1 265	1,73 %	1 110	1,89 %	960	2,46 %	1 219	2,30 %
Losses on loans and guarantees	43	0,06 %	33	0,06 %	38	0,10 %	56	0,11 %
Profit/loss before tax	1 222	1,67 %	1 077	1,83 %	922	2,36 %	1 163	2,19 %
Tax charge	299	0,41 %	258	0,44 %	186	0,48 %	233	0,44 %
Results for the accounting period	923	1,26 %	819	1,40 %	736	1,88 %	930	1,75 %
Minority interests			3	0,01 %				
Profitability								
Return on equity capital ¹⁾		11,1 %		10,7 %		12,3 %		14,3 %
Cost-income ratio ²⁾		46,4 %		39,6 %		44,1 %		46,3 %
From the balance sheet								
Gross loans to customers	81 336		81 336		42 793		43 779	
Gross loans to customers including loans transferred to covered bond companies ³⁾	117 625		117 625		59 437		61 140	
Lending growth during the last 12 months				90,1 %		9,1 %		9,6 %
Lending growth in last 12 months including loans transferred to covered bond companies		9,8 %		97,9 %		8,4 %		9,3 %
Deposits from customers	62 107		62 107		33 052		33 458	
Deposit-to-loan ratio ⁴⁾		76,4 %		76,4 %		77,2 %		76,4 %
Deposit growth during the last 12 months		11,4 %		87,9 %		4,7 %		7,7 %
Total assets	99 720		99 720		54 501		55 971	
Total adjusted assets	136 009		136 009		71 145		73 332	
Losses and commitments in default								
Losses on loans as a percentage of gross loans		0,1 %		0,1 %		0,1 %		0,1 %
Commitments in default as a percentage of total commitments		0,4 %		0,4 %		0,7 %		0,6 %
Other bad and doubtful commitments as a percentage of total commitments		0,2 %		0,2 %		0,4 %		0,5 %
Net commitment in default and commitments with loss provisions as a percentage of total commitments ⁵⁾		0,5 %		0,5 %		0,8 %		0,8 %
Financial strength								
Common equity Tier 1 capital ratio		17,5 %		17,5 %		17,1 %		17,2 %
Tier 1 Capital ratio		18,3 %		18,3 %		17,5 %		17,5 %
Capital adequacy ratio		20,2 %		20,2 %		18,8 %		19,1 %
Net subordinated capital	9 608		9 608		7 030		7 179	
Equity ratio		11,8 %		11,8 %		15,5 %		15,6 %
Leverage Ratio		8,5 %		8,5 %		9,8 %		9,2 %
LCR ⁷⁾		113,0 %		113,0 %		108,0 %		120,8 %

1) Net profit as a percentage of average equity

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

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

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

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

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

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

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.

9) Proforma consolidated displayed as it would be at 100 per cent ownership in Bank 1 Oslo Akershus from January 1, 2016.

Interim report 3rd quarter 2016

Summary

The Sparebanken Hedmark Group posted a profit after tax after three quarters of NOK 819 million.

The Sparebanken Hedmark Group posted a profit after tax for the third quarter of NOK 424 million. The return on equity for the period was 14.6 per cent. The winding down of the bank's defined benefit scheme gave a positive contribution to the result of NOK 215 million before tax. Adjusted for this and financial items in the quarter, the return on equity was 9.3 per cent.

The estimated proforma profit after tax (100 per cent ownership in the whole of 2016) for the Group was NOK 923 million for the first three quarters of the year. This was equivalent to a return on equity of 11.1 per cent. Adjusted for the closure of the defined benefit scheme and for financial items, the return on equity was 10.3 per cent.

The common equity tier 1 ratio was 17.5 per cent. The total capital adequacy ratio was 20.2 per cent.

Sparebanken Hedmark's loan portfolio has no exposure to the oil and petroleum industry. Loan losses were very low, amounting to NOK 33 million for the new group after three quarters. Problem loans, defined as nonperforming and impaired loans, accounts for a very low share of the group's loans, at 0.6 per cent of gross on-balance sheet commitments.

On 11 October, the ratings agency Moody's upgraded Sparebanken Hedmark's long-term rating from A2 to A1.

The Group and accounting issues related to the acquisition of Bank 1 Oslo Akershus AS

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

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

Sparebanken Hedmark owns 12.4 per cent of SpareBank 1 Gruppen AS, 21.2 per cent of SpareBank 1 Mobilbetaling AS, and 18.9 per cent of SpareBank 1 Kredittkort AS. The bank also owns 19.6 per cent of SpareBank 1 Boligkreditt AS and 3.8 per cent of SpareBank 1 Næringskreditt AS (the covered bond companies). The results from the above companies are recognised in the bank's consolidated financial statements proportionate to the bank's ownership stake.

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

For the first half of the year, the results from Bank 1 Oslo Akershus AS were consolidated into the Group using the equity method with an ownership interest of 40.5 per cent. From the third quarter and onwards, the results from Bank 1 Oslo Akershus AS are fully consolidated in the consolidated financial statements of Sparebanken Hedmark.

Due to the consolidation of the financial statements of Bank 1 Oslo Akershus AS, the Group accounts of Sparebanken Hedmark for the third quarter of 2016 are not directly comparable with last year's figures.

For the same reason, several comparative numbers in the quarterly financial statements are less informative. Where relevant, the previous year's figures are included in brackets.

A selection of key figures is provided for the proforma Group as they would have been with 100 per cent ownership of Bank 1 Oslo Akershus AS from 1 January 2016.

Sparebanken Hedmark

– Group results for the third quarter

The third quarter is the first accounting period for which the bank reports Group financial statements with 100 per cent ownership of Bank 1 Oslo Akershus AS. As such, there are no comparable figures for the same period last year.

The consolidated profit after tax for the third quarter was NOK 424 million.

The return on equity was 14.6 per cent.

Sparebanken Hedmark wound down its defined benefit scheme with effect from 1 July 2016. The closure meant a one-off income effect for the third quarter of NOK 215 million in the parent bank's personnel costs. This had a positive effect on the return on equity in the quarter of 5.6 percentage points.

Adjusted for the effect of winding down the defined benefit scheme and for financial items, the return on equity was 9.3 per cent.

Interest income and other operating income

Total net interest income, inclusive of commissions from loans and credit transferred to partly-owned companies (recognised as commissions) of NOK 75 million, was NOK 517 million.

In the third quarter, the Group's lending margin, inclusive of mortgages in the covered bond company, was 2.09 per cent. The deposit margin was 0.17 per cent. The net interest margin was 2.25 per cent. In the first half of the year, the net interest margin including Bank 1 Oslo Akershus AS was 2.22 per cent, with a lending margin of 2.20 per cent and a deposit margin of 0.02 per cent.

Net commissions and other operating income was NOK 310 million.

The net result from financial assets and liabilities was NOK 53 million. Of this, the net result from ownership interests (primarily SpareBank 1 Gruppen AS and other alliance companies) was NOK 23 million.

The change in market value on the bank's issued debt and fixed income investments including derivatives was NOK minus 12 million.

For further details, please see note 7 «Net income from financial assets and liabilities».

Costs and loan losses

The Group's operating costs were NOK 214 million.

Operating costs include a one-off income recognition of NOK 215 million due to the closure of the bank's defined benefit scheme. With the exception of employees in Bank 1 Oslo Akershus AS, all employees in the Group that were members in the defined benefit scheme were transferred to the existing defined contribution scheme with effect from 1 July 2016. The defined benefit scheme in Bank 1 Oslo Akershus AS will also close shortly. For further details, please see note 8 as well as the report of the Board from the first half of 2016.

The group's loan portfolio has no exposure to the oil and petroleum industry. Losses were very low and amounted to NOK 3 million in the third quarter. Group write-downs were unchanged compared to the second quarter.

For more details of the third quarter accounts, please see the report's page 16, "Results from the quarterly accounts".

Credit risk

Total group write-downs to cover losses on loans and guarantees was NOK 251 million, accounting for 0.31 per cent of total lending.

The loan loss provision ratio, measured as total individual write-downs of NOK 138 million in relation to total nonperforming and other impaired loans of NOK 559 million, was 25 (27) per cent at the end of the third quarter.

Credit quality, measured as total problem commitments in relation to total lending, improved substantially compared with the corresponding period last year. In total, the Group's problem commitments amounted to 0.6 (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 migration.

Assets and funding

Total assets were NOK 99.8 billion at 30 September. Total adjusted assets, defined as total assets and loans transferred to the covered bond companies, were NOK 136.1 billion.

Gross lending to customers, inclusive of loans transferred to the covered bond companies, were NOK 117.6 billion.

At the end of the third quarter, loans totalling NOK 35.1 billion had been transferred to SpareBank 1 Boligkreditt AS and loans totalling NOK 1.2 (0.6) billion had been transferred to SpareBank 1 Næringskreditt AS. The share of retail loans transferred to the covered bond companies relative to total retail loans (loans on the balance sheet and transferred loans) was 40.9 per cent.

Lending growth in the past twelve months inclusive of transferred loans was 8.7 (7.6) per cent for the parent bank Sparebanken Hedmark. Lending growth for Bank 1 Oslo Akershus AS was 10.6 (14.6) per cent.

Customer deposits totalled NOK 62.1 billion.

Growth in deposits was 9.1 (4.7) per cent for the parent bank Sparebanken Hedmark and 14.7 (6.6) per cent for Bank 1 Oslo Akershus AS.

The deposit-to-loan ratio was 76.4 (77.2) per cent.

Borrowing from financial institutions and senior securities issued totalled NOK 23.3 billion. The average term to maturity for the Group's long-term funding was 3.5 (3.7) years. The average term to maturity for all borrowing was 3.2 (3.5) years. The average credit spread on the Group's debt, exclusive of subordinated loans and hybrid tier 1 capital, was 92 (75) basis points at the end of the third quarter. The increase is largely due to Bank 1 Oslo Akershus AS having had higher borrowing costs than Sparebanken Hedmark. In addition to senior debt, the Group had NOK 1.2 (0.5) billion in outstanding subordinated loans and NOK 0.4 (0.0) billion in outstanding hybrid tier 1 capital.

At the end of the third quarter, the Group held enough reserves to maintain normal operations for more than 18 (18) months. The LCR (Liquidity Coverage Ratio) was 113 (108) 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 11.8 (8.4) billion, which is equivalent to 11.8 (15.5) per cent of the balance sheet. The leverage ratio was 8.5 (9.8) per cent.

The Group's common equity tier 1 ratio was 17.5 (17.1) per cent. The total capital adequacy ratio was 20.2 (18.8) per cent. The Group's long-term target for common equity tier 1 capital is 16 per cent.

A simplified audit has been conducted of the result and balance sheet, which means that the interim results after expected taxes and dividends are included in the capital adequacy calculations.

Equity certificates

The equity share capital at 30 September 2016 consists of 106,203,000 equity certificates with a nominal value of NOK 50 per certificate. 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 (1.61 per cent) own the equity certificates.

The book value per equity certificate (Group) at 30 September 2016 was NOK 74.54 and earnings per equity certificate was NOK 2.69 in the third quarter.

