SpareBank 1 Østlandet

Initial public offering with sale of up to 26,845,638 equity capital certificates and issue of new equity capital certificates in an employee offering
Indicative Price Range of NOK 74.50 to NOK 82.00 per equity capital certificate
Listing of the Bank's Equity Capital Certificates on Oslo Børs

This Prospectus (the "**Prospectus**") has been prepared by SpareBank 1 Østlandet, formerly named Sparebanken Hedmark, (the "**Bank**", and together with its consolidated subsidiaries, the "**Group**") solely for use in connection with the initial public offering (the "**Offering**") and listing (the "**Listing**") of the Bank's equity capital certificates (the "**ECCs**") on Oslo Børs.

The Offering consists of a sale of up to 26,845,638 existing ECCs in the Bank, each with a par value of NOK 50, (the "**Existing ECCs**") offered by Sparebanken Hedmark Sparebankstiftelse (the "**Foundation**"), and SpareBank 1 SR-Bank ASA, SpareBank 1 SMN, SpareBank 1 Nord-Norge, SpareBank 1 Ringerike Hadeland, SpareBank 1 Modum, SpareBank 1 Søre Sunnmøre, SpareBank 1 Nordvest, SpareBank 1 Lom og Skjåk and SpareBank 1 Gudbrandsdal (collectively, together with the Foundation, the "**Selling ECC Holders**"), in connection with (i) an institutional offering in which Existing ECCs are offered (a) to institutional and professional investors in Norway, (b) to investors outside Norway and the United States, pursuant to applicable exemptions from local prospectus requirements and other filing requirements, and (c) in the United States to qualified institutional buyers ("**QIBs**") as defined in Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") in a transaction exempt from or not subject to the registration requirements of the U.S. Securities Act, in each case subject to a minimum application of more than NOK 2,500,000 (the "**Institutional Offering**"), and (ii) a retail offering to the public in Norway subject to a minimum application amount of NOK 10,500 and a maximum application amount of NOK 2,500,000 (the "**Retail Offering**"), as well as (iii) an issue of new ECCs with gross proceeds of up to MNOK 200, subject to an employee discount, (the "**New ECCs**" and together with the Existing ECCs, the "**Offer ECCs**") in an employee offering to eligible employees of the Group as at 9 June 2017 ("**Eligible Employees**"), subject to inter alia a minimum application amount of NOK 10,500 and a maximum application amount of NOK 2,500,000 per Eligible Employee (the "**Employee Offering**").

The Bank has engaged SpareBank 1 Markets AS as Global Coordinator, Lead Manager and Joint Bookrunner and Pareto Securities AS and Swedbank Norge, a branch of Swedbank AB (publ) ("**Swedbank**") as Joint Bookrunners in the Offering (collectively, the "**Managers**" or the "**Joint Bookrunners**"). The Bank, the Foundation and the Managers may jointly elect to over-allot (the "**Over Allotment Option**") a number of additional ECCs equalling up to 10% of the number of the Existing ECCs (the "**Additional ECCs**", the Additional ECCs are unless the context indicates otherwise included in the definition Offer ECCs as defined above). In this respect, the Foundation has granted SpareBank 1 Markets AS (the "**Stabilisation Manager**"), on behalf of the Managers, an option to borrow a number of ECCs equal to the number of Additional ECCs in order to facilitate such over-allotment (the "**Lending Option**"). The Foundation has granted the Stabilisation Manager an option to buy a number of ECCs equal to the number of Additional ECCs at a price per ECC equal to the final Offer Price (the "**Greenshoe Option**").

The price (the "**Offer Price**") at which the Offer ECCs are expected to be sold is indicatively set to be between NOK 74.50 and NOK 82.00 per Offer ECC (the "**Indicative Price Range**"). The Offer Price may be set within, below or above the Indicative Price Range; however, not lower than NOK 74.42 per Offer ECC. The Offer Price will be determined through a bookbuilding process and will be set by the Bank and the Foundation after advice from the Managers. Eligible Employees in the Employee Offering will receive a discount of 20% on their aggregate amount payable for the New ECCs allocated to such Eligible Employees, limited to a maximum discount of NOK 25,000 per Eligible Employee (i.e. there will be no discount for applications exceeding NOK 125,000 per Eligible Employee). The Offer Price, and the number of Offer ECCs sold in the Offering, is expected to be announced through a stock exchange notice on or before 12 June 2017 at 09:00 hours (CEST). The offer period for the Institutional Offering (the "**Bookbuilding Period**") will commence at 09:00 hours (CEST) on 29 May 2017 and close at 16:30 hours (CEST) on 9 June 2017. The application period for the Retail Offering and the Employee Offering (collectively, the "**Application Period**") will commence at 09:00 hours (CEST) on 29 May 2017 and close at 12:00 hours (CEST) on 9 June 2017. The Bookbuilding Period and/or the Application Period may, at the Bank and the Foundation's sole joint discretion and for any reason, be shortened or extended beyond the set times, but will in no event be shortened to expire prior to 12:00 hours (CEST) 7 June 2017 or extended beyond 16:30 hours (CEST) on 23 June 2017.

All of the ECCs are registered in the Norwegian Central Securities Depository (the "**VPS**") and will be in book-entry form. All of the ECCs rank *pari passu* with one another and will each carry one vote.

Investing in the Offer ECCs involves a high degree of risk. Prospective investors should read the entire Prospectus and in particular consider Section 2 "Risk Factors" beginning on page 15 before investing in the Offer ECCs.

The ECCs have not been and will not be registered under the U.S. Securities Act, and may not be offered or sold except (i) within the United States to QIBs in reliance on Rule 144A or another applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or (ii) outside the United States to certain persons in "offshore transactions" in compliance with Regulation S under the U.S. Securities Act, and in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction. Accordingly, the Offer ECCs shall not be offered or sold within the United States, except in reliance on an exemption from the registration requirements of the U.S. Securities Act. Transfer of the Offer ECCs will be restricted and each purchaser of the Offer ECCs in the United States will be required to make certain acknowledgements, representations and agreements, as described under Section 20.2 "Transfer restrictions".

Prior to the Offering, the ECCs have not been publicly traded. On 22 May 2017, the Bank applied for admission to trading of its ECCs on Oslo Børs. It is expected that the board of directors of Oslo Børs will consider the listing application on 7 June 2017. Completion of the Offering is subject inter alia to the approval of the listing application by the board of directors of Oslo Børs and the Bank fulfilling all listing conditions set by Oslo Børs. The issue to, and delivery of, New ECCs to Eligible Employees in the Employee Offering is subject to inter alia the approval by the Financial Supervisory Authority of Norway (the "**Norwegian FSA**").

The due date for the payment of the Offer ECCs is expected to be on or about 14 June 2017. Provided timely payment, delivery of the Offer ECCs is expected to take place on or about 14 June 2017 for the Retail Offering, on or about 20 June 2017 for the Employee Offering, and on or about 14 June 2017 for the Institutional Offering, through the facilities of the VPS. Trading in the ECCs on Oslo Børs is expected to commence on or about 13 June 2017 under the ticker code "SPOL". All dealings in the Offer ECCs prior to settlement and delivery are at the sole risk of the parties concerned.

Joint Lead Managers and Joint Bookrunners

SpareBank 1 Markets AS (Global Coordinator)	**Pareto Securities AS**	**Swedbank**

The date of this Prospectus is 26 May 2017

IMPORTANT INFORMATION

This Prospectus has been prepared solely for use in connection with the Offering of the Offer ECCs and Listing of the ECCs on Oslo Børs. Please see Section 22 "Definitions and glossary" for definitions of terms used throughout this Prospectus.

The Prospectus has been prepared to comply with the Norwegian Securities Trading Act of 29 June 2007 No. 75 (the "**Norwegian Securities Trading Act**") and related secondary legislation, including the Commission Regulation (EC) No. 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 regarding information contained in Prospectuses, as amended, and as implemented in Norway. This Prospectus has been prepared solely in the English language with a Norwegian summary included in Section 22. The Norwegian FSA has reviewed and approved this Prospectus in accordance with sections 7-7 and 7-8 of the Norwegian Securities Trading Act. The Norwegian FSA has not controlled or approved the accuracy or completeness of the information given in this Prospectus. The approval given by the Norwegian FSA only relates to the information included in accordance with pre-defined disclosure requirements. The Norwegian FSA has not made any form of control or approval relating to corporate matters described or referred to in this Prospectus. The Prospectus was approved 26 May 2017 and is valid for a period of twelve months from the date of approval by the Norwegian FSA. As a service to Norwegian investors, the Bank has prepared an unofficial Norwegian language translation of the Prospectus available at the Bank's website www.sparebank1.no/en/hedmark/about-us/investor.html. The unofficial Norwegian language translation has not been subject to review by the Norwegian FSA and consequently all investment decisions must be based on this English language Prospectus. In case of discrepancy between unofficial Norwegian language translation of the Prospectus and the Prospectus, the Prospectus shall prevail.

No person is authorised to give information or to make any representation concerning the Group or in connection with the Offering or the Listing of the Offer ECCs other than as contained in this Prospectus. If any such information is given or made, it must not be relied upon as having been authorised by the Bank or the Managers or by any of the affiliates, advisors or selling agents of any of the foregoing.

No action to approve, register or file the Prospectus has been made outside Norway. The distribution of this Prospectus and the offer and sale of the Offer ECCs in certain jurisdictions may be restricted by law. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Offer ECCs in any jurisdiction in which such offer or sale would be unlawful. Neither this Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with applicable laws and regulations. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. In addition, the ECCs are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. For further information on the sale and transfer restrictions of the Offer ECCs, see Section 20 "Selling and transfer restrictions".

The information contained herein is current as at the date hereof and subject to change, completion and amendment without notice. In accordance with section 7-15 of the Norwegian Securities Trading Act, significant new factors, material mistakes or inaccuracies relating to the information included in this Prospectus, which are capable of affecting the assessment of the Offer ECCs between the time of approval of this Prospectus by the Norwegian FSA and the Listing of the Offer ECCs on Oslo Børs, will be included in a supplement to this Prospectus. Neither the publication nor distribution of this Prospectus, nor any sale of Offer ECCs made hereunder, shall under any circumstances create any implication that there has been no change in the Group's affairs or that the information herein is correct as of any date subsequent to the date of this Prospectus.

In making an investment decision, each investor must rely on their own examination, and analysis of, and enquiry into the Group and the terms of the Offering, including the merits and risks involved. None of the Bank, the Selling ECC Holders or the Managers, or any of their respective representatives or advisers, is making any representation to any offeree or purchaser of the Offer ECCs regarding the legality or suitability of an investment in the Offer ECCs by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer ECCs.

This Prospectus and the terms and conditions of the Offering as set out herein shall be governed by and construed in accordance with Norwegian law. The courts of Norway, with Hedmarken district court as legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Offering or this Prospectus.

All Sections of the Prospectus should be read in context with the information included in Section 4 "General information".

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO INVESTORS IN THE UNITED STATES

Prospective investors are advised to consult their own legal counsel, financial advisors or other professional advisors prior to making an investment in the Offer ECCs or making any offer, resale, pledge or other transfer of the ECCs. The Offer ECCs have not been and will not be

registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable state securities laws. Accordingly, the Offer ECCs shall not be offered or sold within the United States, except to **QIBs** in a transaction exempt from or not subject to the registration requirements of the U.S. Securities Act. The Offer ECCs shall be offered and sold outside the United States in "offshore transactions" compliance with Regulation S. **Prospective purchasers are hereby notified that sellers of Offer ECCs may be relying on the exemption from the provisions of section 5 of the U.S. Securities Act provided by Rule 144A under the U.S. Securities Act.** See Section 20.1 "Selling restrictions."

Any ECCs offered or sold in the United States will be subject to certain transfer restrictions as set forth under Section 20.2 "Transfer restrictions".

The securities offered hereby have not been recommended by any United States federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not passed upon the merits of the Offering or confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offense under the laws of the United States.

In the United States, this Prospectus is being furnished on a confidential basis to QIBs solely for the purposes of enabling a prospective investor to consider purchasing the particular securities described herein. The information contained in this Prospectus has been provided by the Bank and other sources identified herein. Distribution of this Prospectus to any person other than the offeree specified by the Managers or their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorised and any disclosure of its contents, without prior written consent of the Bank, is prohibited. This Prospectus is personal to each offeree and does not constitute an offer to any other person or to the public generally to purchase Offer ECCs or subscribe for or otherwise acquire any ECCs.

NOTICE TO UNITED KINGDOM INVESTORS

This Prospectus and any other material in relation to the Offering described herein is only being distributed to, and is only directed at persons in the United Kingdom who are qualified investors within the meaning of Article 2(1)(e) of the EU Prospectus Directive ("qualified investors") that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Orde**r"); (ii) high net worth entities or other persons falling within Article 49(2)(a) to (d) of the Order; or (iii) persons to whom distributions may otherwise lawfully be made, communicated, or caused to be communicated (all such persons together being referred to as "**Relevant Persons**"). In the United Kingdom, the Offer ECCs are only available to, and any investment or investment activity to which this Prospectus relates is available only to, and will be engaged in only with, Relevant Persons. This Prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person in the United Kingdom. Persons who are not Relevant Persons in the United Kingdom should not take any action on the basis of this Prospectus and should not rely on it.

Each of the Managers has represented, warranted and agreed (i) that it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the United Kingdom Financial Services and Markets Act 2000 (as amended) (the "**FSMA**")) received by it in connection with the issue or sale of the Offer ECCs in circumstances in which section 21(1) of the FSMA does not apply to the Bank and (ii) that it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offer ECCs in, from or otherwise involving the United Kingdom.

NOTICE TO INVESTORS IN THE EEA

In any member state of the European Economic Area (the "**EEA**") that has implemented the EU Prospectus Directive, other than Norway (each, a "**Relevant Member State**"), this communication is only addressed to and is only directed at qualified investors in that Member State within the meaning of the EU Prospectus Directive. The Prospectus has been prepared on the basis that all offers of Offer ECCs outside Norway will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus for offer of equity capital certificates. Accordingly, any person making or intending to make any offer within the EEA of Offer ECCs which is the subject of the Offering contemplated in this Prospectus within any EEA member state (other than Norway) should only do so in circumstances in which no obligation arises for the Bank, the Selling ECC Holders or any of the Managers to publish a prospectus or a supplement to a prospectus under the EU Prospectus Directive for such offer. Neither the Bank, the Selling ECC Holders nor the Managers have authorised, nor do they authorise, the making of any offer of ECCs through any financial intermediary, other than offers made by Managers which constitute the final placement of Offer ECCs contemplated in this Prospectus.

Each person in a Relevant Member State other than, in the case of paragraph (a), persons receiving offers contemplated in this Prospectus in Norway, who receives any communication in respect of, or who acquires any Offer ECCs under, the offers contemplated in this Prospectus will be deemed to have represented, warranted and agreed to and with the Managers and the Bank that:

a) it is a qualified investor as defined in the EU Prospectus Directive; and

b) in the case of any Offer ECCs acquired by it as a financial intermediary, as that term is used in Article 3(2) of the EU Prospectus Directive, (i) such Offer ECCs acquired by it in the Offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the EU Prospectus Directive, or in circumstances in which the prior consent of the Managers has been given to the offer or resale; or (ii) where such Offer ECCs have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Offer ECCs to it is not treated under the EU Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an "offer to the public" in relation to any of the Offer ECCs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer ECCs to be offered so as to enable an investor to decide to purchase any of the Offer ECCs, as the same may be varied in that Relevant Member State by any measure implementing the EU Prospectus Directive in that Relevant Member State, and the expression "EU Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

See Section 20 "Selling and Transfer Restrictions" for certain other notices to investors.

STABILISATION

In connection with the Offering, the Stabilisation Manager, or its agents, on behalf of the Joint Bookrunners, may engage in transactions that stabilise, maintain or otherwise affect the price of the ECCs for up to 30 days from the commencement of trading and the Listing. Specifically, the Stabilisation Manager may effect transactions with a view to supporting the market price of the ECCs at a level higher than that which might otherwise prevail. The Stabilisation Manager and its agents are not required to engage in any of these activities and, as such, there is no assurance that these activities will be undertaken; if undertaken, the Stabilisation Manager or its agents may end any of these activities at any time and they must be brought to an end at the end of the 30-day period mentioned above. Save as required by law or regulation, the Stabilisation Manager does not intend to disclose the extent of any stabilisation transactions under the Offering.

ENFORCEMENT OF CIVIL LIABILITIES

The Bank is a savings bank incorporated under the laws of Norway. As a result, the rights of the Bank's ECCs holders will be governed by Norwegian law and the Bank's articles of association (the "**Articles of Association**"). The rights of equity capital certificate holders under Norwegian law may differ from the rights of equity capital certificate holders of banks incorporated in other jurisdictions. The Bank's directors and the Group's executive officers are not residents of the United States, and all of the Bank's assets are located outside the United States. As a result, it may be difficult for investors in the United States to effect service of process on the Bank or its directors or the Group's executive officers in the United States or to enforce judgments obtained in U.S. courts against the Bank or those persons based on the civil liability provisions of the federal securities laws of the United States or other laws of the United States or any state thereof. Uncertainty exists as to whether courts in Norway will enforce judgments obtained in other jurisdictions, including the United States, against the Bank or its directors or the Group's officers under the securities laws of those jurisdictions or entertain actions in Norway against the Bank or its directors or officers under the securities laws of other jurisdictions. The United States and Norway do not currently have a treaty providing for reciprocal recognition and enforcement of judgements (other than arbitral awards) in civil and commercial matters. In addition, awards of punitive damages in actions brought in the United States or elsewhere may not be enforceable in Norway. Similar limitations may also apply in any other jurisdictions than the United States.