Rating

Sparebanken Hedmark is rated A1 by Moody's Investor Service. The rating has a stable outlook. The bank was upgraded to A1 on 11 October. The upgrade was justified on grounds of Moody's considering that Sparebanken Hedmark is systemically important. The rating agency emphasises that the bank has become the country's fourth largest savings bank and that the institution is a vital intermediary in financing small and medium-sized enterprises in the region of Hedmark.

Sparebanken Hedmark - Proforma Group after three quarters

Estimated key figures for the proforma Group are shown as 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 the first three quarters of 2016 was NOK 923 million.

The return on equity was 11.1 per cent. Changes in the value of debt issued and fixed income investments gave a negative contribution to the return on equity of 1.1 percentage points. The one-off income effect of NOK 215 million following the closure of the bank's defined benefit

scheme had a positive effect on the return on equity of 1.9 percentage points. Adjusted for this income effect and for financial items, the return on equity was 10.3 per cent.

The lending margin, inclusive of mortgages in the covered bond company, amounted to 2.16 (2.44) per cent. The deposit margin was 0.07 (minus 0.32) per cent. The net interest margin was 2.23 (2.12) per cent.

Total net interest income, inclusive of commissions from loans and credit transferred to partly-owned companies (recognised as commissions), was NOK 1,518 million.

Net commissions and other operating income was NOK 934 million.

The net profit from financial assets and liabilities was NOK 141 million. Of this, dividends accounted for NOK 77 million, of which 68 million were dividends from VISA Norway after the first settlement following the sale of VISA Europe Ltd to VISA Inc. The net result from ownership interests, mainly SpareBank 1 Gruppen AS and other alliance companies, was NOK 139 million. The net result from other financial assets and liabilities (securities) was NOK minus 75 million. A capital gain of NOK 21 million is included in the net result from other financial assets and liabilities. This gain relates to the preliminary settlement of the sale of Nets Holding ASA in connection with that company's sale of shares in VISA Europe Ltd.

The Group's securities issued, fixed-income investments, derivatives and fixed-rate products for customers are mostly assessed at fair value through profit and loss pursuant to IAS 39, and changes in market value are recognised in profit and loss. So far in 2016, so-called secondary trading spreads for Norwegian senior financial securities have narrowed substantially. For a three-year senior bond issue

from a Norwegian regional savings bank, the market spread above NIBOR dropped from an indicative 114 basis points at the start of the year to around 63 basis points at the end of the quarter. All other things being equal, this results in a lower relevant discount rate on previously issued fixed-income securities, equivalent to an increase in their present value (price). 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 at NOK minus 130 million after three quarters, almost all of which are unrealised losses. The change in market value on the bank's issued debt including derivatives was NOK minus 187 million.

Operating costs were NOK 1,096 (1,309) million. Costs were affected by the closure of the bank's defined benefit scheme, which meant a positive income effect in personnel costs in the third quarter of NOK 215 million.

Loan losses were NOK 43 (22) million. Of this, changes in group write-downs accounted for NOK 32 (4) million.

Sparebanken Hedmark – Group results for the third quarter

The Group's consolidated profit after tax for the first three quarters of the year was NOK 819 (736) million. The return on equity was 10.7 (12.3) per cent.

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

Parent bank's profit after tax	685
Dividends received from subsidiaries/associated companies	- 263

Share of the result from:

SpareBank 1 Gruppen AS	130
Bank 1 Oslo Akershus AS	165
SpareBank 1 Boligkreditt og Næringskreditt AS	-1
EiendomsMegler 1 Hedmark Eiendom AS	17
EiendomsMegler 1 Oslo Akershus AS	-3
SpareBank 1 Finans Østlandet AS	68
SpareBank 1 Regnskapshuset Østlandet AS	4
SpareBank 1 Kredittkort AS	13
SpareBank 1 Mobilbetaling AS	-16
Other	20

Consolidated profit after tax **819**

Interest income and other operating income

Total net interest income, inclusive of commissions from loans and credit transferred to partly-owned companies (recognised as commissions) of NOK 156 million, was NOK 1,194 (958) million.

Net commissions, inclusive of commissions from loans and credit transferred to partly-owned companies, was NOK 507 (346) million after three quarters, while other operating income was NOK 137 (146) million.

For more details about different result units in the Group, please see note 3 «Segment information».

The net result from financial assets and liabilities fell by NOK 257 million to NOK 154 (411) million.

Dividends of NOK 46 (8) million are primarily dividends from VISA Norge, NOK 38 (0) million, and dividends from Totens Sparebank, NOK 7 (7) million.

The share of the profit from Bank 1 Oslo Akershus AS in the first half of the year accounted for NOK 71 (84) million of the profit from ownership interests. The results from Bank 1 Oslo Akershus AS have been consolidated into the consolidated result with effect from the third quarter of 2016, while 40.5 per cent of the result of Bank 1 Oslo Akershus AS for the first half of 2016 has been included in the profit from ownership interests.

The profit contribution from SpareBank 1 Gruppen AS totalled NOK 130 (103) million.

The net result from other financial assets and liabilities (securities) amounted to NOK minus 79 (172) million. Please refer to note 7, «Net income from financial assets and liabilities».

Costs and loan losses

The Group's operating costs were NOK 727 (758) million. The reduction in costs are primarily due to the income recognition of NOK 215 million following the closure of the defined benefit scheme. At the same time, the consolidation of the result from Bank 1 Oslo Akershus AS into the Group's financial statements with effect from the third quarter of 2016 contributed, in isolation, to an increase in operating costs of NOK 185 million. Operating costs fell by NOK 1 million if excluding the effects of the income recognition from the closure of the defined benefit scheme and the consolidation of Bank 1 Oslo Akershus AS.

Losses are still low, at NOK 33 (38) million. NOK minus 16 (1) million of the losses occurred in the retail market divisions and NOK 37 (24) 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 16 (13) million.

Changes in group write-downs accounted for NOK 10 (4) million of the above losses. At the end of the third quarter, the bank's credit exposure to oil-related industries was less than 0.1 per cent.

Sparebanken Hedmark – Parent bank

Results

The profit after tax for the first three quarters of the year was NOK 685 (683) million. Banking operations, defined as net interest income plus commissions and other operating income less operating costs and losses, achieved a profit before tax of NOK 502 (396) million. This was an improvement of 25 per cent. Net interest income and commissions from transferred loans to the covered bond companies increased by NOK 74 million. Other operating income increased by NOK 21 million, operating costs rose by NOK 4 million, and net losses were NOK 10 million lower.

Net interest income and other income

Net interest income, inclusive of loans transferred to the covered bond companies, amounted to NOK 860 (786) million. The NOK 74 million improvement is attributable to the NOK 97 million increase in net interest income due to growth and higher deposit margins. Lower lending margins and reduced commission rates for loans transferred to the covered bond companies contributed negatively.

The net interest margin for loans on the balance sheet (exclusive of currency loans) was 2.58 (2.40) per cent. The lending margin was 2.37 (2.70) per cent and the deposit margin was 0.21 (minus 0.30) per cent.

The interest margin was 2.39 (2.28) per cent for the retail market and 2.90 (2.62) per cent for the corporate market. The net margin for the portfolio transferred to SpareBank 1 Boligkreditt AS was 0.90 (1.20) per cent.

The net result from financial assets and liabilities was NOK 169 (439) million. Please refer to note 7, «Net income from financial assets and liabilities».

Operating costs

Total operating costs amounted to NOK 327 (537) million. The growth in costs compared with last year was minus 39.1 (0.6) per cent. The primary reason for lower costs is the closure of the bank's defined benefit scheme with effect from 1 July 2016, which led to a one-off income recognition of NOK 215 million in personnel costs.

At the end of the quarter, the parent bank had 464 (470) full-time equivalents.

Operating costs represented 26.6 (38.3) per cent of total income.

Losses on loans and guarantees

Net provisions for losses on loans and guarantees were NOK 15 (25) million. NOK 3 (2) million of the losses occurred in the retail market and NOK 16 (23) 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 9 (2) million of total losses.

Lending and deposits

Gross lending to customers totalled NOK 58.7 (54.0) billion at 30 September 2016, inclusive of loans worth NOK 17.9 (16.6) billion that have been transferred to the covered bond companies. The parent bank's lending growth over the past twelve months was 8.7 (7.6) per cent, inclusive of loans transferred to the covered bond companies.

Lending growth including transferred loans was 9.1 (7.7) per cent for the retail market and 7.7 (7.3) per cent for the corporate market. The risk profile of the bank's granting of credit did not change in the last quarter.

Deposits from and liabilities to customers at 30 September 2016 totalled NOK 36.1 (33.1) billion. The growth in deposits over the past twelve months was 9.1 (4.8) per cent. Of total deposits, NOK 22.5 (21.5) billion were retail deposits while NOK 13.6 (11.6) billion were corporate deposits.

Funding

The common equity tier 1 ratio was 29.9 (24.1) per cent at the end of the quarter.

The parent bank's equity was NOK 10.1 (7.5) billion. Total equity in the parent bank amounted to 16.8 (14.1) per cent of the balance sheet at 30 September 2016.

Subsidiary - Bank 1 Oslo Akershus AS, Group

In the third quarter, the Group posted a profit after tax of NOK 92 (62) million. The return on equity was 11.4 (8.2) per cent. Losses on loans and guarantees were NOK 1 million.

For the first three quarters of the year, the Group Bank 1 Oslo Akershus AS posted a profit after tax of NOK 267 (207) million. The return on equity was 11.2 (9.2) per cent.

The improvement was primarily due to higher net interest income, valuation gains on securities so far this year compared to valuation losses last year as well as a positive contribution from the sale of the bank's stake in VISA Europe Ltd to VISA Inc.

Net interest income and other income

Net interest income for the first three quarters of the year was NOK 379 (348) million. The increase was due to the growth in lending, increased deposit margins and changes in the policy for recognising hybrid tier 1 capital. In isolation, reduced 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 and SpareBank 1 Næringskreditt. By the end of the third quarter, these commissions amounted to NOK 112 (129) million.

Net commissions and other operating income amounted to NOK 435 (437) million. The reduction was mainly due to reduced commissions from SpareBank 1 Boligkreditt due to lower lending rates for customers than in 2015.

The net result from financial investments was NOK 93 (13) million.

The change in value for financial assets was NOK 72 (minus 41) million, due in large part to received dividends and capital gains of NOK 45 million in connection to the sale of VISA Europe to VISA Inc. Bonds and derivatives showed valuation gains of NOK 31 (minus 42) million.

The income from ownership interests was 21 (54) million. The reduction was primarily due to reduced profits from the ownership share in SpareBank 1 Boligkreditt of NOK 30 million in light of the fact that the cumulative result for the third quarter of 2015 gained significantly from currency effects on the covered bond company's debt issued (basis swap effects).

Operating costs and loan losses

Operating costs for the first three quarters of the year amounted to NOK 555 (551) million. The increase was due to personnel costs. There were 420 (430) full-time

equivalents in the Group at the end of the third quarter. Losses on loans and guarantees were NOK 12 (plus 16 due to loan loss reversal) million. Gross non-performing and impaired loans at the end of the third quarter were NOK 81 (112) million, equivalent to 0.2 (0.4) per cent of gross lending. Individual write-downs amounted to NOK 11 (19) million for the first three quarters of the year. Group write-downs amounted to NOK 120 (85) million. The increase in group write-downs reflects the weaker business cycle and is in line with indications in the Financial Supervisory Authority of Norway's letter to Norwegian banks concerning banks' level of loss write-downs.

Lending and deposits

Total lending amounted to NOK 52.7 billion. Of this, loans transferred to the covered bond companies accounted for 18.4 billion. Loans including transferred loans grew by 10.6 per cent in the past twelve months.

The distribution between the retail market and the corporate market at the end of the third quarter was 83/17 (80/20) per cent, inclusive of loans transferred to the covered bond companies.

There has been a general improvement in the credit risk profile in the past year.

Deposits from customers at the end of the third quarter amounted to NOK 26 (22.7) billion, equivalent to a growth rate of 14.7 per cent.

The on-balance sheet deposit-to-loan ratio at the end of the third quarter was 75.8 (71.4) per cent

Funding and financial strength

The bank's liquidity situation is good. New funding takes place via the parent bank, Sparebanken Hedmark.

The Group' capital and tier 1 capital ratios at the end of the third quarter were 17.7 per cent (16.8) and 15.5 (14.9) per cent, respectively. The common equity tier 1 ratio was 14.5 (14.0) per cent. The Group's net subordinated capital totalled NOK 3.2 (2.9) billion.

For supplementary information about the financial statements of Bank 1 Oslo Akershus AS, please see the bank's interim report available from its website.

Subsidiaries - other

The financing company SpareBank 1 Finans Østlandet AS (95 per cent ownership interest) posted a profit after tax of NOK 68 (58) million. The financing company's gross lending totalled NOK 6.2 (5.5) billion at 30 September 2016. Gross lending growth over the past twelve months was 13.3 (17.9) per cent.

SpareBank 1 Regnskapshuset Østlandet AS had a turnover of NOK 122 (135, of which NOK 8 included divestment of operations) million and achieved a profit after tax of NOK 4 (14) million.

The real estate agency EiendomsMegler 1 Hedmark Eiendom AS had a turnover of NOK 75 (62) million and achieved a profit after tax of NOK 17 (9) million.

Partly-owned companies

SpareBank 1 Gruppen AS (12.4 per cent ownership stake) posted a consolidated profit after tax of NOK 1,130 (939) million. The return on equity was 18.5 (16.8) percent.

SpareBank 1 Boligkreditt AS (19.6 per cent) is the Alliance banks' joint mortgage covered bond company. The company posted a profit after tax of NOK 49 million.

SpareBank 1 Næringskreditt AS (3.8 per cent) is the Alliance banks' joint commercial real estate covered bond company. The company posted a profit after tax of NOK 60 million.

SpareBank 1 Kredittkort AS (18.9 per cent) is the Alliance banks' joint credit card company. The company posted a consolidated profit after tax of NOK 110 million. The return on equity was 14.7 per cent.

SpareBank 1 Mobilbetaling AS (21.2 per cent) is the Alliance banks' joint mobile payment company. The company posted a consolidated profit after tax of NOK minus 108 million.

For more information about the financial statements of the different companies, please refer to the interim reports that are available on the companies' respective websites.

Outlook for 2016

The Inland Region, consisting of Hedmark and Oppland counties, has traditionally been less exposed to cyclical fluctuations than other regions. The business sector in this region has very little exposure to the oil and gas industry. Bank 1 Oslo Akershus AS primarily operates in the retail market in Oslo and Akershus. The bank's retail loans are primarily mortgages. Its corporate customer loans account for 17 per cent of its total lending. The risk involved in these corporate loans is considered to be low, reflected by very low losses and a very low proportion of problem loans.

The Group does not expect significant changes to the macro environment that would affect the bank's operations, credit risk or loan losses in the coming quarter. There is still uncertainty when it comes to economic developments in the longer term.

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.

The new Group's financing strategy means that senior bond funding will take place through bonds issued by Sparebanken Hedmark up until the merger. The new bank is preparing for issue senior bonds in the European market. The bank will issue these via the EMTN-programme that has been established jointly with other SpareBank1-banks.

Sparebanken Hedmark is planning to list its equity certificates on the stock exchange in 2017 after the legal merger is completed and if 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 raise new equity and offer ownership to customers, staff and investors.

The Board of Directors of Sparebanken Hedmark

Hamar, 26. oktober 2016

Income statement

Parent bank					Proforma			Group				
31.12.15	Q3 2015	Q3 2016	30.9.15	30.9.16	(NOK million)	Notes	30.9.16	30.9.16	30.9.15	Q3 2016	Q3 2015	31.12.15
1 748	439	425	1 319	1 258	Interest income		2 281	1 708	1 491	765	497	1 972
868	218	169	675	517	Interest expenses		994	671	675	323	218	867
880	221	255	644	741	Net interest income		1 286	1 038	815	442	280	1 105
435	111	111	325	322	Commission income		854	555	385	295	132	514
27	7	7	20	21	Commission expenses		66	48	39	23	14	53
21	5	5	14	15	Other operating income		146	137	146	37	37	190
429	109	108	319	317	Net commission and other income		934	644	492	310	155	651
9			8	45	Dividends from other than group companies	7	77	46	8	1		9
259		-8	259	247	Net profit from ownership interests	7	139	187	231	21	66	301
205	142	-14	172	-123	Net profit from other financial assets and liabilities	7	-75	-79	172	30	142	205
472	142	-23	439	169	Net income from financial assets and liabilities		141	154	411	53	208	514
1 781	472	341	1 401	1 227	Total net income		2 362	1 836	1 718	804	643	2 270
381	96	-117	284	68	Personnel expenses		512	320	435	27	145	590
36	9	9	27	28	Depreciation		43	43	33	19	11	46
327	71	75	226	231	Other operating expenses		542	364	290	168	93	416
745	176	-32	537	327	Total operating expenses before losses on loans and guarantees		1 096	727	758	214	248	1 052
1 037	296	373	864	900	Profit before losses on loans and guarantees		1 265	1 110	960	590	395	1 220
35	-3	-2	25	15	Losses on loans and guarantees	6	43	33	38	3	-2	56
1 002	299	376	839	885	Profit/loss before tax		1 222	1 077	922	587	397	1 164
207	81	123	156	200	Tax charge		299	258	186	163	89	234
795	218	252	683	685	Results for the accounting period		923	819	736	424	307	930
					Majority interests		920	816	736	422	307	930
					Minority interests		3	3		1		
					Earnings per equity certificate (NOK)			5,21				
795	218	252	683	685	Statement of comprehensive income according to IAS 1		923	819	736	424	307	930
79	11		51	-65	Actuarial gains / losses on pensions		-60	-60	99	5	20	85
-20	-3		-14	17	Tax effect of actuarial gains / losses on pensions		12	12	-27	-4	-6	-21
					Share of other comprehensive income from associates and joint ventures		-27	-27	1	9		34
59	8	0	37	-48	Total items not reclassified through profit or loss		-75	-75	73	10	14	98
67	3	13	30	-19	Change in value of financial assets available for sale		-22	-22	30	10	3	67
					Financial assets available for sale transferred to profit and loss on write-down due to permanent impairment of value							
					Financial assets available for sale transferred to profit and loss on realisation							
					Share of other comprehensive income from associates and joint ventures				1	12		15
67	4	13	30	-19	Total items reclassified through profit or loss		-22	-22	31	22	4	82
127	12	13	67	-67	Total profit and loss items recognised in equity		-97	-97	104	32	18	180
921	230	265	751	618	Total profit/loss for the accounting year		826	723	840	456	325	1 109
					Majority share of comprehensive income		823	719	840	456	325	1 109
					Minority interest of comprehensive income		3	3		1		

Balance sheet

Parent Bank			(NOK million)	Notes	Group		
31.12.15	30.09.15	30.09.16			30.09.16	30.06.15	31.12.15
ASSETS							
264	644	335	Cash and deposits with central banks		647	644	264
5 701	6 024	6 975	Loans to and receivables from credit institutions		1 197	1 314	864
37 952	37 140	40 604	Loans to and receivables from customers	5,6	80 961	42 539	43 526
6 133	5 052	5 482	Certificates, bonds and fixed-income funds	10	9 814	5 052	6 133
455	481	395	Financial derivatives	9,1	963	481	455
294	292	297	Shares, units and other equity interests	10	722	292	294
2 457	2 342	1 625	Investments in associates and joint ventures		3 555	3 183	3 386
859	847	3 842	Investments in subsidiaries				
			Assets held for sale		8		
314	312	306	Property, plant and equipment		602	337	341
104	106	100	Goodwill and other intangible assets		349	210	211
13	26		Deferred tax asset				
314	256	383	Other assets	12	902	449	497
54 861	53 521	60 343	Total assets		99 720	54 501	55 970
LIABILITIES							
661	649	1 447	Deposits from and liabilities to credit institutions		1 701	648	660
33 508	33 101	36 110	Deposits from and liabilities to customers	13	62 107	33 052	33 458
11 576	10 800	11 490	Liabilities arising from issuance of securities	10,14	21 561	10 800	11 576
320	301	245	Financial derivatives	9,1	397	301	320
163	115	145	Current tax liabilities		234	146	167
			Deferred tax liabilities		90	23	65
440	526	266	Other debt and liabilities recognised in the balance sheet	15	652	581	510
496	500	501	Subordinated loan capital	10,14	1 202	500	496
47 166	45 992	50 203	Total liabilities		87 944	46 052	47 253
EQUITY CAPITAL							
3 987		5 310	Equity certificates	17	5 310		3 987
		520	Premium fund		520		
503		503	Cohesion funds		503		503
3 019	6 677	3 014	Primary capital		3 014	6 696	3 019
50	30	40	Endowment fund		40	30	50
135	139	125	Fund for unrealised gains		125	83	135
			Hybrid capital		400		
	683	627	Other equity		1 817	1 640	1 023
			Minority interests		46		
7 695	7 529	10 140	Total equity capital		11 776	8 449	8 718
54 861	53 521	60 343	Total liabilities and equity capital		99 720	54 501	55 970

The Board of Directors of Sparebanken Hedmark

Hamar, 26. oktober 2016

Changes in equity capital

Parent Bank

(NOK million)	Earned equity capital							Total equity capital
	Equity certificates	Premium fund	Cohesion funds	Primary capital	Endowment fund	Fund for unrealised gains	Other equity	
Equity capital at 01.01.2015				6 645	42	109		6 796
Results for the accounting year				683				683
Actuarial gains / losses on pensions				37				37
Change revaluation reserve						30		30
Donations distributed from profit 2014				-6				-6
Grants from endowment fund in 2015					-12			-12
Equity capital at 30.09.2015				7 359	30	139		7 529
Equity capital at 01.01.2015				6 644	42	109		6 796
OB correction:								
Correction of previous years' errors				57		-57		
Adjusted equity capital at 01.01.2015				6 701	42	52		6 796
ECs transferred Foundation	3 987			-3 987				
Results for the accounting year			468	312		16		796
Actuarial gains / losses on pensions			35	24				59
Change revaluation reserve						67		67
Donations distributed from profit 2014				-6				-6
To endowment fund in 2015				-25	25			
Grants from endowment fund in 2015					-17			-17
Equity capital at 31.12.2015	3 987		503	3 019	50	135		7 695
Equity capital at 01.01.2016	3 987		503	3 019	50	135		7 695
Equity certificates issued and transferred to owners	1 323	520						1 843
Results for the accounting year						9	676	685
Actuarial gains after tax on pensions							-49	-49
Change revaluation reserve						-19		-19
Donations distributed from profit 2015				-6				-6
Grants from endowment fund in 2016					-10			-10
Equity capital at 30.09.2016	5 310	520	503	3 014	40	125	627	10 140