AVAILABLE INFORMATION

The Bank has agreed that, for so long as any of the Offer ECCs are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, it will during any period in which it is neither subject to Sections 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, provide to any holder or beneficial owners of ECCs, or to any prospective purchaser designated by any such registered holder, upon the request of such holder, beneficial owner or prospective owner, the information required to be delivered pursuant to Rule 144A(d)(4) of the U.S. Securities Act.

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Appendix G: Annual Financial statements for the year ended 31 December 2016 of Bank 1 Oslo Akershus

1 EXECUTIVE SUMMARY

Summaries are made up of disclosure requirements known as "**Elements**". These Elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

Section A – Introduction and warnings

A.1	Warnings	This summary should be read as an introduction to the Prospectus. Any decision to invest in the Offer ECCs should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation in its Member State, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Resale or final placement of securities by financial intermediaries	Not applicable; financial intermediaries are not entitled to use this Prospectus for subsequent resale or final placement of securities.

Section B – Issuer

B.1	Legal and commercial name	SpareBank 1 Østlandet
B.2	Domicile and legal form, legislation and country of incorporation	The Bank's registered name is SpareBank 1 Østlandet. The Bank is organised as a savings bank under Norwegian law, in accordance with the Norwegian Financial Institutions Act, and is registered with the Norwegian Register of Business Enterprises with registration number 920 426 530.
B.3	Current operations, principal activities and markets	SpareBank 1 Østlandet is a financial services group which offers a wide range of products within loans, deposits, insurance, pensions, payment services, estate agency, accounting services, leasing and financing to retail customers, corporate customers and to the public sector. The Bank has approximately 290,000 customers spread mainly across its four counties of operation: Hedmark, Oppland, Akershus and Oslo. The Bank's head office is in Hamar in Hedmark County.
B.4a	Significant recent trends affecting the Bank and the	There have been no significant changes or trends beyond the normal operation since 31 March 2017 until the date of the Prospectus. No known

	industries in which it operates	trends, uncertainties, demands, obligations, or events are likely to have a significant impact on SpareBank 1 Østlandet's outlook.
B.5	Description of the Group	The Group consist of the Bank as the parent entity and the following subsidiaries, joint ventures and associated companies: – EiendomsMegler 1 Hedmark Eiendom AS – EiendomsMegler 1 Oslo Akershus AS – SpareBank 1 Finans Østlandet AS – SpareBank 1 Regnskapshuset Østlandet AS – Vato AS – Youngstorget 5 AS – SpareBank 1 Boligkreditt AS – SpareBank 1 Næringskreditt AS – SpareBank 1 Kredittkort AS – SpareBank 1 Mobilbetaling AS – KOMM-IN AS – Torggt 22 AS – SpareBank 1 Gruppen AS – SpareBank 1 Banksamarbeidet DA
B.6	Interests in the Bank and voting rights	Holders of ECCs owning 5% or more of the ECCs have an interest in the Banks ECC capital which is notifiable pursuant to the Norwegian Securities Trading Act. The following ECC holders owned more than 5% of the ECC on 29 May 2017:

Name	Number of ECCs	Percentage (%)
Sparebanken Hedmark Sparebankstiftelse	79,740,000	75.08295
Landsorganisasjonen i Norge (Norwegian Confederation of Trade Unions)*	10,322,584	9.71971

** The Norwegian Confederation of Trade Unions, together with Related Associations, own approximately 14.95% of the ECCs.*

B.7	Selected historical key financial information	The following consolidated financial information has been derived from the Bank's audited consolidated Annual Financial Statements for the years ended 31 December 2016, 2015 and 2014 and have been prepared in accordance with IFRS as adopted by the EU. The unaudited consolidated Interim Financial Statements for the three month periods ended 31 March 2017 and 2016 have been prepared in accordance with IAS 34. The selected financial information presented below should be read in conjunction with Section 11 "Financial Information" and the Group's Annual Financial Statements and Interim Financial Statement included in Appendices B and C to the Prospectus.

Income Statement	**Three months ended 31 March**		**Year ended 31 December**		
	2017	**2016**	**2016**	**2015**	**2014**
In NOK millions	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Net interest income	464	297	1,490	1,105	1,043
Net commission and other income	308	160	939	651	663
Net income from financial assets and liabilities	0	7	220	514	572
Total net income	**773**	**464**	**2,649**	**2,270**	**2,279**

Total operating expenses before losses on loans and guarantees	437	253	1,203	1,052	981
Profit before losses on loans and guarantees	335	211	1,446	1,218	1,298
Profit/loss before tax	361	202	1,371	1,162	1,232
Results for the accounting period	274	169	1,100	930	1,040
Statement of other comprehensive income	274	169	1,100	930	1,040
Total items not reclassified through profit or loss	0	0	-46	98	-51
Total items reclassified through profit or loss	-13	9	11	82	-14
Total profit and loss items recognised in equity	-13	9	-35	180	-65
Total profit and loss for the accounting period	**287**	**178**	**1,064**	**1,109**	**975**

Balance sheet	**Three months ended 31 March**		**Year ended 31 December**		
In NOK millions	**2017** (unaudited)	**2016** (unaudited)	**2016** (audited)	**2015** (audited)	**2014** (audited)
Total assets	101,861	57,185	101,240	55,971	49,934
Total liabilities	89,491	48,190	89,132	47,253	42,310
Total equity capital	12,370	8,995	12,107	8,718	7,624
Total equity capital and liabilities	**101,861**	**57,185**	**101,240**	**55,971**	**49,934**

Cash flow statement	**Three months ended 31 March**		**Year ended 31 December**		
In NOK millions	**2017** (unaudited)	**2016** (unaudited)	**2016** (audited)	**2015** (audited)	**2014** (audited)
Cash flow from lending operations (A)	-1,235	-100	-3,441	-2,161	-1,198
Cash flow from deposit operations (B)	-503	106	3,279	1,831	230
Cash flow from investments in securities (C)	1,361	-148	-532	-2,053	1,134
Cash flow from deposits in credit institutions (D)	-254	-9	110	-44	149
Remaining cash flow from current operations (E)	-612	-249	-178	-635	-361
Cash flow from operations (A+B+C+D+E=F)	**-1,243**	**-400**	**-762**	**-3,062**	**-46**
Cash flow from financing activities (G)	431	621	644	2,651	211
Cash flow from investments (H)	323	26	280	-35	61
Liquidity effect from acquisition of remaining shares in B1OA (I)	0	0	-225	0	0
Cash and cash equivalents taken over from B1OA (J)	0	0	843	0	0
Liquidity effect of acquisition and sale of other subsidiaries (K)	0	0	-13	-28	-43
Payments arising from placements in subsidaries (L)	1	0	5	0	0
Change in cash and cash equivalents (F+G+H+I+J+K+L)	**-488**	**246**	**772**	**-474**	**184**
Cash and cash equivalents at the beginning of the period	**1,082**	**309**	**309**	**783**	**599**
Cash and cash equivalents at the end of the period (B1OA 100% incl. for year 2016 and Q1 2017)	**594**	**555**	**1,082**	**309**	**783**

	Significant subsequent changes in issuer's financial conditions and operating results.	Since 2013, the Bank has owned 40.5% of the shares in B1OA. The Bank acquired the remaining shares in Bank 1 Oslo Akershus ("**B1OA**") in June 2016. The legal merger between the Bank and B1OA was completed on 1 April 2017. Net interest, net commissions, other operating expenses and the tax charge increased in both the three month period ended 31 March 2017, compared with the same period in 2016 and in the year ending 2016 compared with the year ending 2015. The increase was due primarily to the acquisition of B1OA.

		Personnel expenses increased in the three month period ended 31 March 2017, compared with the same period in 2016. The main driver for an increase in personnel costs was the consolidation of B1OA in the accounts. Personnel expenses decreased in the year ending 2016 compared with the year ending 2015. The main reason for the reduction in personnel expenses was the winding up of the Bank's defined benefit pension scheme with effect from 1 July 2016, which resulted in non-recurring income recognition of NOK 271 million. The Bank's goal is to extract synergy effect from the merger worth at least NOK 75 million annually.
B.8	Selected key pro forma financial information	The unaudited pro forma financial information is prepared on a basis consistent with the IFRS accounting policies of the Group. The accounting policies to be applied for the Group following the completion of the Acquisition will be consistent with those accounting policies outlined in the notes to the consolidated Annual Financial Statements of the Group for the year ended 31 December 2016, included in Appendix B to this Prospectus. The unaudited pro forma financial information does not include all information required for financial statements under IFRS and should be read in connection with the historical information of the Group. The selected financial information presented below should be read in conjunction with Section 13 "Unaudited Pro Forma Financial Information".

Unaudited consolidated pro forma income statement for the financial year 2016			**Pro forma adjustments**			
NOK mill	**SpareBank 1 Østlandet IFRS** *(audited)*	**B1OA IFRS** *(audited)*	**B1OA Result 1.7 – 31.12 2016** *(unaudited)*	**Other pro forma adjustments** *(unaudited)*	**Notes pro forma**	**SpareBank 1 Østlandet Pro forma IFRS** *(unaudited)*
Net interest income	1,490	511	(262)	(2)		1,739
Net commission and other income	939	570	(280)			1,229
Net income from financial assets and liabilities	220	111	(53)	(71)		207
Total net income	2,649	1,192	(595)	(73)		3,173
Total operating expenses before losses on loans and guarantees	1,203	753	(382)	1		1,574
Profit before losses on loans and guarantees	1,446	439	(213)	(74)		1,599
Profit/loss before tax	1,371	427	(212)	(74)		1,514
Results for the accounting period	**1,100**	**334**	**(160)**	**(73)**		**1,202**

B.9	Profit forecast or estimate	Not applicable. No profit forecasts or estimates are made.
B.10	Audit report qualifications	Not applicable. There are no qualifications in the audit reports.
B.11	Insufficient working capital	Not applicable. The Group is of the opinion that the working capital available to the Group is sufficient for the Group's present requirements, for the period covering at least 12 months from the date of this Prospectus.

Section C – Securities

C.1	Type and class of securities admitted to trading and identification numbers	The Bank has one class of equity capital certificates in issue. The Bank's ECCs are registered in the VPS with ISIN NO 0010751910.
C.2	Currency	NOK.
C.3	Number of equity capital certificates and par value	At the date of this Prospectus, the Bank's ECC capital is NOK 5,310,127,000 divided on 106,202,540 ECCs with a par value of NOK 50 each. All the existing ECCs are validly issued and fully paid.
C.4	Right attached to the securities	All ECCs provide equal rights in the Bank. The Existing ECCs have the same rights as the other ECCs issued by the Bank. The New ECCs will have the same rights as the other ECCs issued by the Bank once the New ECCs are validly issued.
C.5	Restrictions on transferability	Except for the owner limitations and approval requirements in connection with acquisitions implying a holding exceeding certain thresholds, which applies to all Norwegian savings banks, the ECCs are freely transferable. For further information regarding the sale and transfer of the ECC in jurisdictions other than Norway, see Section 20 "Selling and transfer restrictions". New ECCs allocated to Eligible Employees at a discounted Offer Price, is subject to a two years lock-up period from the delivery of such New ECCs on the relevant Eligible Employee's VPS-account
C.6	Admission to trading	On 22 May 2017, the Bank applied for admission to trading of its ECC, on Oslo Børs. It is expected that the board of directors of Oslo Børs is expected to approve the listing application 7 June 2017, subject to certain conditions being met. Subject to approval of the listing application by the board of directors of Oslo Børs and fulfilment of the listing conditions set by Oslo Børs, the Bank expects commencement of trading in the ECCs on Oslo Børs on or about 13 June 2017. The Bank has not applied for admission to trading of the ECCs on any other stock exchange or regulated market.
C.7	Dividend policy	The Bank targets payments of 50% of annual profits after taxes in dividends to the owners of ECCs.

Section D – Risks

D.1	Key risks specific to the Bank or its industry	Risks related to the SpareBank 1 Østlandet and the industry in which it operates: • The Bank is exposed to credit risk • The Bank is exposed to risks related to the housing market. If Norwegian house prices were to fall, in the future, resulting in a decline in collateral values of the Bank, this could lead to a reduction in loan recovery and value of the Group's assets • The Bank is exposed to risks related to interest rate changes • The Bank is exposed to variations in funding costs and availability of funding • The Bank is exposed to foreign currency risk • The Bank is exposed to credit- and interest spread risk • The Bank is exposed to systemic risk, which is the risk that the default of any one financial enterprise could lead to defaults by other financial enterprises • The Bank is exposed to operational risks related to systems and processes and inadequacy in internal control procedures • The Bank relies heavily on IT systems and is exposed to the risk of failure or inadequacy in these systems • The Bank is exposed to risks related to information and communication technology crime • The Bank may not be able to maintain sufficient insurance to cover all risks related to its operations • The Bank is exposed to risk related to money laundering activities and identity fraud • The Group may make acquisitions that prove unsuccessful or strain or divert the Group's resources • Risks related to termination of the Bank's participation in the SpareBank 1 Alliance and/or the termination of the agreement with LO • Risk related to credit ratings. The Bank's credit rating may affect the Bank's funding abilities and the market's perception of the Bank Risks related to laws and regulations: • The Bank is exposed to changes in banking and financial services regulations and changes in the interpretation and operation of such regulations • The Bank is subject to regulatory capital adequacy requirements and an increased level of risk could lead to an increase in its capital adequacy requirements • The implementation of BRRD may impact the senior debt funding for the Bank • The implementation of the EU Market Abuse Regulations may lead withholding of information to the public in certain distress scenarios and otherwise • The Bank is exposed to changes in tax or VAT laws and regulations and changes in the interpretation and operation of such regulations • The Bank is exposed to risks related to the new IFRS 9 Financial Instruments
D.3	Key risks specific to the securities	Risks related to the Listing and the ECCs • The Foundation is expected to be able to determine the election of representatives for the ECC-holders on the Bank's Supervisory Board

		and may take actions that are not in, or may conflict with, the other ECC-holders' best interests • Pre-emptive rights to subscribe for ECCs in additional issuances could be unavailable to U.S. or other holders of equity capital certificates • Investors could be unable to exercise their voting rights for ECCs registered in a nominee account • Investors could be unable to recover losses in civil proceedings in jurisdictions other than Norway • The transfer of ECCs is subject to restrictions under the securities laws of the United Sates and other jurisdictions

Section E – Offer

E.1	Net proceeds and estimated expenses	The net proceeds of the Offer ECCs in the Institutional Offering and the Retail Offering will be for the benefit of the Selling ECC Holders. The net proceeds from the subscription of New ECCs (in the Employee Offering) will be for the benefit of the Bank and will depend both on the number of New ECCs subscribed for in the Employee Offering and the number of Eligible Employees participating in the Employee Offering (as the discount on the Offer Price is limited to NOK 25,000 per Eligible Employee allocated New ECCs). At maximum, the Employee Offering will imply net proceeds in the amount of approximately MNOK 182.9 to MNOK 183.2. The Bank estimates that expenses in connection with the Offering and the Listing, which will be paid by the Bank, will amount to between NOK 16.8 million and NOK 17.1 million.
E.2a	Reasons for the Offering and use of proceeds	The Bank's motivation for the Listing can be summarized as follows; – A listing will give increased flexibility in the Bank's capital situation allowing more room for profitable growth – A listing will position the Bank for structural changes in the banking sector in Eastern Norway – A listing will broaden the ownership structure in the Bank The largest part of the proceeds from the Offering will be to the benefit of the Selling ECC Holders. The proceeds from the Employee Offering, which will be to the benefit of the Bank has no specific intended purpose, but will be used to finance profitable growth.
E.3	Terms and conditions of the Offering	The Offering comprises a sale of up to 26,845,638 Existing ECCs offered by the Selling ECC Holders in the Institutional Offering and the Retail Offering and an issue of New ECCs in the Employee Offering with a gross proceed of up to NOK 200 million, subject to an employee discount. In addition, the Bank, the Foundation and the Managers may jointly elect to utilise the Over Allotment Option to over-allot a number of Additional ECCs equalling up to 10% of the number of Existing ECCs. The Foundation has granted the Stabilisation Manager a Greenshoe Option to purchase a number of ECCs corresponding to the number of Additional ECCs to cover any such over-allotments. The Foundation has furthermore granted the Stabilisation Manager, on behalf of the Managers, a Lending Option to borrow a number of ECCs equal to the number of Additional ECCs in order to facilitate such over-allotment. The Bank and the Foundation, in consultation with the Managers, reserves the right to at any time jointly decide to increase or reduce the gross proceeds from the Offering. The Offering will comprise of:

		– The Institutional Offering, in which Existing ECCs are being offered (i) to institutional and professional investors in Norway, (ii) to investors outside Norway and the United States pursuant to applicable exemptions from local prospectus requirements and other filing requirements, and (iii) in the United States to QIBs in reliance on Rule 144A under the US Securities Act or another exemption from the registration requirements of the U.S. Securities Act, subject to a lower limit per application of more than NOK 2,500,000. – The Retail Offering, in which Existing ECCs are being offered to the public in Norway, subject to a lower limit per application of an amount of NOK 10,500 and an upper limit per application of an amount of NOK 2,500,000 for each investor. The Bank will use its best efforts to ensure that all applicants are allocated Existing ECCs for up to NOK 100,000, to the extent applied for. Multiple applications are not allowed. Investors who intend to place an application in excess of an amount of NOK 2,500,000 must do so in the Institutional Offering. – The Employee Offering, in which New ECCs with a gross proceeds of up to NOK 200,000,000, subject to an employee discount, are being offered to Eligible Employees (as defined herein), subject to a lower limit per application of an amount of NOK 10,500 and an upper limit per application of an amount of NOK 2,500,000 for each Eligible Employee. Multiple applications are not allowed. Each Eligible Employee being allocated New ECCs will receive a discount of 20% on the aggregate amount payable by such investors, limited to a maximum discount of NOK 25,000 per Eligible Employee (i.e. there will be no discount for applications exceeding NOK 125,000 per Eligible Employee). The Eligible Employees are guaranteed allocation of New ECCs with a total consideration of NOK 125,000 (before discount) in the Employee Offering. For a brief description of the Norwegian tax effects of such discount, please see Section 19 "Taxation". In order to participate in the Employee Offering, the applicant must have a VPS-account in the Bank. The Bookbuilding Period for the Institutional Offering is expected to take place from 29 May 2017 at 09:00 hours (CEST) until 9 June 2017 at 16:30 hours (CEST). The Application Period for the Retail Offering and the Employee Offering is expected to take place from 29 May 2017 at 09:00 hours (CEST) until 9 June 2017 at 12:00 (CEST), subject to shortening or extension at the Bank and the Foundation's sole discretion, acting jointly. The Bank and the Foundation reserves the right to jointly decide to withdraw, suspend or revoke the Offering at any time prior to final allocation at their sole discretion (and for any reason). The Managers expect to issue notifications of allocation of Offer ECCs in the Offering on or about 12 June 2017, by issuing contract notes to the applicants by email or otherwise. Payment and delivery of Existing ECCs in the Institutional Offering will take place on or about 14 June 2017.

		The due date for payment in the Retail Offering and the Employee Offering is on or about 14 June 2017. Subject to timely payment by the applicant, delivery of the Offer ECCs is expected to take place on or about 14 June 2017 in the Institutional Offering, 14 June 2017 in the Retail Offering, and on or about 20 June 2017 in the Employee Offering. The issue and delivery of New ECCs to Eligible Employees in the Employee Offering is subject to approval by the Norwegian FSA. All dealings in the Offer ECCs prior to settlement and delivery are at the sole risk of the parties concerned.
E.4	Material and conflicting interests	The Managers or their affiliates have provided from time to time, and may provide in the future, investment and commercial banking services to the Bank and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions. The Managers will furthermore receive a fee of a fixed percentage of the gross proceeds raised in the Offering and may receive a success fee upon a successful Offering. As such, the Managers have an interest in the Offering. The Selling ECC Holders will receive proceeds from the sale of the Existing ECCs and, as such, have an interest in the Offering.
E.5	Equity capital certificate holders and lock-up	LO has undertaken not to sell any ECCs for a period of 1 year after the Listing. The agreement further provides that in an additional five-year period LO shall not sell ECCs to the extent that their ownership interest falls below 10% of the ECCs in the Bank. The Foundation, SpareBank 1 Østfold Akershus, SpareBank 1 BV, SpareBank 1 Ringerike Hadeland, Sparebanken Telemark, SpareBank 1 Hallingdal Valdres and SpareBank 1 Lom og Skjåk (i.e. the existing ECC holders that are not affiliated with LO and will not sell all their ECCs in the Offering) have undertaken a lock up obligation on certain terms for a period of 12 months from the Listing. The Bank has undertaken a lock up obligation on certain terms for a period of 6 months from the Listing. New ECCs allocated to Eligible Employees at a discounted Offer Price, is subject to a two years lock-up period from the delivery of such New ECCs on the relevant Eligible Employee's VPS-account
E.6	Dilution resulting from the Offering	The main part of the Offering is a sale of Existing ECCs, which will not imply any dilution for existing ECC holders as such. The issue of New ECCs in the Employee Offering will depend on the Offer Price and the amount of New ECCs allocated and issued in the Employee Offering, but will in no event imply a dilution of more than 2.82% for the existing ECC holders.
E.7	Estimated expenses charged to investor	Not applicable. Expenses relating to the Offering will not be charged to the investor.

2 RISK FACTORS

An investment in the Offer ECCs involves risks. Before making an investment decision with respect to the Offer ECCs, investors should carefully consider the risk factors set forth below and all information contained in this Prospectus, including the financial statements and related notes. If any of the following risks were to materialise, individually or together with other circumstances, they could have a material and adverse effect on the Group and/or its business, financial condition, results of operations, cash flows and/or prospects, which could cause a decline in the value and trading price of the ECCs, resulting in the loss of all or part of an investment in the Offer ECCs. An investment in the Offer ECCs is suitable only for investors who understand the risks associated with this type of investment and who can afford to lose all or part of their investment.

The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the Group's business, financial condition, results of operations, cash flows and/or prospects. The risks mentioned herein could materialise individually or cumulatively. Furthermore, risks that the Group currently deems as not material could in the future prove to become material to the Group.

2.1 RISK RELATING TO SPAREBANK 1 ØSTLANDET AND THE INDUSTRY IN WHICH IT OPERATES

2.1.1 *The Bank is exposed to economic conditions*

The global capital and credit market may be volatile. This volatility may cause a material adverse effect on the international banking sector's performance and lead to reduced liquidity and increased credit risk premiums for many market participants. The Bank has had good access to domestic capital markets funding, but any significant volatility, disruption or deterioration in the local/global macroeconomic environment may have a material adverse effect on the Bank's ability to access capital and/or its business, results of operations and/or financial condition.

As the Bank's revenue is derived almost entirely from customers based in Norway, deterioration of macroeconomic conditions in Norway may have a material adverse effect on the Bank's business, results of operations and financial condition. If gross domestic product does not grow over time, oil prices fall, or if unemployment or inflation increases or asset values decrease, businesses and consumers could be adversely affected. In addition to reducing demand for the Bank's products and services, the quality of the Bank's credit portfolio could be adversely affected and the Bank could experience credit losses.

The majority of the Bank's business is banking services, leasing, accounting and real estate services directed towards retail customers and small and medium sized businesses, including businesses within the forestry and agricultural sector. A negative macroeconomic development impacting these business areas will therefore have a material adverse effect on the Group's business, results of operations and/or financial condition.

2.1.2 *The Bank is exposed to credit risk*

The Bank is exposed to credit risk, which is the risk of losses due to the failure of a customer to meet his or hers obligations and the collateral not covering the obligations. In addition, concentration risk is the risk of negative development of an entire sector or correlated loans. Adverse changes in the credit quality or behaviour of the Bank's borrowers or other counterparties could reduce the value of the Bank's assets and increase the Bank's write-downs and allowances for impairment losses. The overall credit quality profile of the Bank's borrowers and other counterparties may be affected by a range of macroeconomic events and other factors, including increased unemployment, reduced asset values, lower consumer spending, increased customer indebtedness, increased interest rates and/or higher default rates.

2.1.3 *The Bank is exposed to risks relating to the housing market*

Since the mid 1990s house prices in Norway have generally risen year-on year. In recent years, debt levels have increased rapidly among Norwegian households supported by low mainland unemployment, low housing taxes, increasing wages and low interest rates. If Norwegian house prices were to fall, in the future, resulting in a decline in collateral values, this could lead to a reduction in loan recovery and value of the Group's assets, which could in turn result in a requirement to increase the Bank's level of impairment allowance and ultimately to

losses. This would in particular apply if house prices started falling in those regions to which the Bank has significant exposure, mainly Hedmark, Oppland, Oslo and Akershus counties. Calculations of impairment losses on loans are based on available information, assumptions and estimates, and are, as such, subject to uncertainty. Higher impairment charges could reduce the Bank's profitability, capital and its ability to engage in lending and other income generating activities and, therefore, could have a material adverse effect on the Bank's financial condition, results of operations and/or prospects.

2.1.4 *The Bank is exposed to risks related to interest rate changes*

Interest rates, which are impacted by factors outside of the Bank's control, including the fiscal and monetary policies of governments and central banks, as well as Norwegian and international political and economic conditions, affect the Bank's results of operations, profitability and return on capital in different areas.

First, interest rates affect the cost and availability of the principal sources of the Bank's funding, including customer deposits (in the form of deposit accounts and savings accounts), covered bonds and senior unsecured bonds. A sustained low interest rate environment keeps the Bank's costs of funding low by reducing interest expense. Lower interest rates also reduce incentives for consumers to save and, therefore, constrain supply of deposits and consequently the Bank's ability to fund its lending operations.

Second, interest rates, such as the Norwegian Interbank Offer Rate (NIBOR), affect the Bank's net interest margin and income. The interest rate level is directly related to the Bank's external funding and interest bearing securities. Furthermore, while the Bank determines its lending and deposit rates at its own discretion, the interest rates are inherently and indirectly linked to market rates. Sudden large or frequent increases in interest rates may have an adverse effect on the Bank's profit due to the value of the Bank's assets and liabilities having different interest rate sensitivity. If the Bank is unable to manage its exposure to interest rate volatility, whether through product pricing and maintenance of borrower credit or other means, its business, financial condition, results of operations and/or prospects may be adversely affected.

Third, interest rates impact the Bank's loan impairment levels and customers' affordability position. For example, an increase in interest rates may lead to an increase in default rates, in turn leading to increased impairment charges, loan losses and lower profitability for the Bank.

Fourth, a high interest rate environment may reduce demand for lending products, as individuals are less likely or less able to borrow when interest rates are high, thereby reducing the Group's results of operations.

2.1.5 *The Bank is exposed to risk related to variations in funding costs and availability of funding*

The Bank is dependent on access to sufficient liquidity on acceptable terms in order to be able to meet its obligations as they fall due. This liquidity risk is inherent in banking operations and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding (including, for example, short-term and overnight funding), changes in credit ratings or market-wide phenomena such as market dislocation and major disasters. Furthermore, the Bank is dependent on sufficient funding in order to carry out its lending business.

The Bank's funding requirements are primarily covered through customer deposits. Deposits are subject to fluctuations due to certain factors beyond the control of the Bank, such as loss of customer confidence and competitive pressures, and as a result, the Bank could experience a significant outflow of deposits within a short period of time. In addition, any uncertainty regarding the Bank's financial position may lead to withdrawal of deposits, resulting in a funding deficit for the Bank.

Moreover, there may be a reduction in the current Norwegian deposit guarantee scheme due to the EU Directive 2014/749/EC which imposes a harmonised level of deposit guarantees of EUR 100,000 per bank per customer in the event of a bank failure. The current Norwegian guarantee scheme provides for a deposit guarantee corresponding to about EUR 250 000 per customer, and such a decrease may also lead to withdrawal of deposits.

There is a further risk that corporate and institutional counterparties may take measures to reduce their credit exposures to banks. The Bank's second market funding source is senior unsecured debt, mainly from domestic

lenders. The market for unsecured senior loans to banks is subject to fluctuations due to certain factors beyond the control of the Bank, such as loss of investor confidence in the banking sector, competitive pressures, regulatory matters and other macro factors, and as a result, the Bank could experience increased costs and/or limited availability in financing and refinancing opportunities for its senior debt.

The Bank's exposure to short-term and overnight funding is limited. However, the Bank may in the future rely from time to time on certain facilities and committed credit. Should these become restricted or available only at a high cost, the Bank may experience difficulty in meeting its obligations.

If the Bank has difficulty in securing adequate sources of short- and long-term funding, this could have a material adverse effect on its business, financial condition and/or results of operations.

2.1.6 *The Bank is exposed to foreign currency risk*

The Bank currently has limited exposure to foreign currencies except for EUR through its joint EMTN-programme (Euro Medium Term Note-Programme) with SpareBank 1 Nord-Norge, SpareBank 1 SR-Bank and SpareBank 1 SMN. The Bank's goal over time is that about 20% of the Bank's funding will be in foreign currency. The main reason for this is to create further diversification in the loan portfolio. Foreign currency rates in financial markets are volatile and fluctuate rapidly. Changes in currency rates could cause the Bank's assets to decrease or liabilities to increase in value. The Bank has internal policies in place to manage this risk by hedging currency risk in financial markets, but may prove inadequate or insufficient. There is also the risk that liquidity in currency markets related to the NOK will dry up, making it difficult or impossible to hedge currency risk or settle existing hedges.

2.1.7 *The Bank is exposed to credit- and interest spread risk*

The Bank invests in fixed income securities. This exposes the Bank to changes in credit- and interest spread. The prices of fixed income securities is often related directly and inversely to its credit- and interest spread, and these credit- and interest spread may fluctuate in the market due to changes in general macroeconomic conditions, issuer-specific conditions, liquidity or market sentiment. The Bank measures and limits its credit- and interest spread risk exposure. However, larger changes to credit- and interest spreads than anticipated may cause larger than expected losses on these investments.

2.1.8 *The Bank is exposed to systemic risk*

Given the high level of interdependence between financial enterprises, the Bank is and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of other financial enterprises. Within the financial services industry, the default of any one enterprise could lead to defaults by other enterprises. Concerns about, or a default by, one enterprise could lead to significant liquidity problems, losses or defaults by other enterprises, because the commercial and financial soundness of many financial enterprises may be closely related as a result of their credit, trading, clearing or other relationships. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom certain of the Bank's subsidiaries interact on a daily basis.

Systemic risk could have a material adverse effect on the Bank's ability to raise new funding and on its business, financial condition, results of operations, liquidity and/or prospects.

2.1.9 *The Bank is exposed to operational risks related to systems and processes and inadequacy in internal control procedures*

The Bank depends on a number of operations every day. The success of the Bank depends on its ability to handle and report these operations efficiently and accurately. The Bank is exposed to operational risks such as failure or inadequacies in internal processes and systems (including, but not limited to, financial reporting and risk monitoring processes), equipment, IT infrastructure, documentation of transactions or agreements with third parties, failure to protect material and immaterial assets and employee errors. Further, the Bank may fail to obtain or maintain proper authorisations, or comply with regulatory requirements (including, not limited to, data protection, anti-money laundering regulations and capital requirements).

The Bank is also exposed to operational risks due to customer complaints and failure in external systems. In addition, the Bank may be negatively impacted by fraudulent acts or violations of internal instructions committed by their own employees. The Bank cannot predict whether such instances of internal fraud will occur or, if they were to occur, the extent to which these acts would negatively impact it. There can be no assurance that the risk controls, loss mitigation and other internal controls or actions in place across the Bank will be effective in managing each of the operational risks faced by it.

Some of the risk mitigating measures used by the Bank is based on historical information. Future development may significantly differ from observed historical development; there is a risk that such measures are inadequate in predicting future risk exposure. Furthermore, risk management methods may rely on estimates, assumptions and available information that may be incorrect or outdated. If the risk management is insufficient or inadequate, this could have a material adverse effect on the Bank. Should any of the operational risks mentioned above materialise, this could lead to both reputational and financial damage, and could have a material adverse effect on the Bank's business, financial situation, liquidity and/or results of operations.

2.1.10 *The Bank could fail to attract or retain management or other key employees*

The Bank depends on the leadership and experience of its executive management and key employees. The loss of the services of any of the Bank's executive management members could have a material adverse effect on its business and prospects, as it may not be able to find suitable individuals to replace such personnel on a timely basis or without incurring increased costs, or at all. Management believes that the Bank's future success will depend greatly on its continued ability to attract and retain highly skilled and qualified personnel. There is a high level of competition for experienced, successful personnel in the financial sector. To the extent that the Bank is unable to meet or satisfy its staffing requirements, the Bank's growth and profitability may be impaired, which could have a material adverse effect on the Bank's business, financial condition, results of operations, cash flows and/or prospects.

2.1.11 *The Bank is exposed to material risks as a result of its operation in competitive markets*

The Bank operates in an increasingly competitive Norwegian financial services market. The Bank competes mainly with other providers of personal financial services and financial services focused towards small and medium sized businesses, including Norwegian and non-Norwegian banks and other financial institutions, some of which have greater scale and financial resources, broader product offerings and more extensive distribution networks than the Bank.

Competition may intensify further as a result of competitor behaviour, consumer demand, technological changes, market consolidation and new market entrants and regulatory actions. Furthermore, in 2018, the Revised Payment Systems Directive (PSD2) is expected implemented. PSD2 opens up the European market for payment systems and may imply increased competition from foreign banks as well as increased competition from other types of financial services providers. If increased competition occurs as a result of these or other factors, the Bank's business, financial condition, results of operations and/or prospects could be materially adversely affected.

Each of the main financial services markets in which the Bank operates are mature and slow growing, so that material growth requires taking market share from competitors. The home loans, savings, credit cards and deposit markets in particular are very concentrated. This may place elevated focus on price, service and other competitive factors as key differentiators, each of which carries a cost to the provider. If the Bank is unable to match the efficiency or the marketing impact of its competitors, it risks being disadvantaged and being unable to meet its strategic growth aspirations.

Competition for customers among financial institutions may increase the Bank's cost related to acquiring new customers, for example by requiring the Bank to increase interest rates on its savings products or decrease the pricing on its home loans. Further, higher interest rates offered on savings products without any corresponding lending rate increase will reduce the Bank's margins and therefore affect the Bank's ability to achieve its income targets, which may in turn have a material adverse effect on the Bank's business, financial condition, results of operations and/or prospects.

2.1.12 *The Bank relies heavily on IT systems and is exposed to the risk of failure or inadequacy in these systems*

The Bank relies heavily on the uninterrupted operation of its IT systems for the efficient running of its business and operations, and, in particular in order to offer customers an online bank with 24 hours availability. Further, the Bank relies on certain financial infrastructure services that are widely used in the bank sector to process payments and transactions. Furthermore, the Bank depends on a few third party providers for the supply of important IT services to the Bank, such as Evry AS and SimCorp A/S. Changes in regulatory or operational requirements may imply material changes to the Bank's current IT systems and could further lead to a change in the systems and solutions provided to the Bank by its third party providers.