Group

(NOK million)	Earned equity capital							Total equitySum capitalegenkapital	
	Equity certificates	Premium fund	Cohesion funds	Primary capital	Endowment fund	Fund for unrealised gains	Other equity		
Equity capital at 01.01.2015				6 645	42	109	827	7 624	
OB correction: Correction of previous years' errors in joint ventures							12	12	
Corrections of previous years' error				57		-57			
Adjusted equity capital at 01.01.2015				6 702	42	52	839	7 637	
Results for the accounting year							736	736	
Actuarial gains after tax on pensions							73	73	
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss							1	1	
Change revaluation reserve						30	1	31	
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss							-6	-6	
Change in the group composition							-3	-3	
Donations distributed from profit 2014				-6				-6	
Grants from endowment fund in 2015					-12			-12	
Equity capital at 30.09.2015				6 696	30	83	1 640	0	8 449
Equity capital at 01.01.2015				6 645	42	109	827		7 624
OB correction: Correction of previous years' errors in joint ventures							5		5
Corrections of previous years' error				57		-57			
Adjusted equity capital at 01.01.2015				6 702	42	52	832		7 630
ECs transferred foundation	3 987			-3 987					0
Results for the accounting year			468	312		16	134		930
Actuarial gains / losses on pensions			35	24			5		65
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss							34		34
Change revaluation reserve						67			67
Other items that will be reclassified in associated companies and joint ventures							14		14
Adjusted equity capital in associated companies and joint ventures							2		2
Donations distributed from profit 2014				-6					-6
To endowment fund in 2015				-25	25				
Grants from endowment fund in 2015					-17				-17
Equity capital at 31.12.2015	3 987	0	503	3 019	50	135	1 023		8 718
Equity capital at 01.01.2016	3 987		503	3 019	50	135	1 023	0	8 718
Korrigerings av IB i TS							73		73
Korrigert egenkapital per 01.01.2015	3 987	0	503	3 019	50	135	1 097	0	8 791
Equity certificates issued and transferred owners	1 323	520							1 843
Results for the accounting year						9	807	3	819
Actuarial gains after tax on pensions							-48		-48
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss							-27		-27
Change revaluation reserve						-19			-19
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss							-22		-22
Adjusted equity in associated companies and joint ventures							12		12
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					-10				-10
Equity capital at 30.09.2016	5 310	520	503	3 014	40	125	2 219	46	11 776

Cash flow statement

Parent Bank			(NOK million)	Group		
31.12.15	30.09.15	30.09.16		30.09.16	30.09.15	31.12.15
10 912	9 139	8 019	This year's down-payment on repayment loans etc. to customers	14 479	10 925	13 378
			Change in advance rent leasing	52	9	9
-14 568	-10 602	-11 496	Newly discounted repayment loans etc. to customers for the year	-19 224	-13 050	-17 868
74	39	138	Change in balances of foreign currency lending	138	39	74
513	-823	649	Change in balances of credits	444	-823	511
1 403	1 068	978	Interest and commission income on lending	1 378	1 308	1 726
4	2	24	Included in previous years' realised losses on lending	22	8	9
			Net cash flow from assets held for sale			
-1 663	-1 177	-1 689	Cash flow from lending operations (A)	-2 711	-1 584	-2 161
2 146	1 718	1 162	Change in balances of deposits from customers at call	1 350	1 700	2 118
277	-37	1 260	Change in balances of deposits from customers with agreed maturity dates	1 268	-37	277
-566	-123	-114	Interest payments to customers	-194	-121	-564
1 857	1 558	2 308	Cash flow from deposit operations (B)	2 424	1 541	1 831
-2 184	-1 096	671	Net cash flow from securities held short term	503	-1 191	-2 184
39	11	-63	Cash flow linked to exchange rate gains / losses on securities held short term	-253	-39	39
92	63	70	Interest received on bonds and certificates	87	30	92
-2 053	-1 022	678	Cash flow from investments in securities (C)	337	-1 200	-2 053
-835	-1 165	-1 297	Change in receivables from credit institutions with agreed maturity dates	-79	-635	-170
126	90	111	Interest received on deposits in credit institutions	112	90	126
-709	-1 075	-1 187	Cash flow from deposits in credit institutions (D)	33	-546	-44
563	421	419	Other income	656	616	814
-860	-601	-728	Operating expenses payable	-742	-845	-1 186
-128	-131	-155	Tax payments	-125	-135	-130
-24	-18	-16	Donations	-16	-18	-24
-40	-40		Contributions from the group			-6
-10	-5	-55	Net cash flow from change in other assets	-99	-59	-43
57	34	58	Net cash flow from change in accruals	6	-41	-45
-33	11	21	Net cash flow from change in other liabilities	513	16	-16
-475	-329	-456	Remaining cash flow from current operations (E)	193	-464	-635
-3 043	-2 045	-346	CASH FLOW FROM OPERATIONS (A+B+C+D+E=F)	276	-2 074	-3 062
-6	-9	794	Change in deposits from credit institutions	463	-9	-10
4 000	2 801	-501	Receipts arising from issuance of securities	-398	2 801	4 000
-658	-313		Payments arising from redemption of securities issued	-321	-313	-658
-440	-401	312	Buy-back of own securities	518	-401	-440
-241	-188	-199	Interest payments on financing	-200	-188	-241
2 656	1 890	406	Cash flow from financing activities (G)	62	1 889	2 651
-31	-21	-16	Investments in fixed assets and intangible assets	-24	-31	-50
2			Sales of fixed assets and intangible assets at sales price			2
-178	-42	-41	Purchase of long-term securities	-461	-43	-178
4	1	52	Sale of long-term securities	23	1	4
268	267	308	Share dividends from securities held long term	267	187	187
64	205	304	Cash flow from investments (H)	-195	114	-35
		-2 068	Liquidity effect of acquisition and sale of ownership interests (I)	-2 080	-28	-28
-150	-150	-95	Liquidity effect from placements in subsidiaries (L)	5		
		1 843	Paid by issuing equity certificates (M)	1 843		
-474	-100	44	CHANGE IN CASH AND CASH EQUIVALENTS (F+G+H+I+L+M)	-89	-100	-474
783	783	309	Cash and cash equivalents at 1 January (B1OA 100 % incl.)	1 152	783	783
309	683	353	Cash and cash equivalents at the end of the period	1 063	683	309
			Cash and cash equivalents comprise:			
264	644	335	Cash and deposits with central banks	647	644	264
46	39	19	Deposits etc. at call with banks	415	39	46
309	683	353	Cash and cash equivalents at the end of the period (BOA1 100 % incl.)	1 063	683	309

Quarterly accounts

Group

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
(Isolated figures in NOK million)	2016	2016	2016	2015	2015	2015	2015	2014	2014
Interest income	765	472	472	481	497	492	501	527	536
Interest expenses	323	172	176	192	218	221	236	255	264
Net interest income	442	300	297	289	280	271	265	272	272
Commission income	295	137	123	129	132	130	123	116	117
Commission expenses	23	13	13	14	14	12	13	12	13
Other operating income	37	51	50	44	37	48	61	54	51
Net commission and other income	310	175	160	159	155	166	171	158	155
Dividends	1	45				1	7	1	1
Net profit from ownership interests	21	96	70	70	66	76	88	97	103
Net profit from other financial assets and liabilities	30	-47	-63	33	142	5	26	29	173
Net income from financial assets and liabilities	53	94	7	103	208	82	121	126	276
Total net income	804	569	464	551	643	519	557	556	702
Personnel expenses	27	145	148	155	145	143	147	146	132
Depreciation	19	12	11	13	11	11	11	11	11
Other operating expenses	168	102	94	126	92	97	100	107	93
Total operating expenses before losses on loans and guarantees	214	259	253	294	248	251	258	264	236
Profit before losses on loans and guarantees	590	310	211	260	395	268	299	293	466
Losses on loans and guarantees	3	20	9	18	-2	35	5	24	9
Profit/loss before tax	587	289	202	242	397	233	294	269	456
Tax charge	163	62	33	48	89	43	54	56	54
Results for the accounting period	424	227	169	194	307	190	240	214	403

	Q3 2016 ⁷⁾	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Profitability									
Return on equity capital ¹⁾	14,6 %	9,0 %	7,6 %	8,9 %	14,7 %	9,5 %	12,5 %	11,3 %	21,8 %
Net interest income ²⁾	1,75 %	1,53 %	2,09 %	2,08 %	2,05 %	2,08 %	2,13 %	2,17 %	2,16 %
Cost-income ratio ³⁾	26,6 %	45,6 %	54,5 %	52,9 %	38,6 %	48,4 %	46,3 %	47,3 %	33,6 %
From the balance sheet									
Gross loans to customers	81 336	79 286	44 308	43 779	42 793	42 091	40 484	39 936	39 233
Gross loans to customers including loans transferred to covered bond companies ⁴⁾	117 625	115 224	62 156	61 140	59 437	57 995	56 619	55 930	54 806
Lending growth during the last 12 months	90,1 %	88,4 %	9,4 %	9,6 %	9,1 %	10,0 %	9,8 %	7,4 %	5,3 %
Lending growth in last 12 months including loans transferred to covered bond companies	99,9 %	98,7 %	9,8 %	9,3 %	8,4 %	7,6 %	7,7 %	6,8 %	6,2 %
Deposits from customers	62 107	62 637	33 675	33 458	33 052	33 205	31 054	31 070	31 575
Deposit-to-loan ratio ⁵⁾	76,4 %	79,0 %	76,0 %	76,4 %	77,2 %	78,9 %	76,7 %	77,8 %	80,5 %
Deposit growth during the last 12 months	87,9 %	88,6 %	8,4 %	7,7 %	4,7 %	3,6 %	3,7 %	3,2 %	6,3 %
Total assets	99 720	100 883	57 184	55 970	54 501	53 558	51 101	49 934	49 751
Losses and commitments in default									
Losses on loans as a percentage of gross loans	0,1 %	0,1 %	0,1 %	0,2 %	0,0 %	0,3 %	0,1 %	0,2 %	0,1 %
Commitments in default as a percentage of total commitments	0,4 %	0,4 %	0,5 %	0,6 %	0,7 %	0,8 %	0,7 %	0,8 %	0,8 %
Other bad and doubtful commitments as a percentage of total commitments	0,2 %	0,3 %	0,4 %	0,5 %	0,4 %	0,5 %	0,5 %	0,5 %	0,5 %
Net defaulted and doubtful commitments as a percentage of total commitments ⁶⁾	0,5 %	0,5 %	0,7 %	0,8 %	0,8 %	0,9 %	0,8 %	0,9 %	0,9 %
Financial strength									
Common equity Tier 1 capital ratio	17,5 %	16,0 %	16,9 %	17,2 %	17,1 %	17,0 %	15,3 %	14,8 %	14,5 %
Tier 1 Capital ratio	18,3 %	16,7 %	17,3 %	17,5 %	17,5 %	17,4 %	15,8 %	15,2 %	16,3 %
Capital adequacy ratio	20,2 %	18,6 %	18,8 %	19,1 %	18,8 %	19,0 %	17,6 %	17,1 %	16,3 %
Net subordinated capital	9 608	9 305	7 229	7 178	7 030	6 924	6 318	6 273	5 992

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

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

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

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

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

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

7) 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.