Despite the contingency plans and facilities that the Bank has in place, its ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports the business of the Bank, some of which are beyond the Bank's control. Any failure, inadequacy, interruption or security failure of those systems, or the failure to seamlessly maintain, upgrade or introduce new systems, could harm the Bank's ability to effectively operate its business and increase its expenses and harm its reputation. There is a risk that customers, as a result of interruptions in digital banking, terminate their relationship with the Bank. These risks may in turn have a material adverse effect on the Bank's financial condition, results of operations and/or prospects.

2.1.13 *The Bank is exposed to risk of information and communication technology crime and such crime may have an adverse effect on the Bank's business, reputation and results of operations*

Like other financial enterprises, the Bank's activities have been, and are expected to continue to be, subject to an increasing risk of information and communication technology crime in the form of Trojan attacks and denial of service attacks, the nature of which is continually evolving.

Cyber security risks are foremost related to the Bank's internet bank users and include potential unauthorized access to privileged and sensitive customer information, including internet bank credentials as well as account and credit card information.

The Bank may experience security breaches or unexpected disruptions to its systems and services in the future, which could in turn, result in liabilities or losses to the Bank, its customers and/or third parties and have an adverse effect on the Bank's business, reputation and results of operations.

2.1.14 *The Bank may not be able to maintain sufficient insurance to cover all risks related to its operations*

The Bank's business is subject to a number of risks, including, but not limited to fraud, disruption in the infrastructure, human errors, litigation and changes in the regulatory environment. Such occurrences could result in financial losses and possible legal liability. Although the Bank seeks to maintain insurance or contractual coverage to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with the Bank's operations, which could have a material and adverse effect on the Bank's business, financial condition, results of operations and/or prospects.

2.1.15 *The Bank is exposed to potentially litigation, claims and compliance risks*

The Group may be subject to legal proceedings in the future that may be significant and there can be no assurances that the outcome of pending or future proceedings and litigation will not have a material adverse effect on the Group's business, financial condition, results of operations, cash flows and/or prospects.

2.1.16 *The Bank is exposed to risk related to money laundering activities and identity fraud*

In general, the risk that banks will be subjected to or used for money laundering has increased worldwide. The turnover of employees can create challenges in consistently implementing related policies and technology systems. The risk of future incidents in relation to money laundering always exists for banks. Any violation of antimony laundering rules, or even the suggestion of violations, may have severe legal and reputational consequences for the Bank and may, as a result, adversely affect the Bank's business and/or prospects.

2.1.17 *The Group may make acquisitions that prove unsuccessful or strain or divert the Group's resources*

On 1 April 2017, the Bank completed a merger with B1OA. Although the Bank has had a large ownership in Bank 1 Oslo Akershus over time, the two former banks have had different geographical exposure and a different composition of its loan portfolios. At the date of this Prospectus, the integration of the two former banks is not fully completed and there is limited financial information available for the consolidated Bank. There are no assurances that the merger will be successful or that the Group will be able to integrate Bank 1 Oslo Akershus in an efficient manner.

The Group may in the future make acquisitions that prove to be unsuccessful. Successful growth through acquisitions is dependent upon the Group's ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate transactions on favourable terms, obtain required licences and authorisations and ultimately complete such acquisitions and integrate acquired entities into the Group. If the Group makes acquisitions, it may be unable to generate expected margins or cash flows, or realise the anticipated benefits of such acquisitions, including growth or expected synergies. The Group's assessment of and assumptions regarding acquisition targets could prove to be incorrect, and actual developments may differ significantly from expectations. The Group may not be able to integrate acquisitions successfully and such integration may require greater investment than anticipated, and the Group could incur or assume unknown or unanticipated liabilities or contingencies with respect to customers, employees, government authorities or other parties. The process of integrating acquisitions may also be disruptive to the Group's operations, as a result of, among other things, unforeseen legal, regulatory, contractual and other issues and difficulties in realising operating synergies, which could cause the Group's results of operations to decline. Moreover, any acquisition may divert Management's attention from day to day business and may result in the incurrence of additional debt. Should any of the above occur in connection with an acquisition, there could be a material adverse effect on the Group.

2.1.18 *Risk related to strategic agreements*

The Bank is a member the SpareBank 1 Alliance which is a cooperation between the 14 SpareBank 1 banks. The SpareBank 1 Alliance has been key in the development and offering of relevant products to the customers of the Bank and collaboration on IT-services and infrastructure, enabling the combination of efficient operations and economies of scale with independent local banking operations. Furthermore, the Bank's new name, SpareBank 1 Østlandet, is directly linked to the SpareBank 1 Alliance. The SpareBank 1 Alliance is further described in Section 6.7 "*Description of the SpareBank 1 Alliance and the SpareBank 1 Group*". A termination of the Bank's participation in the SpareBank 1 Alliance could have a material adverse effect on the Group.

Pursuant to an agreement between the Bank and the Norwegian Confederation of Trade Unions ("**LO**", the definition LO also comprises the Related Associations as set out in Section 23 "*Definitions and glossary*") dated 10 June 2016, LO will have a right to terminate the cooperation agreement (as further described in Section 6.11) if LO, provided that LO owns 10% of the ECCs, is not represented on the Bank's board of directors with at least one board member and one deputy board member (with the right to attend all board meetings). The members of the Bank's board of directors are elected by the Bank's Supervisory Board and not the Bank or the ECC-holders (directly). If the Bank's Supervisory Board decides not to elect the abovementioned representatives from LO, and LO decides to exercise its termination right, this may have an adverse effect on the Group's financial position and results of operations.

2.1.19 *Risk related to credit ratings*

The Bank is dependent on credit ratings for its funding activities outside of Norway. Furthermore, the Bank's credit rating may affect the Bank's funding abilities and the market's perception of the Bank. The Bank's credit rating is therefore important for its business. The Bank is currently rated with a long-term deposit and issuer rating of A1 and a baseline credit assessment of baa1 by Moody's Investor Service Ltd ("**Moody's**"). There can be no assurance that Moody's or other rating agencies will not downgrade the ratings of the Bank or the ratings of the Bank's debt instruments as a result of a number of factors, including the Bank's financial position or changes to applicable rating methodologies used by Moody's or any other relevant credit rating agency. A rating agency's evaluation of the Bank may also be based on a number of factors not entirely within the control of the Bank, such as conditions affecting the financial services industry in general. Any future declines in those aspects of the Bank's business identified by Moody's as significant or otherwise could adversely affect Moody's perception of the Bank's credit and cause it to take negative ratings actions. Any downgrade in the Bank's credit

rating or the ratings of its debt instruments could adversely affect its liquidity and competitive position, undermine confidence in the Bank, increase its borrowing costs, reduce attractiveness for the Bank's customers and increase risk of outflow in customer deposits, limit its access to the capital markets, or limit the range of counterparties willing to enter into transactions with the Bank as many institutions require their counterparties to satisfy minimum rating requirements. Such development could have a material adverse effect on the Group's business, financial situation, results of operations and/or prospects.

2.2 RISK RELATING TO LAWS AND REGULATIONS

2.2.1 *The Bank is exposed to changes in banking and financial services regulations and changes in the interpretation and operation of such regulations*

The Bank is subject to financial services laws, regulations, administrative actions and policies in Norway. Changes in supervision and regulation in Norway and in the European Union ("**EU**")/the European Economic Area ("**EEA**"), could materially affect the Bank's business, the products and services offered or the value of its assets. Future changes in regulation, fiscal or other policies can be unpredictable and are beyond the control of the Bank.

Areas where changes or developments in regulation and/or oversight could have a material adverse impact include, but are not limited to (i) changes in monetary, interest rate and other policies, (ii) general changes in government and regulatory policies or regimes which may significantly influence investor decisions or increase the costs of doing business in Norway, (iii) changes in competition and pricing environments, (iv) differentiation among financial enterprises with respect to the extension of guarantees to bank deposits and borrowings from customers and the terms attaching to such guarantees, (v) increased financial reporting requirements and (vi) changes in regulations affecting the Bank's current structure of operations. Financial regulators responding to future crisis or other concerns may adopt new or additional regulations, imposing restrictions or limitations on banks' operations, including, but not limited to, increased capital requirements, disclosure and/or reporting standards or restrictions on certain types of transaction structures. The Bank may also be affected by implementation of measures that are part of the EU Capital Markets Union.

Although the Bank works closely with its regulators and continues to monitor the legal framework, future changes in the Norwegian FSA's or other government agencies' interpretation or operation of existing legislation or regulation can be unpredictable and are beyond the control of the Bank.

The Bank may be affected by the EU proposal concerning decreased level of deposit guarantees as well as increased contributions to the Norwegian Bank's Guarantee Fund and to a national resolutions fund, which shall constitute a financing arrangement for crises resolutions. In addition, the proposed new directive 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, may lead to increased competition between banks and other payment services providers as the directive requires banks to reformulate their approach to providing secure data access to third parties, and thus it increases the competition between payment service providers because more payment service providers are given access to customers' account information, including funds available.

A non-exhaustive overview of the current regulatory framework for the Bank is described in Section 17 "Regulatory Environment" below.

2.2.2 *The Bank is subject to regulatory capital adequacy requirements and an increased level of risk could lead to an increase in its capital adequacy requirements*

The global financial market turbulence in 2008-2009 gave rise to international focus on certain issues identified as contributors to the crisis. This resulted in the Basel III accord and subsequent changes in the European regulatory framework including the new capital adequacy rules known as CRD IV/CRR, that are also implemented in Norway and which the Bank is subject to. These rules entail a step-up in the Tier 1/Tier 2 risk-weighted capital requirement, most of which are in force. The counter-cyclical buffer (maximum 2.5%) is to be re-assessed each quarter; an increase will normally be with 12 months' notice. The new rules also include capital requirement on a non-risk weighted basis to be implemented by 30 June 2017. The level of capital leverage ratio is 3% for savings banks, and in addition, banks shall have a capital leverage ratio buffer of minimum 2%.The CRD IV/CRR framework also includes liquidity requirements.

Liquidity Coverage Ratio ("**LCR**") was introduced in 2016 onwards, with gradual implementation. An additional Net Stable Funding Ratio ("**NSFR**") is expected to be implemented within 2018. In addition to these general "Pillar 1" requirements referred to above, CRD IV permits regulators to require additional capital calibrated individually to address the specific risk profile of each bank at any time.

The Bank may in the future be subject to further increases in capital and liquidity requirement as well as other regulatory requirements and constraints concerning increased capital requirements pursuant to Pillar 1. Moreover, the Norwegian FSA may impose stricter capital requirements for the Bank pursuant to the specific risks relating to the Bank's operations under the Pillar 2 assessment. Moreover, the Bank is not regarded as a systemic important bank in Norway; however, there can be no assurance that the regulator will change its view on the classification. Should the Bank be classified a systemic important bank it will subject to stricter capital requirements. Any such requirements as mentioned above could have material adverse effect on the Bank's financial position and profitability.

2.2.3 *The Bank is subject to the Norwegian provisions on ownership control*

Pursuant to the Norwegian Financial Institution Act, acquisition of qualifying holdings in a financial enterprise is subject to prior approval by the Norwegian Ministry of Finance or the Norwegian FSA. A qualifying holding is a holding that represents 10% or more of the capital or voting rights in a financial enterprise or allows for the exercise of significant influence on the management of the enterprise and its business. When the financial enterprise has issued equity capital certificates, such holding is calculated as a proportion of the sum of ownerless capital and equity share capital or of the voting rights at the general meeting. Approval may only be granted if the acquirer is considered appropriate according to specific non-discriminatory tests described in the Norwegian Financial Institution Act (the so-called "fit and proper" test). Any person intending to acquire a qualifying holding of the Bank, must be explicitly approved by the Norwegian FSA and/or the Norwegian Ministry of Finance, as applicable before the transaction can be carried through. Such persons run a risk that their application for approval is denied or that Norwegian authorities impose unfavourable conditions related to an approval. Further details on the Norwegian rules on ownership control in financial enterprises are provided for in Section 17 "Regulatory environment".

2.2.4 *The implementation of BRRD may impact the senior debt funding for the Bank*

It is expected that the implementation of the EU Banking Recovery and Resolutions Directive ("**BRRD**") will impact the senior debt funding for banks and lead to added regulatory requirements on a number of banks. BRRD requires banks to draw up recovery and resolution plans to be scrutinised by regulators, and introduces inter alia the bail-in tool whereby the regulators can affect a write-off of unsecured senior debt or conversion into equity in a financial distress scenario. It is expected that BRRD will increase cost of unsecured senior bank debt, in particular as compared to secured debt exempted from bail-in. Consequently, under BRRD, any perceived uncertainty regarding a bank's financial position may significantly limit its access to senior debt funding. Thus, the Bank may be subject to increased costs of unsecured senior bank debt in the future and this may adversely affect the Bank's access to senior debt funding.

2.2.5 *The implementation of the EU Market Abuse Regulations may lead to withholding of information to the public in certain distress scenarios*

The EU Regulation No. 596/2014 of European Parliament and of the Council of 16 April 2014 on market abuse ("**MAR**"), which is expected to be implemented in Norway in 2018, increases the risk for holders of listed equity capital certificates and bonds issued by banks, providing for an exemption from ordinary disclosure requirements for listed banks. The new rules allow banks to withhold information on a distress scenario, even where this delay of disclosure is likely to mislead the public. The relevant MAR rule provides that, in order to preserve the stability of the financial system, an issuer that is a bank, may, on its own responsibility, delay public disclosure of inside information, including information which is related to a temporary liquidity problem and, in particular, the need to receive temporary liquidity assistance from a central bank or lender of last resort, provided certain conditions are met, including that disclosure entails a risk of undermining the financial stability of the issuer and of the financial system. In addition to the new rule on delayed disclosure specific to banks, the general rule for delayed disclosure of inside information, on certain terms and as available to all issuers subject to the Norwegian Securities Trading Act, is expected maintained through the implementation of MAR.

2.2.6 *The Bank is exposed to changes in tax or VAT laws and regulations and changes in the interpretation and operation of such regulations*

The Bank is subject to Norwegian laws and regulations regarding tax and VAT. Future actions by the Norwegian government to change the tax or VAT laws or regulations, to increase tax or VAT rates or to impose additional taxes or duties, might reduce the Bank's profitability. Further, changes in the interpretation of tax or VAT legislation as well as differences in opinion between the Bank and Norwegian tax authorities with respect to the interpretation of relevant legislation or regulations might also adversely affect the Bank's business. There can be no assurance that any change in tax or VAT legislation or the interpretation of tax and VAT legislation will not have a retroactive effect. Any such event might have a material adverse effect on the Bank's business, financial situation, results of operations, liquidity and/or prospects.

2.2.7 *Risks related to the new IFRS 9 Financial Instruments*

IFRS 9 Financial Instruments was endorsed by the EU in November 2016 and will replace IAS 39 Financial Instruments: Recognition and Measurement and be effective for periods beginning on or after 1 January 2018. IFRS 9, in particular the impairment requirements, will lead to significant changes in the accounting for financial instruments. The Bank does not expect to restate comparatives on initial application of IFRS 9 on 1 January 2018 but plans to provide detailed transitional disclosures in accordance with the amended requirements of IFRS 7.

IFRS 9 introduces a revised impairment model which will require entities to recognise expected credit losses based on unbiased forward-looking information. This replaces the existing IAS 39 incurred loss model which only recognises impairment if there is objective evidence that a loss is already incurred and would measure the loss at the most probable outcome. The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts. This contrasts to the IAS 39 impairment model which is not applicable to loan commitments and financial guarantee contracts (these were covered by IAS 37). In addition, IAS 39 requires the impairment of "available for sale" debt to be based on the fair value loss rather than estimated future cash flows as for amortised cost assets. Intercompany exposures, including loan commitments and financial guarantee contracts, are also in scope in the stand-alone reporting entity accounts.

The IFRS 9 methodology implies somewhat greater volatility in write-downs, and it is expected that the impairment comes earlier than in the current practise. This will be particularly noticeable at the start of a recession. The general expectation among banks is that the implementation of IFRS 9 will result in an increase in the recognition of impairment losses due to the change to an expected loss model and consequently the implementation may have a negative effect on the Bank's financial reports compared to reporting IAS 39.

2.3 RISKS RELATING TO THE LISTING AND THE ECCS

2.3.1 *There may not be an active and liquid market for the ECCs and the price of the ECCs could fluctuate significantly*

An investment in the ECCs is associated with a high degree of risk and the price of the ECCs may not develop favourably. Prior to the Offering, there has been no public market for the ECCs. Following the Listing, an active or liquid trading market for the ECCs may not develop or be sustained, and the ECCs may not be resold at or above the Offer Price. If such market fails to develop or be sustained, it could have a negative impact on the price of the ECCs. Investors may not be in a position to sell their ECCs quickly, at the market price or at all if there is no active trading in the ECCs.

The equity capital certificate prices of publicly traded banks can be highly volatile and, after the Offering, the price of the ECCs could fluctuate substantially due to various factors, some of which could be specific to the Group and its operations, and some of which could be related to the industry in which the Group operates or equity markets generally. Some of the factors that could negatively affect the ECC price or result in fluctuations in the price or trading volume of the ECC including, for example, changes in the Group's actual or projected results of operations or those of its competitors, changes in earnings projections or failure to meet investors' and analysts' earnings expectations, investors' evaluations of the success and effects of the strategy described in this Prospectus, as well as the evaluation of the related risks, changes in general economic conditions, changes

in consumer preferences, an increase in market interest rates, changes in holders of equity capital certificates and other factors. As a result of these and other factors, the ECCs may trade at prices significantly below the Offer Price.

Market volatility and volume fluctuations have affected and continue to affect the market prices of securities issued by many banks, and may occur without regard to the operating performance of the banks. The market price of the ECCs may decline, and the ECCs may trade at prices significantly below the Offer Price, regardless of the Group's actual operating performance, and there can be no assurances as to the liquidity of any market for the ECCs, investors' ability to sell their ECCs or the prices at which investors would be able to sell their ECCs.

One of the factors that could also influence the price of the ECCs is its annual dividend yield, as compared to yields on other financial instruments. Thus, an increase in market interest rates will result in higher-yields on other financial instruments, which could adversely affect the price of the ECCs.

2.3.2 *The Foundation is expected to be able to determine the election of representatives for the ECC-holders on the Bank's supervisory board and may take actions that are not in, or may conflict with, the other ECC-holders' best interests*

According to the Foundation's articles of association, it shall hold at least 50% of the ECCs after completion of the Offering and will be able to determine the election of representatives for the ECC holders on the Bank's Supervisory Board (which currently constitutes 12 out of 40 members). Consequently, the Foundation may elect representatives that are not in, or may conflict with, the other ECC holders' best interests.

2.3.3 *Future sales, or the possibility for future sales, of ECCs after the Offering may affect the market price of the ECCs*

The Group cannot predict what effect, if any, future sales of the ECCs, or the availability of ECCs for future sales, will have on the market price of the ECCs. Sales of substantial amounts of the ECCs in the public market following the Offering, including by the ECC holders, or the perception that such sales could occur, could adversely affect the market price of the ECCs, making it more difficult for holders to sell their ECCs or the Bank to sell equity securities at a time and price that they deem appropriate.

2.3.4 *Pre-emptive rights to subscribe for ECCs in additional issuances could be unavailable to U.S. or other holders of equity capital certificates*

Under Norwegian law, unless otherwise resolved at the meeting of the Supervisory Board, existing holders of equity capital certificates have pre-emptive rights to participate on the basis of their existing ownership of ECCs in the issuance of any new ECC. Holders of equity capital certificates in the United States, however, could be unable to exercise any such rights to subscribe for new ECCs unless a registration statement under the U.S. Securities Act is in effect in respect of such rights and ECC or an exemption from the registration requirements under the U.S. Securities Act is available. Holders of equity capital certificates in other jurisdictions outside Norway could be similarly affected if the rights and the new ECCs being offered have not been registered with, exempted from, or approved by, the relevant authorities in such jurisdiction.

2.3.5 *Investors could be unable to exercise their voting rights for ECCs registered in a nominee account*

Beneficial owners of the ECCs that are registered in a nominee account (such as through brokers, dealers or other third parties) could be unable to vote for such ECCs at the election meetings for the ECC holders unless their ownership is re-registered in their names with the VPS prior to the relevant election meeting. There can be no assurances that beneficial owners of the ECCs will receive the notice of any such meeting in time to instruct their nominees to either effect a re-registration of their ECCs or otherwise vote their ECCs in the manner desired by such beneficial owners.

2.3.6 *Investors could risk write-down of the equity share capital in case of payment difficulties and capital adequacy difficulties*

In case the Bank may experience payment difficulties or capital adequacy difficulties, the Norwegian FSA and/or the Ministry of Finance may impose several measures on the Bank, including write down of the equity share capital. In case only 25% or less of the equity share capital is intact, and the Bank itself does not decide to write down the equity share capital against losses, the Ministry of Finance may decide that the equity share capital shall be written down by the amount of capital shown to have been lost. If it is necessary in order to secure continued satisfactory operation of the Bank, the Ministry of Finance may also stipulate that the equity share capital shall be increased by new subscription of ECCs, and set the further terms and conditions for subscription, including that the ECC holder's preferential rights may be departed from.

2.3.7 *Investors could be unable to recover losses in civil proceedings in jurisdictions other than Norway*

The Bank is a savings bank organised under the laws of Norway. The members of the Board of Directors and Management reside in Norway. As a result, it may not be possible for investors to effect service of process in other jurisdictions upon such persons or the Bank, to enforce against such persons or the Bank judgments obtained in non-Norwegian courts, or to enforce judgments on such persons or the Bank in other jurisdictions.

2.3.8 *The transfer of ECCs is subject to restrictions under the securities laws of the United Sates and other jurisdictions*

The ECCs have not been registered under the U.S. Securities Act or any U.S. state securities laws or any other jurisdiction outside Norway and are not expected to be so in the future. As such, the ECCs may not be offered or sold except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. See Section 20 "*Selling and transfer restrictions*". Similar limitations on transfer may apply in other jurisdictions. In addition, there are no assurances that holders of equity capital certificates residing or domiciled in the United States or other countries will be able to participate in future capital increases or rights offerings.

3 RESPONSIBILITY FOR THE PROSPECTUS

This Prospectus has been prepared in connection with the Offering and the Listing described herein.

The Board of Directors of SpareBank 1 Østlandet accepts responsibility for the information contained in this Prospectus. The members of the Board of Directors confirm that, after having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omissions likely to affect its import.

Hamar, 26 May 2017

Siri J. Strømmevold Chairman	Nina Cecilie Lier Deputy Chairman

Erik Garaas Board member	Guro Nina Vestvik Board member	Morten Herud Board member
Hans-Christian Gabrielsen Board member	Espen Bjørklund Larsen Board member	Vibeke Hanvold Larsen Board member

4 GENERAL INFORMATION

4.1 OTHER IMPORTANT INVESTOR INFORMATION

The Bank has furnished the information in this Prospectus. The Managers disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this Prospectus or any such statement.

Neither the Bank, the Selling ECC Holders nor the Managers, or any of their respective affiliates, representatives, advisers or selling agents, is making any representation to any offeree or purchaser of the Offer ECCs regarding the legality or suitability of an investment in the Offer ECCs. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer ECCs.

Investing in the Offer ECCs involves a high degree of risk. See Section 2 "Risk factors".

In connection with the Offering, the Managers and any of their respective affiliates, acting as an investor for its own account, may take up Offer ECCs in the Offering and in that capacity may retain, purchase or sell for its own account such securities and any Offer ECCs or related investments and may offer or sell such Offer ECCs or other investments otherwise than in connection with the Offering. Accordingly, references in the Prospectus to Offer ECCs being offered or placed should be read as including any offering or placement of Offer ECCs to the Managers or any of their respective affiliates acting in such capacity. The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

4.2 PRESENTATION OF FINANCIAL AND OTHER INFORMATION

4.2.1 *Financial information*

The Group's Annual Financial Statements as of, and for the years ended, 31 December 2016, 2015 and 2014 included in Appendix B to this Prospectus have been prepared in accordance with IFRS as adopted by EU. The Group's unaudited Interim Financial Statements as of, and for the three month period ended, 31 March 2017 and 2016 included in Appendix C to this Prospectus have been prepared in accordance with IAS 34.

The Annual Financial Statements for the years ended 31 December 2016, 2015 and 2014 have been audited by PricewaterhouseCoopers AS, as set forth in their report thereon included herein in Appendix B. The interim financial report for the three months period that ended 31 March 2017 has been subject to a limited review by PricewaterhouseCoopers AS.

In this Prospectus, all references to "NOK" are to the lawful currency of Norway. The Bank prepares its financial statements in NOK (presentation currency). Unless otherwise noted, all amounts in this Prospectus are expressed in NOK.

Certain figures included in this Prospectus have been subject to rounding adjustments (by rounding to the nearest whole number or decimal or fraction, as the case may be). Accordingly, figures shown for the same category presented in different tables may vary slightly. As a result of rounding adjustments, the figures presented may not add up to the total amount presented.

4.2.2 *Certain terms used*

For definitions of certain terms and metrics used throughout this Prospectus, see Section 11 "Financial information" and Section 22 "Definitions and Glossary".

4.2.3 *Trademarks*

The Group owns or has rights to certain trademarks, trade names or service marks that it uses in connection with the operation of its business. The Group asserts, to the fullest extent under applicable law, its rights to its trademarks, trade names and service marks.

Each trademark, trade name or service mark of any other company appearing in this Prospectus belongs to its holder. Solely for convenience, the trademarks, trade names and copyrights referred to in this Prospectus are listed without the ™, ® and © symbols.

4.2.4 *Non-IFRS financial measures and ratios*

In this Prospectus, the Bank presents certain non-IFRS financial measures and ratios because they permit for a more complete and comprehensive analysis of the Bank's operating performance relative to other companies and across periods. The non-IFRS financial measures and ratios presented are defined as follows:

- *Average lending to customers:* calculated as the arithmetic average of the last five quarterly ending balances on the account named "Loans to and receivables from customers".

- *Average deposits from customers:* calculated as the arithmetic average of the last five quarterly ending balances on the account named "Deposits from and liabilities to customers".

- *Average total assets:* calculated as the arithmetic average of the last five quarterly ending balances on the account named "Total Assets".

- *Lending to customers margin:* calculated as an aggregation of the Bank's "Interest income on loans to customers", divided by average lending volume, adjusted for the number of days in the period and subtracting the average 3 months NIBOR rate. The average lending volume for the banking operation is calculated based on average weighted daily closing balances, while average lending volume from the subsidiary SpareBank 1 Finans Østlandet AS is calculated based on average monthly closing balances.

- *Deposit to customers margin:* calculated as an aggregation of the Bank's "Interest cost on deposits from customers", divided it by average deposit volume, adjusted for the number of days in the period and subtracting the result from the average 3 months NIBOR rate. The average deposit volume is calculated based on average weighted daily closing balances.

- *Loan-to-value ratio (LTV):* calculated as the size of the mortgage loan as a percentage of the market value of the collateral of the mortgage loan.

- *Net interest spread:* calculated as "Lending to customers margin" plus "Deposit to customers margin".

- *Net interest income in percent of average assets:* "Net interest income" divided by "Average total assets".

- *Net interest income ratio:* calculated as "Net interest income" divided by "Total net income".

- *Net commission and other income ratio:* calculated as "Net commission and other income" divided by "Total net income".

- *Net income from financial assets and liabilities ratio:* calculated as "Net income from financial assets and liabilities" divided by "Total net income".

- *Cost / Income ratio:* calculated as "Total operating expenses before losses on loans and guarantees" divided by "Total net income" minus "Net income from financial assets and liabilities".

- *Average equity capital:* calculated as the arithmetic average of the last five quarterly ending balances on the account named "Total equity capital", excluding hybrid capital.

- *Return on equity capital before tax:* calculated as "Profit/loss before tax" including "Before-tax effects from interest costs on hybrid capital", divided by "Average equity capital".

- *Return on equity capital after tax:* calculated as "Results for the accounting year" including "After-tax effects from interest costs on hybrid capital", divided by "Average equity capital".

- *Deposit ratio ex. loan transfers:* calculated as "Deposits from and liabilities to customers" divided by "Gross loans to and receivables from customers".

- *Deposit ratio incl. loan transfers:* calculated as "Deposits from and liabilities to customers" divided by "Gross loans to and receivables from customers" plus "Loans transferred to covered bonds companies".

- *CET1 capital ratio:* calculated as "Common equity Tier 1 capital" divided by "Total risk-weighted assets".

- *Tier 1 capital ratio:* calculated as "Common equity Tier 1 capital" plus "Additional Tier 1 capital" divided by "Total risk-weighted assets".

- *Total capital ratio:* calculated as "Common equity Tier 1 capital" plus "Additional Tier 1 capital" plus "Tier 2 capital" divided by "Total risk-weighted assets".

- *Leverage ratio:* calculated as "Tier 1 capital" divided by the total exposure measure which consists of balance sheet items and off-balance sheet items, not adjusted for risk weights.

- *Loan loss ratio:* calculated as "Losses on loans and guarantees" divided by "Gross loans to and receivables from customers".

- *Defaulted commitments ratio:* calculated as "Defaulted commitments" divided by "Total commitments to customers".

- *Other doubtful commitments ratio:* calculated as "Other doubtful commitments" divided by "Total commitments to customers".

- *Total non-performing loans ratio:* calculated as "Defaulted commitments" plus "Other doubtful commitments" divided by "Total commitments to customers".

- *Individual provision ratio:* calculated as "Individual write-downs to cover losses on loans and guarantees" divided by "Defaulted commitments" plus "Other doubtful commitments".

- *Collective provision ratio:* calculated as "Collective write-downs to cover losses on loans and guarantees" divided by "Defaulted commitments" plus "Other doubtful commitments".

- *Total provision ratio:* calculated as "Individual write-downs to cover losses on loans and guarantees" plus "Collective write-downs to cover losses on loans and guarantees" divided by "Defaulted commitments" plus "Other doubtful commitments".

The financial measures and ratios presented above are not measurements of performance under IFRS or other generally accepted accounting principles and investors should not consider any such measures to be an alternative to: (a) operating revenues or operating profit (as determined in accordance with IFRS or other

generally accepted accounting principles), as a measure of the Group's operating performance; or (b) any other measures of performance under generally accepted accounting principles. The non-IFRS financial measures and ratios presented above may not be indicative of the Group's historical operating results, nor are such measures meant to be predictive of the Group's future results.

The Bank believes that the non-IFRS financial measures and ratios presented above are commonly reported by banks in the markets in which it competes and are widely used by investors in comparing performance on a consistent basis without regard to factors such as depreciation, amortization and impairment, which can vary significantly depending upon accounting methods (particularly when acquisitions have occurred), business practice or based on non-operating factors. Accordingly, the Group discloses the non-IFRS financial measures and ratios presented above to permit a more complete and comprehensive analysis of its operating performance relative to other banks and across periods, and of the Group's ability to service its debt. Because banks may calculate the non-IFRS financial measures and ratios presented herein differently, the Group's presentation of these non-IFRS financial measures and ratios may not be comparable to similarly titled measures used by other companies. Given that the abovementioned ratios are non-IFRS financial measures and ratios, prospective investors are cautioned not to place undue reliance on such measures and ratios.

4.2.5 *Industry and market data*

This Prospectus contains statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Group's business and the industries and markets in which it operates. Unless otherwise indicated, such information reflects the Group's estimates based on analysis of multiple sources, including data compiled by professional organisations, consultants and analysts and information otherwise obtained from other third party sources, such as annual and interim financial statements and other presentations published by listed companies operating within the same industry as the Group, as well as the Group's internal data and its own experience, or on a combination of the foregoing. Unless otherwise indicated in the Prospectus, the basis for any statements regarding the Group's competitive position is based on the Bank's own assessment and knowledge of the market in which it operates.

The Bank confirms that where information has been sourced from a third party, such information has been accurately reproduced and that as far as the Bank is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified. The Bank does not intend, and does not assume any obligations to, update industry or market data set forth in this Prospectus.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Bank has not independently verified and cannot give any assurances as to the accuracy of market data contained in this Prospectus that was extracted from these industry publications or reports and reproduced herein. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

As a result, prospective investors should be aware that statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data in this Prospectus and projections, assumptions and estimates based on such information may not be reliable indicators of the Group's future performance and the future performance of the industry in which it operates. Such indicators are necessarily subject to a high degree of uncertainty and risk due to the limitations described above and to a variety of other factors, including those described in Section 2 "Risk factors" and elsewhere in this Prospectus.

The following third party sources have been used in this Prospectus:

- SpareBank 1 Gruppen analysis
- Eiendomsverdi AS, eiendomsverdi.no
- Kantar TNS

- Labor market statistics from the Norwegian Labor and Welfare Administration
- Finance Norway
- Norwegian Fund and Asset Management Association
- Statistics Norway (SSB)
- World Economic Outlook Database

Please note that some of these third party sources are not freely available.

4.2.6 *Moody's Rating*

In this Prospectus, there is references to the Group's credit ratings issued by Moody's. Moody's is established in the European Union and is registered under the Regulation (EC) NO 1060/2009 (as amended) (the "**CRA Regulation**"). As such, Moody's is included on the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation.

The rating addresses the expected loss posed to investors. Moody's applies the following rating symbols to indicate gradations of creditworthiness, with each symbol representing a group in which the credit characteristics are broadly the same. According to Moody's long-term rating scale[1]:

Aaa Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.

Aa Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A Obligations rated A are judged to be upper-medium grade and are subject to low credit risk.

Baa Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

Ba Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.

B Obligations rated B are considered speculative and are subject to high credit risk.

Caa Obligations rated Caa are judged to be speculative of poor standing and are subject to very high credit risk.

Ca Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

C Obligations rated C are the lowest

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Additionally, a "(hyb)" indicator is appended to all ratings of hybrid securities issued by banks, insurers, finance companies, and securities firms.

4.3 FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements, including, but not limited to, certain statements as set forth under Section 5, 6 and 14, and elsewhere in the Prospectus. Such forward-looking statements include, without limitation, projections and expectations regarding the Group's future financial position, business strategy, plans and objectives. All forward-looking statements included in the Prospectus are based on information available to the Bank, and views and assessments of the Bank, as at the date of this Prospectus. Except as required by the applicable stock exchange rules or applicable law, the Bank does not intend, and expressly disclaims any obligation or undertaking, to publicly update, correct or revise any of the information included in this Prospectus, including forward-looking information and statements, whether to reflect changes in the Bank's expectations with regard thereto or as a result of new information, future events, changes in conditions or circumstances or otherwise on which any statement in this Prospectus is based.