Notes to the accounts

Note 1 Accounting principles

1.1 Basis for preparation

The quarterly accounts for Sparebanken Hedmark cover the period 01.01 - 30.09.2016 and have not been audited. The quarterly accounts have been prepared in accordance with IAS 34 Interim Financial Reporting, relevant IFRS standards and IFRIC interpretations.

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

The quarterly accounts do not contain all the information required in a full set of annual accounts and should be read in conjunction with the annual financial statements for 2015.

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

IAS 37, interpretation; IFRIC 21 Levies

The interpretation concerns the date from which a liability to pay a levy should be recognized in the accounts. Following the introduction of the standard, there has been a discussion as to whether the annual

levy for the Norwegian Banks' Guarantee Fund for 2015 and 2016 should be expensed in its entirety in the first quarter. The levy to the Banks' Guarantee Fund is normally based on average guaranteed deposits and average risk-weighted assets for previous quarters.

On 19 September 2016 Ministry of Finance issued a new regulation with the effect from 1 January 2017 regulating the reduction of the Guarantee Fund charge upon withdrawal of the scheme during the year. Sparebanken Hedmark has per 30.09.2016 continued the current practice of accrual on a monthly basis in the accounts.

The guarantee fund levy for 2016 is NOK 22.5 million.

1.2 Important accounting estimates and discretionary assessments

In drawing up the consolidated financial statements, Group management applies estimates and discretionary assessments and makes assumptions that determine the effect of applying accounting principles. These will therefore affect reported amounts for assets and liabilities, income and expenses. The annual financial statements for 2015 provide more details of critical estimates and assessments in relation to the use of accounting principles in Note 3.

Note 2 Changes in the composition of the group

2016

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

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

2015

In the fourth quarter, the group acquired 12.6 per cent of SpareBank 1 Mobilbetaling AS. The company is owned jointly with the other banks in the SpareBank 1 alliance.

In the second quarter, SpareBank 1 Markets AS was reclassified for accounting purposes from an associated company to shares available for sale.

The stake in the company is now 6.1 per cent.

Note 3 Segment information

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

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

30.09.2016	Retail banking	Corporate banking	Bank 1 Oslo Akershus AS	SpareBank 1 Finans Østlandet	Eiendoms-megler 1 Hedmark Eiendom	SpareBank 1 Regn-skapshuset Østlandet	Unallocated activities	Total
Income statement								
Net interest income	410	334	123	175		-1	-3	1 038
-of which internal items			-4	-91		-1	96	
Net commission and other income	262	65	101	-20	75	122	39	644
-of which internal items				-1			1	
Net return on financial investments	2		34				118	154
Operating expenses*	381	149	130	48	52	116	-150	727
Profit before losses by segment:	293	249	128	107	23	5	304	1 109
Losses on loans and guarantees	-1	16	1	16				33
Profit / loss per segment before taxes	294	233	127	90	23	5	304	1 077
Tax charge	73	58	32	23	6	1	64	258
Profit / loss after tax charge	220	175	95	68	17	4	240	819
Balance sheet								
Lending to customers	23 335	16 688	34 343	6 205			765	81 336
-of which internal items					-8	-22	-30	
Individual loan write-downs	-26	-76	-11	-10				-125
Collective loan write-downs	-25	-87	-120	-19				-251
Other assets	93	-2	7 776	89	58	145	10 600	18 759
Total assets	23 377	16 523	41 987	6 264	58	145	11 365	99 720
Deposits from and liabilities to customers	21 881	13 571	26 025				629	62 106
-of which internal items								
Other liabilities and equity	1 496	2 952	15 962	6 264	58	145	10 736	37 614
Total equity and liabilities	23 377	16 523	41 987	6 264	58	145	11 365	99 720

30.09.2015	Retail banking	Corporate banking		SpareBank 1 Finans Østlandet	Eiendoms-megler 1 Hedmark Eiendom	SpareBank 1 Regn-skaps-huset Østlandet	Unallocated activities	Total
Income statement								
Net interest income	352	291		175		-1	-2	815
-of which internal items				-67		-1	68	
Net commission and other income	254	57		-19	62	135	3	492
-of which internal items				-1	-1		2	
Net return on financial investments							411	411
Operating expenses*	388	153		63	49	115	-10	758
Profit before losses by segment:	218	195		93	13	19	422	960
Losses on loans and guarantees	1	24		13				38
Profit / loss per segment before taxes	217	171		80	13	19	422	922
Tax charge				21	4	5	155	186
Profit / loss after tax charge	217	171		58	9	14	267	736
Balance sheet								
Gross lending to customers	21 255	15 412		5 479			647	42 793
-of which internal items						-25	25	
Individual loan write-downs	-33	-88		-13				-134
Collective loan write-downs	-27	-76		-17				-120
Other assets	122	2		150	42	146	11 500	11 962
Total assets	21 317	15 250		5 599	42	146	12 146	54 501
Deposits from and liabilities to customers	20 915	11 639					498	33 052
-of which internal items								
Other liabilities and equity	402	3 611		5 599	42	146	11 648	21 448
Total equity and liabilities	21 317	15 250		5 599	42	146	12 146	54 501

31.12.2015	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Eiendoms-megler 1 Hedmark Eiendom	SpareBank 1 Regnskaps- huset Østlandet	Unallocated aktiviteter	Total
Income statement							
Net interest income	482	390	227	1	-2	7	1 105
-of which internal items			-1	0	-2	3	
Net commission and other income	350	78	-26	81	172	-3	651
-of which internal items			-1			1	
Net return on financial investments						514	514
Operating expenses*	534	210	86	74	155	-7	1 051
Profit before losses by segment:	298	258	115	7	15	526	1 219
Losses on loans and guarantees	6	29	21				56
Profit / loss per segment before taxes	292	229	95	7	15	526	1 163
Tax charge	79	62	20	2	4	67	233
Profit / loss after tax charge per segment	213	167	75	5	11	459	930

Balance sheet

Gross lending to customers	21 270	16 174	5 643			693	43 779
-of which internal items					23	-23	
Individual loan write-downs	-32	-87	-13				-132
Collective loan write-downs	-27	-76	-17				-120
Other assets	128	1	67	43	135	12 070	12 444
Total assets	21 339	16 012	5 680	43	135	12 762	55 971
Deposits from and liabilities to customers	21 068	11 915				475	33 458
-of which internal items							
Other liabilities and equity	271	4 097	5 680	43	135	12 286	22 513
Total equity and liabilities	21 339	16 012	5 680	43	135	12 761	55 971

*) Operating expenses in Retail and Corporate contains their share of indirect costs

Note 4 Capital adequacy

Parent Bank				Group		
Basel III 31.12.2015	Basel III 30.09.2015	Basel III 30.09.2016		Basel III 30.09.2016	Basel III 30.09.2015	Basel III 31.12.2015
3 987		5 310	Equity certificates	5 310		3 987
		520	Premium fund	520		
503		503	Cohesion funds	503		503
3 019	6 677	3 014	Primary capital	3 014	6 676	3 019
50	30	40	Endowment fund	40	30	50
135	139	125	Fund for unrealised gains	125	139	135
			Hybrid capital	400		
	683	627	Other equity	1 817	1 604	
			Minority interests	46		
7 695	7 529	10 140	Total equity carried	11 776	8 449	8 718
			Tier 1 capital			
		-164	Share of equity not included in Tier 1 capital	-610		
			Minority interests that can be included in LET 1 capital	34		
-119	-74	71	Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	71	-74	-119
-104	-106	-100	Goodwill and other intangible assets	-349	-221	-217
-155	-152	-138	Positive value of expected losses under the IRB approach	-163	-193	-182
			CET1 instruments of financial sector entities where the institution does not have a			
-264	-230	-282	significant investment			
			CET1 instruments of financial sector entities where the institution does have a significant			
			investment	-2 393	-1 545	-1 720
-10	-9	-10	Value adjustments due to the requirements for prudent valuation	-18	-12	-13
-220	-194	-109	Excess of deduction from AT1 items over AT1 Capital			
6 823	6 764	9 407	Total common equity Tier 1 capital	8 348	6 404	6 468
			Additional Tier 1 capital			
			Hybrid capital	400	162	162
			AT1 instruments of financial sector entities where the institution does not have a signifi-			
-220	-194	-109	cant investment			
			AT1 instruments of financial sector entities where the institution does have a significant			
			investment	-45	-24	-32
			Excess of deduction from T2 items over CET 1 Capital			
220	194	109	Excess of deduction from AT1 items over CET 1 Capital			
0	0	0	Total additional Tier 1 capital	355	138	130

Parent Bank				Group		
Basel III	Basel II	Basel III		Basel III	Basel II	Basel III
31.12.2015	30.09.2015	30.09.2016		30.09.2016	30.09.2015	31.12.2015
			Supplementary capital in excess of Tier 1 capital			
500	500	500	Subordinated loan	1 200	784	783
-277	-248	-146	T2 instruments of financial sector entities where the institution does not have a significant investment			
			T2 instruments of financial sector entities where the institution does have a significant investment	-296	-296	-202
			Excess of deduction from T2 items over AT1 Capital			
223	252	354	Total supplementary capital	904	488	581
7 047	7 016	9 762	Net subordinated capital	9 608	7 030	7 179
4 257	4 072	3 400	Corporates - SME	4 333	4 459	4 639
6 253	6 082	6 484	Corporates - Specialised Lending	10 419	8 443	8 270
763	719	539	Corporates - Other	787	805	847
905	865	838	SME exposure	927	899	939
6 301	6 313	6 240	Retail mortgage exposure	12 306	8 573	8 538
624	624	536	Other retail exposure	703	711	704
19 103	18 675	18 037	Risk-weighted assets credit risk IRB	29 475	23 890	23 937
7 068	7 056	10 959	Exposures calculated using the standardised approach	12 672	9 944	10 237
			Market risk			
199	270	176	CVA	191	305	234
1 989	1 989	2 253	Operational risk	3 702	3 269	3 269
			Basel 1 transitional floor	1 553		
28 359	27 990	31 426	Risk-weighted assets	47 592	37 408	37 677
2 269	2 239	2 514	Capital requirements (8%)	3 807	2 993	3 014
			Buffer requirements			
709	700	786	Conservation buffer (2.5%)	1 190	935	942
284	280	471	Countercyclical capital buffer (1.5 % as at Q2 2016, 1 % in prior periods)	714	374	377
851	840	943	Systemic risk buffer (3%)	1 428	1 122	1 130
1 843	1 819	2 200	Total buffer requirements for common equity (7 % per Q3 2016, 6,5 % per Q3 2015)	3 331	2 432	2 449
3 704	3 686	5 793	Available common equity (net minimum requirement of 11.5 % per Q3 2016, 11 % per Q3 2015)	2 874	2 289	2 323
			Capital adequacy ratio			
24,1 %	24,1 %	29,9 %	Common equity Tier 1 capital ratio	17,5 %	17,1 %	17,2 %
24,1 %	24,1 %	29,9 %	Tier 1 Capital ratio	18,3 %	17,5 %	17,5 %
24,8 %	25,1 %	31,3 %	Capital adequacy ratio	20,2 %	18,8 %	19,1 %