[1] Moody's Investors Service - Rating Symbols and Definitions December 2016, available at www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004

When used in this document, the words "anticipate", "assume", "believe", "can", "could", "estimate", "expect", "intend", "may", "might", "plan", "should", "will", "would" or, in each case, their negative, and similar expressions, as they relate to the Bank, its subsidiaries or its management, are intended to identify forward-looking statements. The Bank can give no assurance as to the correctness of such forward-looking statements and investors are cautioned that any forward-looking statements are not guarantees of future performance. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Bank and its subsidiaries, or, as the case may be, the industry, to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Bank and its subsidiaries operate.

Factors that could cause the Bank's actual results, performance or achievements to materially differ from those in the forward-looking statements include but are not limited to, the competitive nature of the markets in which the Bank operates, technological developments, government regulations, changes in economic conditions or political events. These forward-looking statements reflect only the Bank's views and assessment as at the date of this Prospectus. Factors that could cause the Bank's actual results, performance or achievements to materially differ from those in the forward-looking statements include, but are not limited to, those described in Section 2 "Risk factors" and elsewhere in the Prospectus.

Given the aforementioned uncertainties, prospective investors are cautioned not to place undue reliance on any of these forward-looking statements.

5 THE OFFERING

This Section sets out the terms and conditions pursuant to which all applications for Offer ECCs in the Offering are made. Investing in the Offer ECCs involves inherent risks. In making an investment decision, each investor must rely on its own examination, analysis of and enquiry into the Bank and the terms of the Offering, including the merits and risks involved. None of the Bank, the Selling ECC Holders or the Managers, or any of their respective representatives or advisers, is making any representation to any offeree or purchaser of the Offer ECCs regarding the legality or suitability of an investment in the Offer ECCs by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer ECCs. Prospective investors should read this Section in conjunction with the other parts, in particular Section 2 "*Risk Factors*".

5.1 BACKGROUND FOR THE LISTING AND USE OF PROCEEDS

The background for the listing of SpareBank 1 Østlandet's ECCs is, inter alia, to enable the Bank to take an active part in future structural changes in the banking sector in Eastern Norway. A listing will also give the Bank access to the equity capital market, and thereby provide increased flexibility with respect to its capitalization. In addition, a listing will give the Bank's customers, employees and investors an opportunity for ownership in the Bank.

The Bank's motivation for the Listing can be summarized as follows:

- A listing will give increased flexibility in the Bank's capital situation allowing more room for profitable growth
- A listing will position the Bank for structural changes in the banking sector in Eastern Norway
- A listing will broaden the ownership structure in the Bank

As the Institutional Offering and the Retail Offering are carried out as a sale of existing ECCs, the Bank will not receive any proceeds from these tranches in the Offering. The Bank will, however, receive proceeds from the Employee Offering to the extent New ECCs are subscribed for in the Employee Offering. The proceeds received in the Employee Offering has no specific purpose but will be used to finance profitable growth.

The Existing ECCs are, and the New ECCs will be, all of the same class and have ISIN NO 0010751910.

5.2 OVERVIEW OF THE OFFERING

The Offering comprises sale of up to 26,845,638 Existing ECCs offered by the Selling ECC Holders in the Institutional Offering and the Retail Offering and an issue of New ECCs with gross proceeds of up to NOK 200 million, subject to an employee discount, in the Employee Offering, both excluding utilization of the Over Allotment Option. The gross proceeds from the sale of Existing ECCs are expected to be between up to approximately NOK 2,000 million and approximately NOK 2,200million (within the Indicative Price Range and excluding utilization of the Over Allotment Option). The Foundation has undertaken to sell up to 19,044,938 Existing ECCs in the Offering at the Offer Price, and, within this maximum amount, as a minimum sell an amount of Existing ECCs which (i) implies that the gross proceeds from the Institutional Offering and the Retail Offering equals at least NOK 2,000 million; and (ii) ensures that the Bank fulfils Oslo Børs' listing requirement related to free float of ECCs and number of ECC holders with a qualified holding of ECCs. The gross proceeds from the issue of New ECCs are expected to be up to NOK 200 million, subject to the employee discount. The size of the Offering is subject to adjustment as further described below. The final number of Existing ECCs to be sold in the Offering will be determined by the Foundation, after advice from the Managers and the final number of New ECCs to be issued will be determined by the Bank, subsequent to expiry of the Bookbuilding Period and the Application Period.

In addition, the Bank, the Foundation and the Managers may elect to utilise the Over Allotment Option to over-allot a number of Additional ECCs equalling up to 10% of the number of Existing ECCs. The Foundation has granted the Stabilisation Manager a Greenshoe Option to purchase a number of ECCs corresponding to the number of Additional ECCs to cover any such over-allotments. Offer ECCs shall for the purposes of this

Prospectus, unless the context indicates otherwise, also include any Additional ECCs (see Section 5.21 "Over Allotment Option and stabilisation activities").

The Offering will comprise of:

- The Institutional Offering, in which Existing ECCs are being offered (i) to institutional and professional investors in Norway, (ii) to investors outside Norway and the United States pursuant to applicable exemptions from local prospectus requirements and other filing requirements, and (iii) in the United States to QIBs in reliance on Rule 144A under the US Securities Act or another exemption from the registration requirements of the U.S. Securities Act, subject to a lower limit per application of more than NOK 2,500,000.
- The Retail Offering, in which Existing ECCs are being offered to the public in Norway, subject to a lower limit per application of an amount of NOK 10,500 and an upper limit per application of an amount of NOK 2,500,000 for each investor. The Bank will use its best efforts to ensure that all applicants are allocated Offer ECCs for up to NOK 100,000 each, to the extent applied for. Multiple applications are not allowed. Investors who intend to place an application in excess of an amount of NOK 2,500,000 must do so in the Institutional Offering.
- The Employee Offering, in which New ECCs are being offered to Eligible Employees (as defined herein), subject to a lower limit per application of an amount of NOK 10,500 and an upper limit per application of an amount of NOK 2,500,000 for each Eligible Employee. Multiple applications are not allowed. Each Eligible Employee being allocated New ECCs will receive a discount of 20% on the aggregate amount payable by such investors, limited to NOK 25,000 per Eligible Employee (i.e. there will be no discount for applications exceeding NOK 125,000 per Eligible Employee). The Eligible Employees are guaranteed allocation of New ECCs with a total Offer Price of NOK 125,000 (before discount) in the Employee Offering. For a brief description of the Norwegian tax effects of such discount, please see Section 19 "*Taxation*".

All offers and sales outside the United States shall be made in compliance with Regulation S under the U.S. Securities Act.

The Bank and the Foundation have, in consultation with the Managers, set an Indicative Price Range for the Offering from NOK 74.50 to NOK 82.00 per Offer ECC. The non-binding Indicative Price Range implies a price to book value ratio of 1.0 to 1.1 based on the Bank's interim financial report as at 31 March 2017 (adjusted for dividends). The bookbuilding process, which will form the basis for the final determination of the Offer Price and the number of Offer ECCs, will be conducted only in connection with the Institutional Offering. The final Offer Price will in any event not be set lower than NOK 74.42 per Offer ECC. In the bookbuilding process, investors indicate demand and apply for Existing ECCs, either as a fixed amount or as number of Existing ECCs, through the Managers. The Indicative Price Range may be amended during the Bookbuilding Period. Any change of the Indicative Price Range will be presented in a supplement to the Prospectus to be published, and communicated by way of a press release distributed through Oslo Børs' information system, before the opening of trading on the last day of the then prevailing Bookbuilding Period.

The final allocation between the Institutional Offering and the Retail Offering, will be determined by the Bank and the Foundation after advice from the Managers. When determining the final allocation between the tranches, the Bank and the Foundation will consider the demand at different price levels, and in accordance with the principles outlined in Section 5.5.8.

The Bookbuilding Period for the Institutional Offering is expected to take place from 09:00 hours (CEST) on 29 May 2017 to 16:30 hours (CEST) on 9 June 2017, subject to shortening or extension at the Bank's and the Foundation's sole discretion, acing jointly. The Application Period for the Retail Offering and the Employee Offering will last from 09:00 hours (CEST) on 29 May 2017 to 12:00 hours (CEST) on 9 June 2017, subject to shortening or extension at the Bank's and the Foundation's sole discretion, acting jointly.

The final terms of the Offering, including the Offer Price and the number of Offer ECCs to be sold, are expected to be announced on 12 June 2017. Subject to timely payment, the Bank expects that the Existing ECCs in Institutional Offering will be delivered to the investors' VPS accounts on or about 14 June 2017, Existing ECCs in the Retail Offering will be delivered to the investors' VPS accounts on or about 14 June 2017, and New ECCs in

the Employee Offering will be delivered to the investors' VPS accounts on or about 20 June 2017. The issue and delivery of New ECCs to Eligible Employees in the Employee Offering is subject to approval by the Norwegian FSA. Trading in the ECCs on Oslo Børs is expected to commence on or about 13 June 2017. All dealings in the Offer ECCs prior to settlement and delivery are at the sole risk of the parties concerned.

The Bank and the Foundation reserve the right to jointly decide to withdraw, suspend or revoke the Offering at any time prior to final allocation at its sole discretion (and for any reason).

The table below provides certain indicative key dates for the Offering:

Event	**Date**[1]
Commencement of Bookbuilding Period and the Application Period (at 09:00 CEST)	29 May 2017
Meeting of the board of directors of Oslo Børs (to resolve on the listing application of the Bank)	7 June 2017
End of Bookbuilding Period (at 16:30 CEST) and end of the Application Period (at 12:00 CEST)	9 June 2017[1]
Allocation of Offer ECCs	11 June 2017
Allocation letters distributed	12 June 2017
Commencement of trading in the ECCs on Oslo Børs	13 June 2017
Payment due date for the Offer ECCs in the Retail Offering and the Employee Offering	14 June 2017
Payment due date for the Offer ECCs in the Institutional Offering	14 June 2017
Provided timely payment, delivery of Offer ECCs in the Institutional Offering	14 June 2017
Provided timely payment, delivery of Offer ECCs in the Retail Offering	14 June 2017
Provided timely payment, delivery of Offer ECCs in the Employee Offering	On or about 20 June 2017

_____

1 Subject to shortening or extension. To the extent the Bookbuilding Period and/or the Application Period is shortened or extended, all other dates referred to in this table will be changed correspondingly.

Please refer to 5.3 through 5.5 below for further details on the terms of the Offering.

5.3 THE INSTITUTIONAL OFFERING

5.3.1 *Overview*

The Institutional Offering is structured as an offer of Existing ECCs to (i) institutional and professional investors in Norway, (ii) to investors outside Norway and the United States pursuant to applicable exemptions from local prospectus requirements and other filing requirements and in compliance with Regulation S under the U.S. Securities Act, and (iii) in the United States to QIBs as defined in, and in reliance on Rule 144A under the U.S. Securities Act or another exemption from the registration requirements of the U.S. Securities Act. Applications from investors outside of Norway will only be accepted if the Managers are satisfied that the application is not in violation of the laws of any jurisdiction.

The minimum application in the Institutional Offering is more than NOK 2,500,000. Investors who intend to place an application for NOK 2,500,000 or less must do so in the Retail Offering or, if applicable, in the Employee Offering. Investors applying for Existing ECCs in the Institutional Offering may not apply for Existing ECCs in the Retail Offering. In the event an investor, or parties personally related to him, applies for Existing ECCs in both the Institutional Offering and the Retail Offering, the Managers may without further notice disregard the applications made in the Retail Offering by such parties. In the event a Manager for whatever reason does not disregard the applications made in the Retail Offering on the basis referred to above, this will not entitle the investor or its related parties to demand a reduction in the number of Existing ECCs allotted to it/them.

5.3.2 *Offer price*

The non-binding Indicative Price Range from NOK 74.50 to NOK 82.00 per Offer ECC has been set by the Bank and the Foundation after consultation with the Managers. The non-binding Indicative Price Range implies a price to book value ratio of 1.0 to 1.1 based on the Bank's interim financial report as at 31 March 2017 (adjusted for dividends). The Bank and the Foundation reserve the right to jointly decide to change the Indicative Price Range. Any change of the Indicative Price Range will be presented in a supplement to the Prospectus to be published, and communicated by way of a press release distributed through Oslo Børs' information system, before the opening of trading on the last day of the then prevailing Bookbuilding Period.

The final Offer Price may be set within, below or above the Indicative Price Range at the joint sole discretion of the Bank and the Foundation, based on advice from the Managers; however, the final Offer Price will not be set below NOK 74.42 per Offer ECC. The final Offer Price and the number of Existing ECCs to be sold will be determined by the Foundation after advice from the Managers on the basis of orders placed in the Institutional Offering during the Bookbuilding Period in which the Managers receive expressions of investor interests in the Existing ECCs and the number of applications received in the Retail Offering and the Employee Offering.

The final Offer Price is expected to be announced through the Oslo Børs' information system under the Bank's ticker "SPOL" on 12 June 2017.

5.3.3 *Bookbuilding Period*

The Bookbuilding Period for the Institutional Offering is expected to take place from 09:00 CEST on 29 May 2017 until 16:30 CEST on 9 June 2017. The Bank and the Foundation reserves the right to jointly decide to extend the Bookbuilding Period at any time, depending on the number and size of orders or applications received in the Offering, in the aggregate or individually. Any extension of the Bookbuilding Period will be announced through the information system of the Oslo Stock Exchange on or before 09:00 hours (CEST) on the prevailing expiration date of the Bookbuilding Period. An extension may take place one or several times, provided, however, that the Bookbuilding Period will in no event be extended beyond 16:30 CEST on 23 June 2017. In the event of extension, the allocation date, the first trading date, the payment date and the date of delivery of Offer ECCs may be extended accordingly upon notice through the Oslo Børs' information system. The Bank and the Foundation also reserves the right to jointly decide to close the Bookbuilding Period earlier, but in no event earlier than 16:30 CEST on 7 June 2017. A decision to close the Bookbuilding Period early will be announced through the Oslo Børs' information system no later than 09:00 CEST on 7 June 2017. In the event of an early close, the allocation date, the first trading date, the payment date and the date of delivery of Offer ECCs may be brought forward accordingly upon notice through the Oslo Børs' information system.

5.3.4 *Application for Existing ECCs*

Applications for Existing ECCs in the Institutional Offering must be made during the Bookbuilding Period by informing one of the Managers shown below of the number of Existing ECCs that the investor wishes to apply for and the price per Existing ECC that the investor is offering to pay for such Existing ECCs. All applications in the Institutional Offering will be treated in the same manner regardless of which Manager the investor chooses to place the application with.

SpareBank 1 Markets AS	**Pareto Securities AS**	**Swedbank Norge**
P.O. Box 1398 Vika	P.O. Box 1411 Vika	P.O. Box 1441 Vika
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Any oral order placed in the Institutional Offering will be binding upon the investor and subject to the same terms and conditions as a written order. However, the Managers may, at any time and in their sole discretion, require the investor to confirm any orally placed application in writing. By applying for Existing ECCs, the applicant authorizes and instructs each of the Managers (or someone appointed by any of them) acting jointly or severally to transfer and/or subscribe for the Offer ECCs allocated to the applicant and to take all actions required to transfer such Existing ECCs to the VPS registrar and ensure delivery of the beneficial interests to such Existing ECCs to the applicant.

Applications in the Institutional Offering made may be withdrawn or amended by the investor at any time up to the end of the Bookbuilding Period. After the end of the Bookbuilding Period, all applications that have not been withdrawn or amended are irrevocable and binding upon the investor, regardless of whether the final Offer Price is set within, above or below the Indicative Price Range.

5.3.5 *Allocation, payment for and delivery of Existing ECCs*

The Managers expect to issue notifications of allocation of Existing ECCs in the Institutional Offering on or about 12 June 2017, by issuing contract notes to the applicants by e-mail or otherwise.

Payment of Existing ECCs in the Institutional Offering will take place against delivery of Existing ECCs to the Norwegian VPS account specified by the investor. Payment and delivery of Existing ECCs are expected to take place on or about 14 June 2017, and in no case later than 30 June 2016.

Investors in the Institutional Offering must ensure that payment with cleared funds for the Existing ECCs allocated to them is available at the designated settlement account registered on the selected VPS account. If funds have not been made available and/or relevant instructions have been given in accordance with these requirements and in time to be included in the settlement, the investor's obligation to pay for the Existing ECCs will be deemed overdue. Overdue payments will be charged with interest at the applicable rate from time to time under the Norwegian Act on Interest on Overdue Payment of 17 December 1976 No. 100, which at the date of this Prospectus is 8.50% per annum.

If an investor fails to comply with the terms of payment, the Existing ECCs will not be delivered to the investor, and each of the Bank, the Selling ECC Holders and the Managers reserve the right, at the risk and cost of the investor (however, so that the investor will not be entitled to any profit therefrom) to cancel the application and to re-allot or otherwise dispose of the allocated Existing ECCs on such terms and in such manner as each of the Bank, the Selling ECC holders and the Managers may decide in accordance with Norwegian law. The initial investor remains liable for payment of the Offer Price for the Existing ECCs allocated to the investor together with any interest, cost, charges and expenses suffered or incurred by the Bank, the Selling ECC Holders or the Mangers as a result of or in connection with such sales, and each of the Bank, the Selling ECC Holders and the Managers may enforce payment for any such amount outstanding.

Investors should be aware that delivery of the Existing ECCs will only be made if the investor pays for the Existing ECCs.

5.4 THE RETAIL OFFERING

5.4.1 *Overview*

The Retail Offering is a public offering to investors in Norway. The Retail Offering is subject to a minimum application amount of NOK 10,500 and a maximum application amount of NOK 2,500,000 for each applicant.

Applicants submitting an application in the Retail Offering may not apply for Existing ECCs in the Institutional Offering. In the event an investor, or parties personally related to him, applies for Existing ECCs in both the

Institutional Offering and the Retail Offering, the Managers may without further notice disregard the applications made in the Retail Offering by such parties. In the event a Manager for whatever reason does not disregard the applications made in the Retail Offering on the basis referred to above, this will not entitle the investor or its related parties to demand a reduction in the number of Existing ECCs allotted to it/them.

5.4.2 *Offer Price*

The Offer Price for the Existing ECCs offered in the Retail Offering will be the same as in the Institutional Offering.

Each applicant in the Retail Offering will be permitted, but not required, to indicate on the Retail Application Form that the applicant does not wish to be allocated Existing ECCs should the Offer Price be set above the Indicative Price Range. If the applicant does so, the applicant will not be allocated any Existing ECCs in the event that the Offer Price is set above the upper end of the Indicative Price Range. If the applicant does not expressly stipulate such reservation on the Retail Application Form, the application will be binding regardless of whether the Offer Price is set within or above (or below) the Indicative Price Range.

5.4.3 *Application Period*

The Application Period for the Retail Offering will last from and including 09:00 CEST on 29 May 2017 until 12:00 CEST on 9 June 2017. Applications submitted after the expiry of the Application Period may be disregarded by the Managers. The Bank and the Foundation reserve the right to jointly decide to extend the Application Period at any time, depending on the number and size of orders or applications received in the Offering, in the aggregate or individually. Any extension of the Application Period will be announced through the information system of Oslo Børs no later than 09:00 hours CEST on the prevailing expiration date of the Application Period. An extension may take place one or several times, provided, however, that the Application Period will in no event be extended beyond 12:00 CEST on 23 June 2017. In the event of extension, the allocation date, the first trading date, the payment date and the date of delivery of Existing ECCs may be extended accordingly upon notice through the Oslo Børs information system. The Bank and the Foundation also reserve the right to jointly decide to close the Application Period earlier, but in no event earlier than 12:00 CEST on 7 June 2017. A decision to close the Application Period early will be announced through Oslo Børs' information system no later than 09:00 CEST on 7 June 2017. In the event of an early close, the allocation date, the first trading date, the payment date and the date of delivery of Existing ECCs may be brought forward accordingly upon notice through the Oslo Børs' information system.

5.4.4 *Application Procedures and application offices*

All Applications for Existing ECCs in the Retail Offering must be made during the Application Period on the Retail Application Form attached to this Prospectus as Appendix E. Retail Application Forms together with this Prospectus can be obtained from the Bank or the application offices set out below. Norwegian investors who apply for Existing ECCs in the Retail Offering can also apply for Existing ECCs by completing the application procedures on the internet by following links at www.sparebank1.no/en/hedmark/about-us/investor.html, www.sb1markets.no, www.paretosec.com and www.swedbank.no, which will redirect the investor to the VPS online subscription system. In order to use the online subscription system, the investor must have, or obtain, a VPS account number. All online applicants must verify that they are Norwegian citizens by entering their national identity number.

Accurately completed Retail Application Forms must be received by the Managers at the application offices by 12:00 CEST on 9 June 2017, subject to any extension or early close of the Application Period. Any online applications must be completed by the same time. Retail Application Forms sent by regular mail close to the end of the Application Period are likely to arrive after the deadline. Neither the Bank, the Selling ECC Holders nor the Managers may be held responsible for delays in the mail system, busy facsimile lines or for non-receipt of Retail Application Forms forwarded by mail, e-mail or facsimile to the Managers.

Properly completed and signed Retail Application Forms must be sent by mail or e-mail, faxed or delivered to one of the Managers at the addresses set out below. An application for Existing ECCs in the Retail Offering is irrevocable and may not be withdrawn, cancelled or modified once the applicant's Retail Application Form has been received by one of the application offices. By applying for Existing ECCs, the applicant authorizes and instructs each of the Managers (or someone appointed by any of them) acting jointly or severally to transfer

and/or subscribe for the Existing ECCs allocated to the applicant and to take all actions required to transfer such Existing ECCs to the VPS registrar and ensure delivery of the beneficial interests to such Existing ECCs to the applicant.

Multiple applications are not allowed. In the event an applicant submits two or more Retail Application Forms, the applicant runs the risk of either having the multiple applications accumulated or either of, or all of the applications annulled at the discretion of the Bank or the Managers.

The Bank and the Managers may, in their sole discretion, refuse any late or improperly completed, delivered or executed Retail Application Form or any application which may be unlawful, without notice to the applicant. All questions concerning the timeliness, validity, form and eligibility of any application for Existing ECCs in the Retail Offering will be determined by the Bank in its sole discretion, whose determination will be final and binding.

The Bank, or the Managers upon being authorised by the Bank, may in their sole discretion accept lately received or waive any defect or irregularity in the Retail Application Forms (and as such accept any incorrectly completed Retail Application Forms), permit such defect or irregularity to be corrected within such time as the Bank or the Managers may determine, or reject the purported application for any Existing ECCs in the Retail Offering. It cannot be expected that Retail Application Forms will be deemed to have been received or accepted until all irregularities have been cured or waived within such time as the Bank or the Managers shall determine. Neither the Bank, the Selling ECC Holders nor the Managers will be under any duty to give notification of any lately received, defect or irregularity in connection with the submission of a Retail Application Form or assume any liability for failure to give such notification. All applications in the Retail Offering will be treated in the same manner regardless of which Manager the investor chooses to place the application with.

The application offices for physical applications in the Retail Offering are:

SpareBank 1 Markets AS	**Pareto Securities AS**	**Swedbank Norge**
P.O. Box 1398 Vika	P.O. Box 1411 Vika	P.O. Box 1441 Vika
N-0114 Oslo	N-0115 Oslo	N-0115 Oslo
Norway	Norway	Norway
Telephone: +47 24 14 74 00	Telephone: +47 22 87 87 00	Telephone: +47 23 23 80 30
Telefax: +47 24 14 74 01	Telefax: +47 22 87 87 15	Telefax +47 23 23 80 11
Email:	Email:	Email:
subscription@sb1markets.no	subscription@paretosec.com	emisjon@swedbank.no
www.sb1markets.no	www.paretosec.com	www.swedbank.no

5.4.5 *Allocation, payment and delivery of Existing ECCs in the Retail Offering*

In the Retail Offering, the applicants will receive a minimum allocation of Existing ECCs with a value of NOK 10,500 based on the Offer Price, rounded to the nearest whole Existing ECCs, and a maximum allocation of Existing ECCs with value of NOK 2,500,000 based on the Offer Price. The Bank will use its best efforts to ensure that each of all applicants is allocated Existing ECCs for up to NOK 100,000, to the extent applied for.

All applicants being allotted Existing ECCs in the Retail Offering will receive a letter confirming the number of Existing ECCs allotted and the corresponding amount to be paid. These letters are expected to be mailed on or about 12 June 2017.

Each applicant in the Retail Offering must, and will by completing and signing the Retail Application Form, provide a one-time authorization to the Managers to debit a specified bank account with a Norwegian bank for the amount payable for the Existing ECCs allotted to such applicant in the Retail Offering.

It is expected that the amount will be debited on or about 14 June 2017 (the "**Retail Payment Date**"). However, there must be sufficient funds in the specified bank account from and including 13 June 2017. The Managers are only authorised to debit such account once, but reserve the right to make up to three debit attempts, and the authorisation will be valid for up to seven working days after the Retail Payment Date. If there are insufficient funds on the specified bank account or it is impossible to debit the specified bank account for the amount that

the applicant is obligated to pay, or payment is not received by one of the Managers according to other instructions, the applicant's obligation to pay for the Existing ECCs will be deemed overdue.

Applicants who do not have a Norwegian bank account must ensure that payment for their Existing ECCs allocated in the Retail Offering with cleared funds is made on or before 12:00 CEST on 14 June 2017 and should contact one of the Managers in this respect.

For late payments, penalty interest will accrue at a rate equal to the prevailing interest rate, pursuant to the Norwegian Act on Interest on Overdue Payment of December 17, 1976 no. 100, which at the date of this Prospectus was 8.50% per annum.

If an applicant fails to comply with the terms of payment, the Existing ECCs will, subject to the discretion of the Managers, not be delivered to the applicant, and each of the Bank, the Selling ECC Holders and the Managers reserve the right, at the risk and cost of the applicant (however, so that the applicant will not be entitled to any profit therefrom), to cancel the application and to re-allot or otherwise dispose of the allocated Existing ECCs on such terms and in such manner as each of the Bank, the Selling ECC Holders and the Managers may decide in accordance with Norwegian law. The initial applicant remains liable for payment of the Offer Price for the Existing ECCs allocated to the applicant together with any interest, cost, charges and expenses suffered or incurred by the Bank, the Selling ECC Holders or the Managers as a result of or in connection with such sales, and each of the Bank, the Selling ECC Holders or the Managers may enforce payment for any such amount outstanding.

All applicants in the Retail Offering must have a valid VPS account to receive Existing ECCs. The VPS account number must be stated when registering an application through the VPS online subscription system or on the Retail Application Form. VPS accounts can be established with authorized VPS registrars, which can be Norwegian banks, authorized investment firms in Norway and Norwegian branches of credit institutions established within the EEA.

Subscribers having access to investor services through their VPS account manager will be able to check the number of Existing ECCs allocated to them from around CEST 12:00 hours on 12 June 2017. Subscribers who do not have access to investor services through their VPS account manager may contact the Managers, from CEST 12:00 hours on 12 June 2017 to obtain information about the number of Existing ECCs allocated to them.

It is expected that the Existing ECCs will be delivered in the VPS to applicants in the Retail Offering on or about 14 June 2017, and in no case later than 30 June 2016, provided that the applicant has paid for the Offer ECCs allocated to the applicant when due.

Applicants should be aware that delivery of the Existing ECCs will only be made if the applicant pays for the Existing ECCs.

5.5 The Employee Offering

5.5.1 *Eligible Employees*

Subject to applicable laws, all permanent employees, as of 9 June 2017, of the Group are Eligible Employees for participation in the Employee Offering.

5.5.2 *Overview*

In the Employee Offering, New ECCs are being offered to Eligible Employees, subject to a lower limit per application of an amount of NOK 10,500 and an upper limit per application of an amount of NOK 2,500,000. Each Eligible Employee will receive a discount of 20% on the aggregate amount payable by such Employees , limited to NOK 25,000 per Eligible Employee (i.e. there will be no discount for applications exceeding NOK 125,000 per Eligible Employee). All subscribers in the Employee Offering must have a VPS-account with the Bank.

The New ECCs allocated to an Eligible Employee in the Employee Offering at a 20% discount on the aggregate amount payable by such investors (i.e. allocated New ECCs with an aggregate amount payable by such investors

up to NOK 125,000 per Eligible Employee before the discount) will be subject to a lock-up obligation whereby the relevant ECCs may not be traded, sold, pledged or otherwise disposed of for a period of two years from delivery to the relevant Eligible Employee's VPS-account.

5.5.3 *Resolution to issue the New ECCs*

At the annual supervisory board meeting held 30 March 2017, the supervisory board authorised the Bank's board of directors to increase the Bank's ECC capital by up to NOK 531,012,700 in connection with inter alia offerings of ECCs to employees in the Bank (the resolution is translated from Norwegian):

> *"The supervisory board grants the board of directors an authorization to increase the ECC capital in accordance with the Norwegian law on Financial Institutions section 10-10 (2), cf. the Norwegian Public Limited Liability Companies Act section 10-14 (2), on the following conditions:*
>
> 1. *The ECC capital may on one or more occasions be increased by up to NOK 531,012,700.*
>
> 2. *The nominal value per ECC is NOK 50.*
>
> 3. *The holders of ECCs' pre-emptive rights may be set aside.*
>
> 4. *The authorization may be used in connection with necessary strengthening of the bank's equity, issue of ECCs as consideration in connection with acquisitions of businesses within the scope of the Bank's business, or in connection with sale of ECCs to employees and/or elected representatives.*
>
> 5. *The authorization includes increasing the ECC capital against consideration other than cash consideration and the right to incur special obligations for the Bank in accordance with the Norwegian Public Limited Liability Companies Act section 10-2, but does not include decisions on merger pursuant to the Norwegian Public Limited Liability Companies Act section 13-5.*
>
> 6. *The authorisations replaces previously granted authorisations to increase the ECC capital and shall be valid until the annual supervisory board meeting in 2018; however, no later than 30 June 2018."*

The Board of directors shall, upon the expiry of the Book-building Period, decide on the number of New ECCs to be issued, the final Offer Price and the other terms relating to the Employee Offering in accordance with the authorisation granted above. The existing ECC holders' pre-emption right will be set aside to the benefit of the Eligible Employees being allocated New ECCs in the Employee Offering.

5.5.4 *Offer Price*

The Offer Price for the New ECCs offered in the Employee Offering will be the same as in the Institutional Offering, but each Eligible Employee will receive a discount of 20% on the total amount payable by such investors, limited to NOK 25,000 per Eligible Employee (i.e. there will be no discount for applications exceeding NOK 125,000 per Eligible Employee).

Each applicant in the Employee Offering will be permitted, but not required, to indicate on the Employee Application Form that the applicant does not wish to be allocated New ECCs should the Offer Price be set above the Indicative Price Range. If the applicant so elects, the applicant will not be allocated any New ECCs in the event that the Offer Price is set above the upper end of the Indicative Price Range. If the applicant does not expressly stipulate such reservation on the Employee Application Form, the application will be binding regardless of whether the Offer Price is set within or above (or below) the Indicative Price Range.

5.5.5 *Application Period*

The Application Period for the Employee Offering will last from and including 09:00 CEST on 29 May 2017 until 12:00 CEST on 9 June 2017. Applications submitted after the expiry of the Application Period may be disregarded by SpareBank 1 Markets. The Bank and the Foundation, acting jointly, reserve the right to extend the Application

Period at any time, depending on the number and size of orders or applications received in the Offering, in the aggregate or individually. Any extension of the Application Period will be announced through the information system of Oslo Børs no later than 09:00 CEST on the prevailing expiration date of the Application Period. An extension may take place one or several times, provided, however, that the Application Period will in no event be extended beyond 12:00 CEST on 23 June 2017. In the event of extension, the allocation date, the first trading date, the payment date and the date of delivery of New ECCs may be extended accordingly upon notice through the Oslo Børs' information system. The Bank and the Foundation, acting jointly, also reserve the right to close the Application Period earlier, but not earlier than 12:00 CEST on 7 June 2017. A decision to close the Application Period early will be announced through Oslo Børs' information system no later than 09:00 CEST on 7 June 2017. In the event of an early close, the allocation date, the first trading date, the payment date and the date of delivery of New ECCs may be brought forward accordingly upon notice through the Oslo Børs' information system.

5.5.6 *Application Procedures and application offices*

All applications for New ECCs in the Employee Offering must be made during the Application Period on the Employee Application Form attached to this Prospectus as Appendix F. Employee Application Forms together with this Prospectus can be obtained from the Bank or SpareBank 1 Markets (the "**Employee Subscription Office**") set out below. Eligible Employees who apply for New ECCs in the Employee Offering can also apply for New ECCs by completing the application procedures on the Bank's intranet site, which will redirect the investor to the VPS online subscription system. In order to use the online subscription system, the investor must have, or obtain, a VPS account in the Bank. All online applicants must verify that they are Norwegian citizens by entering their national identity number.

Accurately completed Employee Application Forms must be received by SpareBank 1 Markets at the application offices by 12:00 CEST on 9 June 2017, subject to any early close or extension of the Application Period. Employee Application Forms sent by regular mail close to the end of the Application Period are likely to arrive after the deadline. Neither the Bank, the Selling ECC Holders nor the Employee Subscription Office may be held responsible for delays in the mail system, busy facsimile lines or for non-receipt of Employee Application Forms forwarded by mail, e-mail or facsimile to the Employee Subscription Office.

Properly completed and signed Employee Application Forms must be sent by mail or e-mail, faxed or delivered to the Employee Subscription Office at the address set out below. An application for New ECCs in the Employee Offering is irrevocable and may not be withdrawn, cancelled or modified once the applicant's Employee Application Form has been received by the Employee Subscription Office. By applying for New ECCs the applicant authorizes and instructs the Employee Subscription Office (or someone appointed by it) to transfer and/or subscribe for the New ECCs allocated to the applicant and to take all actions required to transfer such New ECCs to the VPS registrar and ensure delivery of the beneficial interests to such New ECCs to the applicant.

Multiple applications are not allowed. In the event an applicant submits two or more Employee Application Forms, the applicant runs the risk of either having the multiple applications accumulated or either of, or all of, the applications annulled at the discretion of the Bank. In order to apply for New ECCs, the Eligible Employee must have a VPS account in the Bank.

The Bank and the Employee Subscription Office may, in their sole discretion, refuse any lately received, improperly completed, delivered or executed Employee Application Form or any application which may be unlawful, without notice to the applicant. All questions concerning the timeliness, validity, form and eligibility of any application for New ECCs in the Employee Offering will be determined by the Bank in its sole discretion, whose determination will be final and binding.

The Bank, or the Employee Subscription Office upon being authorised by the Board, may in its or their sole discretion accept lately received, waive any defect or irregularity in the Employee Application Forms (and as such accept any incorrectly completed Employee Application Forms), permit such defect or irregularity to be corrected within such time as the Bank or the Employee Subscription Office may determine or reject the purported application for any New ECCs in the Employee Offering. It cannot be expected that Employee Application Forms will be deemed to have been received or accepted until all irregularities have been cured or waived within such time as the Bank or the Employee Subscription Office shall determine. Neither the Bank nor

the Employee Subscription Office will be under any duty to give notification of any lately received, defect or irregularity in connection with the submission of an Employee Application Form or assume any liability for failure to give such notification.