Note 5 Loans to and receivables from customers

Parent Bank				Group		
31.12.2015	30.09.2015	30.09.2016		30.09.2016	30.09.2015	31.12.2015
			Loans by type of receivable			
			Financial leasing	2 793	2 421	2 490
10 940	11 939	10 164	Overdraft facilities and operating credits	13 846	11 939	10 940
860	1 203	980	Building loans	1 301	1 190	847
26 295	24 139	29 598	Repayment loans	63 239	27 150	29 412
80	82	76	Accrued interest	158	93	90
38 175	37 363	40 818	Gross loans to and receivables from customers	81 336	42 793	43 779
222	224	214	Write-downs	375	254	253
37 953	37 140	40 604	Loans to and receivables from customers	80 961	42 539	43 526
			Loans by type of market			
21 814	21 779	24 143	Private customers	52 717	24 213	24 289
16 354	15 581	16 671	Corporate	28 426	18 395	19 287
6	3	4	Public sector	193	185	203
38 175	37 363	40 818	Gross loans to and receivables from customers	81 336	42 793	43 779
222	224	214	Write-downs	375	254	253
37 953	37 140	40 604	Loans to and receivables from customers	80 961	42 539	43 526

Parent Bank				Group		
31.12.2015	30.09.2015	30.09.2016		30.09.2016	30.09.2015	31.12.2015
23 870	23 620	26 456	Private customers	56 589	26 044	26 345
177	201	170	Public sector	410	386	374
4 304	4 248	4 656	Primary industries	4 971	4 477	4 543
336	327	268	Paper and pulp industries	282	342	357
858	865	935	Other industry	1 256	1 132	1 136
1 491	1 233	1 387	Building and construction	2 320	1 808	2 140
258	220	242	Power and water supply	432	355	404
1 214	1 133	1 228	Wholesale and retail trade	1 849	1 534	1 589
185	192	329	Hotel and restaurants	636	204	197
8 286	7 882	8 707	Real estate	14 864	7 936	8 345
2 386	2 097	2 310	Commercial services	5 732	2 593	2 937
334	324	329	Transport and communications	1 419	1 118	1 138
21	20	18	Other	223	29	21
43 719	42 362	47 033	Total commitments by sector and industry	90 981	47 958	49 525

Parent Bank				Group		
31.12.2015	30.09.2015	30.09.2016		30.09.2016	30.09.2015	31.12.2015
21 814	21 779	24 143	Private customers	52 717	24 212	24 289
6	3	4	Public sector	193	188	203
3 731	3 642	3 936	Primary industries	4 251	3 867	3 970
275	268	208	Paper and pulp industries	222	283	292
534	577	579	Other industry	864	827	777
836	781	810	Building and construction	1 618	1 324	1 417
228	195	218	Power and water supply	404	330	374
804	741	821	Wholesale and retail trade	1 338	1 058	1 128
169	172	183	Hotel and restaurants	474	184	181
7 667	7 285	8 090	Real estate	13 879	7 334	7 722
1 836	1 654	1 560	Commercial services	3 953	2 146	2 365
254	246	247	Transport and communications	1 256	1 015	1 041
21	20	18	Other	166	25	21
38 175	37 363	40 818	Total gross loans by sector and industry	81 336	42 793	43 779

Parent Bank				Group		
31.12.2015	30.09.2015	30.09.2016		30.09.2016	30.09.2015	31.12.2015
32	33	27	Private customers	37	39	38
5	3	10	Primary industries	10	3	5
1	1	1	Paper and pulp industries	1	1	1
5	17	4	Other industry	8	20	9
9	9	8	Building and construction	8	9	9
1	1	1	Power and water supply	1	1	1
20	18	16	Wholesale and retail trade	21	18	20
	1		Hotel and restaurants		1	
20	17	16	Real estate	16	18	21
25	21	19	Commercial services	20	22	25
			Transport and communications	2	3	2
119	121	103	Total individual write-downs by sector and industry	124	134	132

Note 6 Losses on loans and guarantees

Parent Bank				Group		
31.12.2015	30.09.2015	30.09.2016		30.09.2016	30.09.2015	31.12.2015
1	-1	-17	Change in individual write-downs in the period	-16	3	5
2	2	9	Change in collective write-downs in the period	10	4	4
21	16	16	Realised losses on commitments previously written down	30	25	36
15	11	32	Realised losses on commitments not previously written down	39	15	21
3	2	24	-Recoveries on loans and guarantees previously written down	30	8	9
35	25	15	Total losses on loans and guarantees	33	38	56

Parent Bank				Group		
31.12.2015	30.09.2015	30.09.2016		30.09.2016	30.09.2015	31.12.2015
134	134	134	Individual write-downs to cover losses on loans and guarantees at 1 January	147	143	143
21	16	16	Realised losses in the period on loans and guarantees previously written down individually	29	25	35
14	10	14	Reversal of write-downs in previous years	20	17	24
3		3	Increase in write-downs on commitments previously written down individually	6	3	8
32	25	9	Write-downs on commitments not previously written down individually	24	42	55
			Change in closing balances due to acquisition of Bank 1 Oslo Akershus	11		
134	133	116	Individual write-downs to cover losses on loans and guarantees at the end of period *)	138	146	147

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

Parent Bank				Group		
31.12.2015	30.09.2015	30.09.2016		30.09.2016	30.09.2015	31.12.2015
101	101	103	Collective write-downs to cover losses on loans and guarantees at 1 January	120	116	116
2	2	9	Collective write-downs to cover losses on loans and guarantees in the period	11	4	4
			Change in closing balances due to acquisition of Bank 1 Oslo Akershus	120		
103	103	112	Collective write-downs to cover losses on loans and guarantees	251	120	120

Parent Bank				Group		
31.12.2015	30.09.2015	30.09.2016		30.09.2016	30.09.2015	31.12.2015
180	229	218	Gross defaulted commitments for more than 90 days	336	331	234
32	32	39	Individual write-downs on defaulted commitments	50	43	41
148	197	179	Net defaulted commitments	287	288	193
18 %	14 %	18 %	Provision rate	15 %	13 %	18 %
234	210	183	Gross problem commitments (not in default)	223	212	257
102	101	77	Individual write downs on problem commitments	89	103	107
132	109	106	Net problem commitments	135	109	150
44 %	48 %	42 %	Provision rate	40 %	49 %	42 %
32 %	30 %	29 %	Total provision rate	25 %	27 %	30 %

Note 7 Net income from financial assets and liabilities

Parent Bank				Group		
31.12.2015	30.09.2015	30.09.2016		30.09.2016	30.09.2015	31.12.2015
9	8	45	Net income from equity instruments available for sale	46	8	9
9	8	45	Net income from other than group companies	46	8	9
259	259	263	Dividends (Parent bank) or net profit (Group) from group companies	187	231	301
			Gains / losses on realisation of group companies			
		-16	Write-down of assets in group companies			
259	259	247	Net income from ownership interests	187	231	301
-75	-59	29	Net change in value on bonds and certificates identified at fair value through profit and loss	43	-59	-75
7	7	5	Net change in value of derivatives related to bonds and certificates	9	7	7
-68	-51	34	Net change in value to bonds and certificates including security	52	-51	-68
294	236	-137	Net change in value of securities at fair value through profit and loss	-47	236	294
-42	-28	-48	Net change in value in derivatives that hedge securities issued	-136	-28	-42
252	208	-185	Net change in value to securities debt including security	-183	208	252
15	8	1	Fixed-rate loans and deposits to customers at fair value through profit and loss	-22	8	15
-6	-5	4	Net change in value of other derivatives	31	-5	-6
	4		Gains / losses on realisation of equity instruments available for sale	17	4	0
		12	Write-down of and reversal of previous write-down of equity instruments available for sale	12	0	0
12	9	11	Net income from currency trading	15	9	12
205	172	-123	Net income from other financial assets and liabilities	-79	172	205
472	439	169	Total net income from financial assets and liabilities	154	411	514

Note 8 Payroll expenses

Parent Bank				Group		
31.12.2015	30.09.2015	30.09.2016		30.09.2016	30.09.2015	31.12.2015
271	205	240	Payroll	451	325	440
43	30	40	Employers' National Insurance contribution	69	48	67
46	34	-226	Pension costs	-227	42	54
22	14	14	Social security expenses	26	20	30
381	284	68	Total personnel expenses	320	435	590

*) Sparebanken Hedmark discontinued the benefit pension scheme from 1 July 2016 (with the exception of those who at this time was on sick leave or partial disability) and the net liability is booked as revenue. Those employees who previously had defined benefit pensions are now moved over to the bank deposit scheme.

Note 9 Financial derivatives

At fair market value through p&l account	Parent Bank 30.09.2016		
	Contract sum	Fair market value	
		Eiendeler	Forpliktelser
Foreign exchange instruments			
Forward exchange contracts	645	7	7
Currency swap contracts	1 650	19	3
Total foreign exchange instruments	2 295	26	10
Interest rate instruments			
Interest rate swaps (incl. int. rate & currency)	10 061	358	235
Other interest rate contracts	150	10	
Total interest rate instruments	10 211	368	235
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	20	1	0
Total financial derivatives in MNOK			
Total currency instruments	2 295	26	10
Total interest rate instruments	10 211	368	235
Other financial derivatives	20	1	0
Total	12 526	395	245

At fair market value through p & l account	30.09.2015		
	Contract sum	Fair market value	
		Eiendeler	Forpliktelser
Foreign exchange instruments			
Forward exchange contracts	527	15	7
Currency swap contracts	2 314	10	20
Total foreign exchange instruments	2 842	24	27
Interest rate instruments			
Interest rate swaps (incl. int. rate & currency)	10 445	443	272
Other interest rate contracts	150	15	
Total interest rate instruments	10 595	458	272
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	66	0	2
Total financial derivatives in MNOK			
Total currency instruments	2 842	24	27
Total interest rate instruments	10 595	458	272
Total other financial instruments	66	0	2
Total	13 502	481	301

At fair market value through p & l account	31.12.2015		
	Contract sum	Fair market value	
		Eiendeler	Forpliktelser
Foreign exchange instruments			
Forward exchange contracts	626	12	10
Currency swap contracts	1 988	3	27
Total foreign exchange instruments	2 614	15	37
Interest rate instruments			
Interest rate swaps (incl. int. rate & currency)	10 465	435	281
Other interest rate contracts	150	6	
Total interest rate instruments	10 615	441	281
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	66	0	3
Total financial derivatives in MNOK			
Total currency instruments	2 614	15	37
Total interest rate instruments	10 615	441	281
Total other financial instruments	66	0	3
Total	13 295	455	320

At fair market value through p & l account	Group 30.09.2016		
	Contract sum	Fair market value	
Foreign exchange instruments		Eiendeler	Forpliktelser
Forward exchange contracts	763	9	8
Currency swap contracts	2 044	37	3
Total foreign exchange instruments	2 807	45	11
Interest rate instruments			
Interest rate swaps (incl. int. rate & currency)	21 247	906	386
Other interest rate contracts	234	10	
Total interest rate instruments	21 481	917	386
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	20	1	0
Total financial derivatives in MNOK			
Total currency instruments	2 807	45	11
Total interest rate instruments	21 481	917	386
Other financial derivatives	20	1	
Total	24 308	963	397

At fair market value through p & l account	30.09.2015		
	Contract sum	Fair market value	
Foreign exchange instruments		Eiendeler	Forpliktelser
Forward exchange contracts	527	13	7
Currency swap contracts	2 314	10	20
Total foreign exchange instruments	2 842	24	27
Interest rate instruments			
Interest rate swaps (incl. int. rate & currency)	10 445	443	272
Other interest rate contracts	150	15	
Total interest rate instruments	10 595	458	272
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	66	0	2
Total financial derivatives in MNOK			
Total currency instruments	2 842	24	27
Total interest rate instruments	10 595	458	272
Total other financial instruments	66	0	2
Total	13 502	481	301

At fair market value through p & l account	31.12.2015		
	Contract sum	Fair market value	
Foreign exchange instruments		Eiendeler	Forpliktelser
Forward exchange contracts	626	12	10
Currency swap contracts	1 988	3	27
Total foreign exchange instruments	2 614	15	37
Interest rate instruments			
Interest rate swaps (incl. int. rate & currency)	10 465	435	281
Other interest rate contracts	150	6	
Total interest rate instruments	10 615	441	281
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	66	0	3
Total financial derivatives in MNOK			
Total currency instruments	2 614	15	37
Total interest rate instruments	10 615	441	281
Total other financial instruments	66	0	3
Total	13 295	455	320

Note 10 Determination of fair value of financial instruments

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

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

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

Group				
30.09.2016	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Derivatives		962	1	963
- Bonds and certificates		9 815		9 815
- Fixed-rate loans		2 994	2 517	5 511
- Loans with interest-rate guarantees	354			354
Financial assets available for sale				
- Equity instruments	167		202	368
- Other financial assets (Visa Norge)			32	32
Total assets	521	13 771	2 752	17 043
Liabilities				
Financial assets at fair value through profit and loss				
- Derivatives		397		397
- Securities issued		17 424		17 424
- Subordinated loan capital		501		501
- Fixed-rate deposits		427		427
- Term deposit			60	60
Total liabilities	0	18 749	60	18 809

30.06.2015	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Derivatives		481		481
- Bonds and certificates		5 052		5 052
- Fixed-rate loans to customers		2 771		2 771
Financial assets available for sale				
- Equity instruments	157		135	292
Total assets	157	8 304	135	8 596
Liabilities				
Financial assets at fair value through profit and loss				
- Derivatives		298	2	301
- Securities issued		10 800		10 800
- Subordinated loan capital		500		500
- Fixed-rate deposits from customers		54		54
- Term deposit			60	60
Total liabilities	0	11 653	63	11 716

31.12.2015	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Derivatives		455		455
- Bonds and certificates		6 133		6 133
- Fixed-rate loans to customers		2 771		2 771
Financial assets available for sale				
- Equity instruments	154		139	294
- Other financial assets (Visa Norge)			40	40
Total assets	154	9 359	180	9 693
Liabilities				
Financial assets 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 deposit			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. Considered active if the market prices are easily and regularly available from a stock exchange, dealer, broker, industrial group, A market is pricing service or regulatory authority and these prices represent actual and regularly occurring arm's-length market transactions. The market price used for financial assets is the current purchase price; for financial liabilities the current selling price is used. Instruments included in level 1 include only equity instruments listed on Oslo Børs or the New York Stock Exchange, classified as held for trading or available for sale.

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

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

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

- Fair value of interest rate swaps is calculated as the present value of the estimated future cash flow based on observable yield curves.
- Fair value forward contracts in a foreign currency is determined by looking at the present value of the difference between the agreed forward exchange rate and the foreign exchange rate on balance sheet day.
- Fair value of bonds and certificates (assets and liabilities) is calculated as the present value of the estimated future cash flow based on observable yield curves, including an indicated credit spread on issuers from a recognised broker a reputable brokerage firms or Reuters pricing service.
- Fair value of fixed-rate deposits and loans is calculated as the present value of the estimated future cash flow based on an observable swap yield curve, plus an implicit mark-up calculated as the difference between the reference rate and the interest rate indicated by the bank's price list on balance sheet day.
- Other methods, such as multiplier models, have been used to determine the fair value of the remaining financial instruments.

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

31.12.15-30.09.16 (Incl B1OA)	Fixed-rate loans (B1OA)	Equity instruments	Derivatives	Term deposit	Other financial assets	Total
Opening balance	2 676	213	-3	-61	71	2 897
Investments in the period	129	1				129
Sales / redemption in the period	-266	-16	3	1		-279
Gains / losses recognised through profit and loss	-23	-2	2			-23
Gains / losses recognised directly against comprehensive income		5			-40	-35
Closing balance	2 517	200	1	-60	32	2 690
Gains / losses for the period included in the profit for assets owned on the balance sheet day	-23		2			-21

31.12.14-30.09.15 (without B1OA)	Loans with interest-rate guarantees	Equity instruments	Derivatives	Term deposit	Other financial assets	Total
Opening balance	1	108	3			112
Investments in the period		24		-60		-36
Sales / redemption in the period	-1	-1	-3			-5
Gains / losses recognised through profit and loss			-2			-2
Gains / losses recognised directly against comprehensive income		4				4
Closing balance	0	135	-2	-60		72
Gains / losses for the period included in the profit for assets owned on the balance sheet day			-2			-2

31.12.14-31.12.15 (without B1OA)	Loans with interest-rate guarantees	Equity instruments	Derivatives	Term deposit	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.

Specification of fair value, instruments classified in level 3:

30.09.2016 (B1OA)	Fixed-rate loans (B1OA)	Equity instruments	Derivatives	Term deposit	Other financial assets	Total
Nominal value including accrued interest (fixed income instruments) / cost (shares)	2 460	150		-60		2 550
Fair value adjustment	57	50	1		32	140
Closing balance	2 517	200	1	-60	32	2 690

Sensitivity, instruments classified as level 3

The valuation of fixed-rate loans to customers in Bank 1 Oslo Akershus AS is based on the agreed rate with the customer. The loans are discounted by the current yield curve plus a discretionary market premium. An increase in the discount rate by ten basis points would have resulted in a negative change in fair value of MNOK 6. The effect in the Group's total portfolio of fixed-rate loans to customers is estimated at NOK 12 million.

Equity instruments in Level 3 consists of the significant shareholdings in Oslo Convention Centre People's House BA (MNOK 55), Eksportfinans ASA (MNOK 75) and SpareBank 1 Markets AS (NOK 29 million). The valuation of the two former is based on the book value of their equity adjusted for surplus and deficit values. Based on valuation from 2010 and later broker reviews, it is considered to be significant added value in the property mass of the Oslo Convention Centre People's House (P/B 4.9). Based on an external valuation in connection with a demerger in 2012 and subsequent results, the value of Eksportfinans is considered to be substantially smaller. The value of the shareholding in SpareBank 1 Markets are based on issue price 29.10.2015.

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

The valuation of term deposits is based on the agreed rate with the customer. The contributions are discounted by the current yield curve plus a discretionary market premium reducing the discount rate by ten basis points would have resulted in an insignificant negative change in fair value of TNOK 3.

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

Note 11 Financial instruments and offsetting

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

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

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

The Group's exposure as a result of reverse repurchase agreements are recognized under "Loans and advances to credit institutions". Net exposure takes into account the value of the underlying security. Reverse repurchase agreements are governed by GMRA agreements with counterparty. The Group has per 30.09.2016 two GMRA agreements.

The assets and liabilities below may be offset.

Parent Bank	Amounts not presented on the balance sheet on a net basis					
	Gross financial as-sets/(liabilities)	Recognised on a net basis	Net financial as-sets/(liabilities) on the balance sheet	Financial instru-ments	Cash collateral given/(received)	Net amount
30.09.2016						
Derivatives as assets	395	0	395	-69	0	327
Derivatives as liabilities	-245	0	-245	69	90	-86
30.09.2015						
Derivatives as assets	481	0	481	-71	0	410
Derivatives as liabilities	-301	0	-301	71	102	-128
31.12.2015						
Derivatives as assets	455	0	455	-48	0	407
Derivatives as liabilities	-320	0	-320	48	116	-157

Parent Bank	Amounts not presented on the balance sheet on a net basis					
	Gross financial as-sets/(liabilities)	Recognised on a net basis	Net financial as-sets/(liabilities) on the balance sheet	Financial instru-ments	Cash collateral given/(received)	Net amount
30.09.2016						
Derivatives as assets	963	0	963	-155	-259	549
Derivatives as liabilities	-397	0	-397	155	136	-106
Loans to and receivables from credit institutions	0	0	0	0	0	0
30.09.2015						
Derivatives as assets	481	0	481	-71	0	410
Derivatives as liabilities	-301	0	-301	71	102	-128
31.12.2015						
Derivatives as assets	455	0	455	-48	0	407
Derivatives as liabilities	-320	0	-320	48	116	-157

Note 12 Other assets

Parent Bank				Group		
31.12.2015	30.09.2015	30.09.2016		30.09.2016	30.09.2015	31.12.2015
73	73	103	Capital payments into pension fund	103	73	73
17	16	14	Accrued income, not yet received	29	22	21
27	24	23	Prepaid costs, not yet incurred	163	45	27
197	143	243	Other assets	607	309	376
314	256	383	Other assets	902	449	497

Note 13 Deposits from and liabilities to customers

Parent Bank				Group		
31.12.2015	30.09.2015	30.09.2016		30.09.2016	30.09.2015	31.12.2015
20 396	20 190	21 859	Private customers	37 695	20 190	20 396
4 126	4 154	4 565	Public sector	5 072	4 154	4 126
921	980	1 000	Primary industries	1 009	980	921
104	103	91	Paper and pulp industries	97	103	104
503	454	536	Other industry	630	454	503
806	648	735	Building and construction	903	648	806
124	224	345	Power and water supply	346	224	124
882	761	728	Wholesale and retail trade	1 368	761	882
131	113	127	Hotel and restaurants	272	113	131
1 487	1 629	1 847	Real estate	3 937	1 629	1 487
3 756	3 589	3 975	Commercial services	9 910	3 540	3 706
268	256	298	Transport and communications	419	256	268
4		4	Other operations	449		4
33 508	33 101	36 110	Total deposits by sector and industry	62 107	33 052	33 458

Note 14 Securities-related debt

Parent Bank

Changes in liabilities from issuance of securities	30.09.2016	Issued	Due/redeemed	Other changes	31.12.2015
Certificate-based debt, nominal value	0		-500		500
Bond debt, nominal value	11 125	1 500	-1 500	311	10 814
Subordinated loan capital, nominal value	500				500
Accrued interest	104			-31	136
Adjustments	262			138	123
Total debt raised through issuance of securities and subordinated loan capital, fair value	11 991	1 500	-2 000	418	12 073

Changes in liabilities from issuance of securities	30.09.2015	Issued	Due/redeemed	Other changes	31.12.2014
Certificate-based debt, nominal value	0				0
Bond debt, nominal value	10 497	2 800	-660	-53	8 410
Subordinated loan capital, nominal value	500				500
Accrued interest	121			-10	131
Adjustments	183			-232	415
Total debt raised through issuance of securities and subordinated loan capital, fair value	11 301	2 800	-660	-295	9 455

Changes in liabilities from issuance of securities	31.12.2015	Issued	Due/redeemed	Other changes	31.12.2014
Certificate-based debt, nominal value	500	500			0
Bond debt, nominal value	10 814	3 500	-1 205	110	8 410
Subordinated loan capital, nominal value	500				500
Accrued interest	136			4	131
Adjustments	123			-291	415
Total debt raised through issuance of securities and subordinated loan capital, fair value	12 073	4 000	-1 205	-178	9 455

Group

Changes in liabilities from issuance of securities	30.09.2016	Issued	Due/redeemed	Other changes	31.12.2015
Certificate-based debt, nominal value	0		-500		500
Bond debt, nominal value	20 691	2 473	-2 747	311	20 654
Subordinated loan capital, nominal value	1 200				1 200
Accrued interest	210			-18	229
Adjustments	661			75	586
Total debt raised through issuance of securities and subordinated loan capital, fair value	22 762	2 473	-3 247	368	23 169

Changes in liabilities from issuance of securities	30.09.2015	Issued	Due/redeemed	Other changes	31.12.2014
Certificate-based debt, nominal value	0				0
Bond debt, nominal value	10 497	2 800	-660	-53	8 410
Subordinated loan capital, nominal value	500				500
Accrued interest	121			-10	131
Adjustments	183			-232	415
Total debt raised through issuance of securities and subordinated loan capital, fair value	11 301	2 800	-660	-295	9 455

Changes in liabilities from issuance of securities	31.12.2015	Issued	Due/redeemed	Other changes	31.12.2014
Certificate-based debt, nominal value	500	500			0
Bond debt, nominal value	10 814	3 500	-1 205	110	8 410
Subordinated loan capital, nominal value	500				500
Accrued interest	136			4	131
Adjustments	123			-291	415
Total debt raised through issuance of securities and subordinated loan capital, fair value	12 073	4 000	-1 205	-178	9 455

Note 15 Other debt and liabilities

Parent Bank			Group		
31.12.2015	30.09.2015	30.09.2016	30.09.2016	30.09.2015	31.12.2015
263	304	38	152	322	280
14	12	14	14	12	14
7	6	6	8	6	7
34	30	29	34	34	41
121	174	180	444	207	167
440	526	266	652	581	510
Total other debt and liabilities recognised in the balance sheet					

Note 16 Disclosure - Business combination

Acquisition of Bank 1 Oslo Akershus

"Sparebanken Hedmark entered into separate purchase agreements in December 2015 through which it gained ownership of 100 percent of the shares in Bank 1 Oslo Akershus (B1OA), which is a regional bank headquartered in Oslo. Sparebanken Hedmark previously owned 40.54 percent of the shares in B1OA. Separate agreements for the purchase of the remaining shares were entered into with the Norwegian Confederation of Trade Unions (LO) for the purchase of their ownership interest of 29.9 percent, and other Sparebank 1 banks for their ownership interest of 29.6 percent in total. Through the purchase of the remaining shares in B1OA, Sparebanken Hedmark increase its geographic market area and diversifies the customer portfolio. Moreover, the bank gains cost synergies through increased economies of scale. The agreements were subject to approval by the Supervisory Board of Sparebanken Hedmark and by public authorities. These approvals were obtained in Q2 2016, and Sparebanken Hedmark has determined that the acquisition date and the date upon which it gained control over B1OA is June 29, 2016. From this date and onwards, B1OA has been consolidated as a wholly owned subsidiary.

The fair values of the identifiable assets and liabilities of B1OA as at the date of acquisition were:

	29.06.2016
Assets	
Cash and deposits with central banks	576
Due from credit institutions	267
Loans to customers	33 377
Commercial paper, bonds and financial derivatives	4 659
Investments in associated companies and joint ventures	423
Fixed tangible assets	1 267
Other assets	1 381
Total assets	41 950
Liabilities	
Due to credit institutions	536
Deposits from customers	25 911
Debt securities issued	10 387
Financial derivatives	195
Other liabilities	567
Subordinated loan capital	701
Total liabilities	38 297
Hybrid capital	400
Total identifiable net assets at fair value	3 253
Total payment made	2 068
Fair value of existing ownership share	1 316
Total identifiable net assets at fair value	-3 253
Goodwill	131
Issuance of equity certificates in Sparebanken Hedmark	1 843
Cash paid	225
Total payment made	2 068

Based on the purchase price and fair value of identified assets and liabilities, MNOK 131 is allocated to goodwill, out of which MNOK 17 is a consequence of deferred tax.

The Goodwill recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of B1OA with those of Sparebanken Hedmark. None of the goodwill recognized is expected to be deductible for income tax purposes.

The payment in the form of equity certificates in Sparebanken Hedmark consists of a total of 26 462 540 certificates. The fair value of these certificates has been measured based on marked based valuation methodologies performed by external valuation experts.

Transaction costs have not been included in the statement of profit or loss for the accounting year 2016.

For the acquired receivables in the form of loans to customers, the gross contractual amount receivable is MNOK 32 668, and the best estimate as of the acquisition date of the contractual cash flows not expected to be collected is MNOK 128.

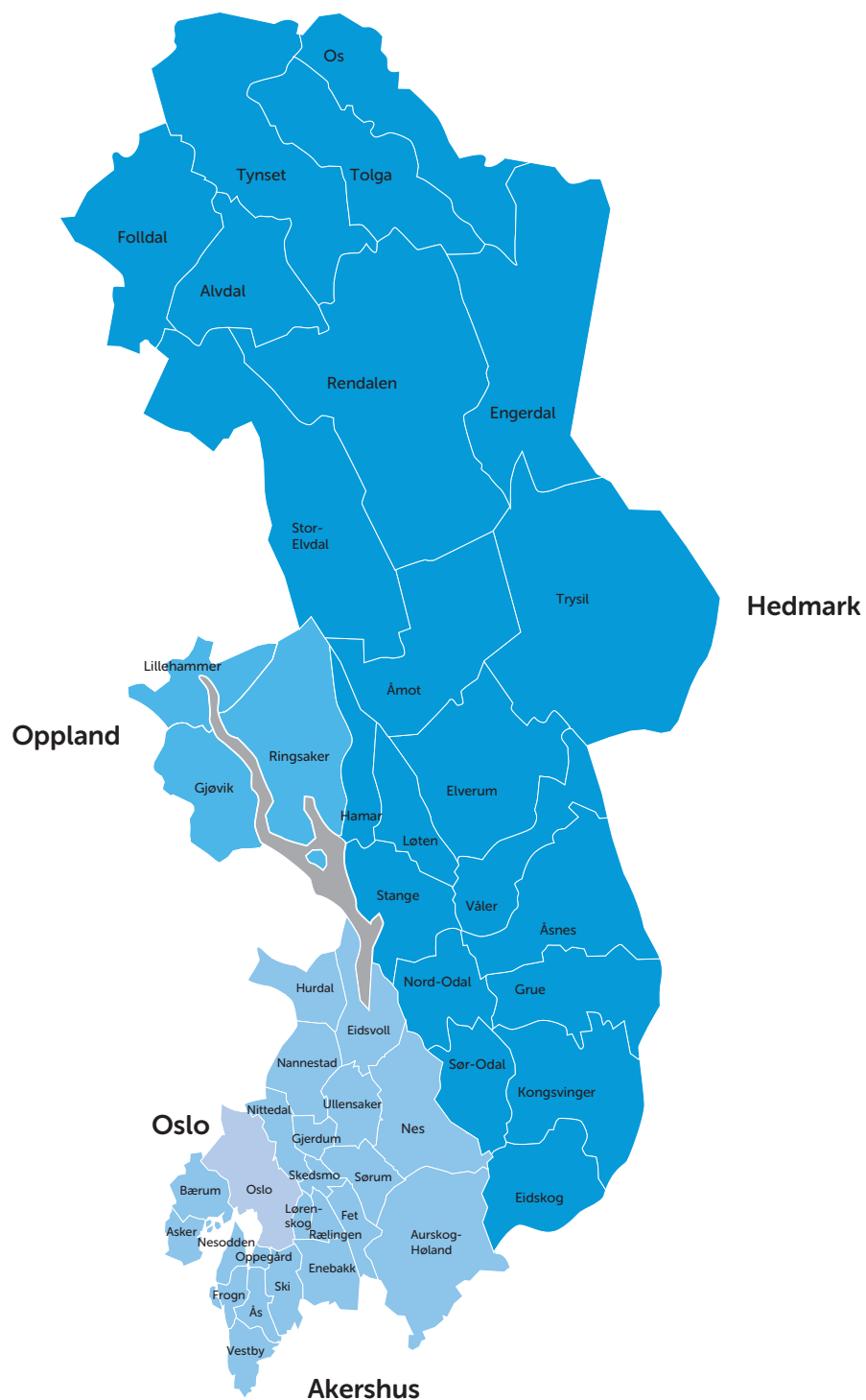
The previously held ownership interest in B1OA which was classified as an associated company was measured to its fair value at the acquisition date. The fair value as of this date was MNOK 1 316, resulting in a gain of MNOK 25. In addition, costs recognized in other comprehensive income totaling of MNOK 21 were recycled over ordinary profit/loss in connection with the acquisition.

Because the date of acquisition was June 29, cost and income from B1OA have not been consolidated in the first half of 2016, in accordance with IFRS 3. The result share has been included in accordance with the equity method at MNOK 71. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been MNOK 596 and the profit before tax MNOK 215.

Note 17 Equity capital certificates

Equity share capital per 30.09.16 consist of 106,202,540 equity certificates at NOK 50 each.

Parent Bank	30.09.2016	
Equity capital certificates	5 310	
Dividend equalisation fund	503	
Premium Fund	520	
A. The equity capital certificate owners' capital	6 333	
Primary capital	3 014	
Endowment fund	40	
B. Total primary capital	3 054	
Fund for unrealised gains	125	
Other equity	627	
Total other equity	752	
Total equity	10 140	
Equity capital certificate ratio (A/(A+B))	67,5 %	
Equity certificates issued	106 202 540	
Equity capital certificate ratio for distribution		
Parent Bank EC's per EC certificates	59.63 kr	
Group EC's per EC certificates	74.54 kr	
Owner of equity certificates:	No.of EC's	Share in %
Sparebanken Hedmark Sparebankstiftelse	79 740 000	75,08 %
Norwegian Confederation of Trade Unions (LO) and affiliated unions	15 881 965	14,95 %
Samarbeidende sparebanker AS	5 438 749	5,12 %
SpareBank 1 Nord-Norge	1 713 942	1,61 %
SpareBank 1 SMN	1 713 942	1,61 %
SpareBank 1 SR-Bank	1 713 942	1,61 %



Phone

02999

E-mail

Retail customer centre: kundesenter@sparebanken-hedmark.no

Corporate customer centre: bedrift@sparebanken-hedmark.no

Internet banking

sparebanken-hedmark.no

Corporate Management

Strandgata 15, Box 203, N-2302 Hamar

Organisation: NO 920 426 530