The Employee Subscription Office for physical applications in the Employee Offering is:

SpareBank 1 Markets AS
Olav Vs gate 5
P.O. Box 4796 Sluppen
7467 Trondheim
Norway
Telephone: +47 24 13 36 04
Telefax: +47 73 58 65 25
E-mail: subscription@sb1markets.no
www.sb1markets.no

5.5.7 *Allocation, payment and delivery of New ECCs in the Employee Offering*

In the Employee Offering, the applicants will receive a minimum allocation of New ECCs with a value of NOK 10,500, based on the Offer Price, rounded down to the nearest one New ECC, and a maximum allocation of New ECCs with value of NOK 2,500,000 based on the Offer Price.

All applicants being allotted Offer ECCs in the Employee Offering will receive a letter confirming the number of New ECCs allotted and the corresponding amount to be paid. These letters are expected to be mailed on or about 12 June 2017.

Each applicant in the Employee Offering must, and will by completing and signing the Employee Application Form, provide a one-time authorization to the Employee Subscription Office to debit a specified bank account with a Norwegian bank for the amount payable for the New ECCs allotted to such applicant in the Employee Offering.

It is expected that the amount will be debited on or about 14 June 2017 (the "**Employee Payment Date**"**).** However, there must be sufficient funds in the specified bank account from and including 13 June 2017. The Employee Subscription Office is only authorised to debit such account once, but reserves the right to make up to three debit attempts, and the authorisation will be valid for up to seven working days after the Employee Payment Date. If there are insufficient funds on the specified bank account or it is impossible to debit the specified bank account for the amount that the applicant is obligated to pay, or payment is not received by the Employee Subscription Office according to other instructions, the applicant's obligation to pay for the New ECCs will be deemed overdue.

For late payments, penalty interest will accrue at a rate equal to the prevailing interest rate, pursuant to the Norwegian Act on Interest on Overdue Payment of December 17, 1976 no. 100, which at the date of this Prospectus was 8.50% per annum.

If an applicant fails to comply with the terms of payment, the New ECCs will, subject to the discretion of the Bank or the Employee Subscription Office, not be delivered to the applicant, and each of the Bank and the Employee Subscription Office reserves the right, at the risk and cost of the applicant (however, so that the applicant will not be entitled to any profit therefrom), to cancel the application and to re-allot or otherwise dispose of the allocated New ECCs on such terms and in such manner as each of the Bank and the Employee Subscription Office may decide in accordance with Norwegian law. The initial applicant remains liable for payment of the New ECCs allocated to the applicant together with any interest, cost, charges and expenses suffered or incurred by the Bank or the Employee Subscription Office as a result of or in connection with such sales, and each of the Bank or the Employee Subscription Office may enforce payment for any such amount outstanding.

All applicants in the Employee Offering must have a valid VPS account in the Bank to receive New ECCs. The VPS account number must be stated when registering an application through the VPS online subscription system or on the Employee Application Form. VPS accounts can be established with authorized VPS registrars, which can be Norwegian banks, authorized investment firms in Norway and Norwegian branches of credit institutions established within the EEA.

It is expected that the New ECCs will be delivered in the VPS to applicants in the Employee Offering on or about 20 June 2017, provided that the applicant has paid for the Offer ECCs allocated to the applicant when due, that the Norwegian FSA has approved the issue of the New ECCs and that the share capital increase has been registered with the Norwegian Register of Business Enterprises, and in no case later than 9 September 2017, which is the deadline for registration of the capital increase in the Norwegian Register of Business Enterprises (3 months after the expiry of the Application Period).

5.5.8 *Lock up obligations*

The New ECCs allocated to an Eligible Employee in the Employee Offering at a 20% discount on the total amount payable by such investors, limited to NOK 25,000 per Eligible Employee (i.e. allocated New ECCs with an aggregate payable amount of up to NOK 125,000 before the discount) will be subject to a lock-up obligation whereby the relevant ECCs may not be traded, sold, pledged or otherwise disposed of for a period of two years from delivery to the relevant Eligible Employee's VPS-account. The Eligible Employees accept and acknowledge, by applying for and being allotted New ECCs in the Employee Offering, that the Employee Subscription Office is entitled to instruct the relevant Eligible Employee's VPS registrar to implement transfer restrictions relating to New ECCs subscribed for and allocated at a discounted Offer Price on the relevant Eligible Employee's VPS account in order to ensure the abovementioned lock up obligation.

5.6 MECHANISM OF ALLOCATION

The Offering is divided into an Institutional Offering, a Retail Offering and an Employee Offering. The expected allocation of Existing ECCs between the Institutional Offering and the Retail Offering is 80-85% and 15-20%, respectively. However, the final allocation between the tranches will be decided based on the application level in the respective tranches relative to the overall ordered level for the Offering and the allocation principles set out below. The Bank and the Foundation, based on advice from the Managers, reserve the right to deviate from the provisionally assumed allocation between the tranches without further notice and at their sole discretion.

In the Institutional Offering, the Bank and the Foundation will jointly determine the allocation of Existing ECCs after advice from the Managers. An important aspect of the allocation principles is the desire to create an appropriate long-term owner structure for the Bank. The allocation principles will include factors such as applied for amounts, premarketing and management road show participation, timeliness of orders, price aggressiveness in the Bookbuilding Period, relative order size, perceived investor quality and ECC holder horizon, sector knowledge, geographical provenance and the goal of establishing a strong, diversified ECC holder structure. The Bank and the Foundation, after advice from the Managers, further reserve the right, at their sole joint discretion, to take into account the creditworthiness of any applicant. The Bank and the Foundation, after advice from the Managers, may also jointly set a maximum allocation, or decide to reduce or make no allocation to any applicant.

In the Retail Offering, allocation will be made on a pro rata basis using the VPS automated standard allocation procedure and/or other allocation mechanisms, but no allocation shall be for a number of Existing ECCs with a total Offer Price less than NOK 10,500. Notwithstanding the foregoing, the Bank will use its best efforts to ensure that each of all applicants are allocated Existing ECCs for up to NOK 100,000, to the extent applied for. The Bank and the Foundation reserve, after advice from the Managers, the right to jointly decide to reduce or disregard any application in the Retail Offering. The Bank and the Foundation, after advice from the Managers, further reserve the right to jointly decide to limit the total number of applicants to whom Existing ECCs will be allocated if it deems this to be necessary in order to keep the number of ECC holders in the Bank at an appropriate level and such limitation does not have the effect that any conditions for the Listing regarding number of ECC holder will not be satisfied. If the Bank and the Foundation should decide to limit the total number of applicants to whom Existing ECCs will be allocated, the identity of the applicants to whom Existing ECCs will be allocated will be determined by drawing lots or applying similar mechanisms. Limitation of total number of applicants may also be done by defining a threshold between NOK 10,500 and NOK 2,500,000 and applying the same limitation

principle amongst applicants in the Retail Offering who has applied for Existing ECCs for a total application amount below such threshold.

In the Employee Offering, the Bank aims to give all Eligible Employees full allocation, provided they place their orders within the lower and upper limit for such applicants. The Eligible Employees are guaranteed allocation of New ECCs with a total payment amount of NOK 125,000 (before discount). All Eligible Employees will be treated in the same manner, and there will be no preferential treatment for the management or leading employees.

No Offer ECCs have been reserved for any specific national market.

Applications will not be treated differently based on which Manager they are submitted to.

5.7 PUBLICATION OF INFORMATION RELATED TO THE OFFERING

In addition to the Bank's website, the Bank will use the Oslo Børs' electronic information system to publish information in respect of the Offering, such as information related to changes to the Indicative Price Range, changes to the timetable of the Offering, including the Bookbuilding Period and the Application Period and determination of the Offer Price.

General information on the results of the Offering, including the final determination of the Offer Price, the number of Offer ECCs allocated and the total amount of the Offering, is expected to be published on or about 12 June 2017 in the form of a release through the Oslo Børs' electronic information system.

5.8 CONDITIONS FOR COMPLETION OF THE OFFERING

On 22 May 2017, the Bank applied for the Listing. Completion of the Offering is conditional upon the board of directors of Oslo Børs approving the application for Listing of the Bank's ECCs in a board meeting expected to be held on 7 June 2017 and the satisfaction of the conditions for admission to Listing set by Oslo Børs, which are expected to be that:

- the Bank has in excess of 200 ECC holders, each holding ECCs with a value of more than NOK 10,000; and
- there will be a minimum free float of the ECCs of 25%.

The Bank expects that these conditions will be fulfilled through the Offering.

Completion of the Offering on the terms set forth in this Prospectus is expressly conditioned upon the satisfaction of the conditions for admission to Listing on Oslo Børs, and the Offering will be cancelled in the event that the conditions are not satisfied. There can be no assurance that the Bank will satisfy these conditions.

Completion of the Offering on the terms set forth in this Prospectus is otherwise only conditional on (i) the Bank and the Foundation, after advice from the Managers, having approved the Offer Price and the allocation of the Offer ECCs to eligible investors following the bookbuilding process; and (ii) for the Employee Offering, the Board of Directors resolving the issue of the New ECCs and that the Norwegian FSA has approved the issue of the New ECCs.

There can be no assurance that these conditions will be satisfied. Should the above conditions not be met, the Offering may be revoked or suspended without any compensation to the applicants.

5.9 THE RIGHTS CONFERRED BY THE OFFER ECCS

The ECCs of the Bank are created under the Norwegian Financial Institution Act. The Offer ECCs will in all respects carry full equity capital certificate holder's rights in the Bank on an equal basis as any other ECCs in the Bank, including the right to any dividends as from the date the ECC capital increase pertaining to the New ECCs is registered with the Norwegian Register of Business Enterprises. For a description of rights attached to the ECCs, see Section 17.1.

The New ECCs allocated to Eligible Employees in the Employee Offering at a discounted Offer Price will be subject to a lock up obligation for two years from the date of delivery of the New ECCs to the relevant Eligible Employee's VPS-account.

5.10 ADMISSION TO TRADING, TRADING MARKET, TRADING SYMBOL AND VPS REGISTRATION

Assuming that the conditions for completion of the Offering are satisfied, and the Offering is not withdrawn, it is expected that the Existing ECCs will be tradable on Oslo Børs on or about 13 June 2017. The New ECCs allocated to Eligible Employees in the Employee Offering is expected to be issued on or about 20 June 2017, subject to timely payment, and is expected to be tradable on Oslo Børs following such delivery. The ECCs are expected to trade under the symbol "SPOL". All dealings in the Offer ECCs prior to settlement and delivery are at the sole risk of the parties concerned.

Anyone who wishes to dispose of Offer ECCs before delivery has taken place, runs the risk that payment and delivery do not take place in accordance with the procedures set out above, so that the Offer ECCs sold may not be delivered in time. Accordingly, an applicant who wishes to sell its Offer ECCs before actual delivery must ensure that payment is made in order for such Offer ECCs to be delivered in time to the purchaser.

New ECCs allocated to Eligible Employees at a discounted Offer Price, is subject to a two years lock-up period from the delivery of such New ECCs on the relevant Eligible Employee's VPS-account.

The Bank has not applied for admission to trading of its ECCs on any other stock exchange or regulated market than Oslo Børs.

The Bank, the Selling ECC Holders or the Managers cannot assure that a liquid trading market for the ECCs can be created or sustained. The prices at which the ECCs will trade after the Offering may be lower than the Offer Price. The Offer Price may bear no relationship to the market price of the ECCs subsequent to the Offering.

The Offer ECCs is in book-entry form with the VPS and have ISIN NO 0010751910. The Bank's register of ECC holders with the VPS is administrated by SpareBank 1 SMN, address: Søndre gate 4. 7011 Trondheim.

5.11 MANDATORY ANTI-MONEY LAUNDERING PROCEDURES

The Offering is subject to the Norwegian Money Laundering Act No. 11 of 6 March 2009 and the Norwegian Money Laundering Regulations No. 302 of 13 March 2009 (collectively the "**Anti-Money Laundering Legislation**").

Applicants who are not registered as existing customers with one of the Managers must verify their identity in accordance with the requirements of the Anti-Money Laundering Legislation, unless an exemption is available. Applicants who have designated an existing Norwegian bank account and an existing VPS account on the Application Form are exempted, provided the aggregate application amount is less than NOK 100,000, and unless verification of identity is requested by any of the Managers. The verification of identity must be completed prior to the end of the Application Period or Bookbuilding Period. Applicants that have not completed the required verification of identity may not be allocated Offer ECCs.

5.12 VPS ACCOUNT

In participating in the Offering, each applicant must have a VPS account. For subscriptions in the Employee Offering, the VPS account must be with the Bank. The VPS account number must be stated on the Application Form, or in the VPS online subscription system. VPS accounts can be established with authorised VPS registrars, which can be Norwegian banks, authorised securities brokers in Norway and Norwegian branches of credit institutions established within the EEA. Non-Norwegian investors may, however, use nominee VPS accounts registered in the name of a nominee. The nominee must be authorised by the Norwegian Ministry of Finance. Establishment of a VPS account requires verification of identity before the VPS registrar in accordance with the Anti-Money Laundering Legislation.

5.13 SELLING ECC HOLDERS

The Foundation, with business address Strandgata 15, 2317 Hamar, Norway will sell Offer ECCs in the Offering in the amount of up to 19,044,938 and up to 21,721,576 including any overallotment. The other Selling ECC Holders' sale of ECCs in the Offering is set out below:

Selling ECC Holders	Business address	Number of ECCs to be sold
SpareBank 1 SR-Bank ASA	Bjergsted Terrasse 1 4007 Stavanger Norway	1,713,942
SpareBank 1 SMN	Søndre gate 4 7011 Trondheim Norway	1,713,942
SpareBank1 Nord-Norge	Storgata 65 9008 Tromsø Norway	1,713,942
SpareBank 1 Ringerike Hadeland	Søndre torv 6 3510 Hønefoss Norway	700,000
SpareBank 1 Modum	Vikersundgata 29 3370 Vikersund Norway	419,962
SpareBank 1 Søre Sunnmøre	Gymnasvegen 2 6102 Volda Norway	419,962
SpareBank 1 Nordvest	Langveien 21 6509 Kristiansund N Norway	419,962
SpareBank 1 Lom og Skjåk	Sognefjellsvegen 4 2686 Lom Norway	294,023
SpareBank 1 Gudbrandsdal	Nedregata 69 2640 Vinstra Norway	404,965
TOTAL		7,800,700

The final number of Existing ECCs to be sold in the Offering by the Foundation will be determined by the Foundation, after advice from the Managers, following expiry of the Bookbuilding Period. The Other Selling ECC Holders shall sell the fixed amount of Existing ECCs set out above.

Assuming the Offering will be allocated for in its entirety (including the Employee Offering), and the final Offer Price is set at the mid-range of the Indicative Price Range, and excluding utilisation of the Greenshoe Option, the Foundation will retain an ownership in the Bank of approximately 56.8% of the issued ECCs. Furthermore, and on the same assumptions as above, if Greenshoe Option is exercised in full, the Foundation will retain an ownership in the Bank of approximately 54.45% of the issued ECCs.

5.14 LOCK-UP

The Managers have entered into lock-up agreements with the Bank, the Foundation, SpareBank 1 Østfold Akershus, SpareBank 1 BV, SpareBank 1 Ringerike Hadeland, Sparebanken Telemark, SpareBank 1 Hallingdal Valdres and SpareBank 1 Lom og Skjåk (i.e. the existing ECC holders that are not affiliated with LO and will not

sell all their ECCs in the Offering), pursuant to which the Bank, the Foundation and the other mentioned ECC holders have undertaken to not, without prior written consent from the Managers (such consent not to be unreasonably withheld), (i) issue, offer, sell, agree to sell, pledge, deposit, transfer, issue options or other rights to ECCs or otherwise directly or indirectly dispose of any ECCs (or other instruments that may be converted or exchanged for ECCs or that give the right to subscribe for or buy ECCs); (ii) conduct any other transaction (including derivative transactions) that may affect the ECC market in a similar manner as a sale or which is notifiable for the ECC holder as a disposal pursuant to applicable Norwegian Securities law, or (Iii) publicly announce any intention to make transactions or disposals as specified under (i) or (ii), for a period of six months for the Bank and twelve months for the relevant ECC Holders, from the date of the Listing. The lock up agreements apply both to currently owned ECCs and to any ECCs acquired by the Bank, the Foundation and/or the other abovementioned ECC holders in the future during the lock-up period.

The lock-up undertakings for the abovementioned ECC Holders do not apply to ECCs sold or borrowed in connection with the Offering. The lock-up undertaking for the Bank does not apply to ECCs issued in connection with the Offering or issued in connection with an incentive program for employees of the Bank. For the sake of good order, the Bank's lock-up undertaking does not imply restrictions on the Bank's ability to issue bonds or other debt instruments.

As set out in section 5.5.8, the New ECCs allocated to an Eligible Employee in the Employee Offering at a 20% discount will be subject to a lock-up obligation whereby the relevant ECCs may not be traded, sold, pledged or otherwise disposed of for a period of two years from delivery to the relevant Eligible Employee's VPS-account.

The Bank and LO entered into a transaction agreement dated 10 December 2015 in connection with the acquisition of Bank 1 Oslo Akershus as further described in Section 12 (the "**Acquisition**"). Pursuant to the agreement, LO has undertaken not to sell any ECCs for a period of 1 year after the Listing. The agreement further provides that in an additional five year period LO shall not sell ECCs to the extent that their ownership interest falls below 10% of the ECCs in the Bank.

5.15 SELLING AND TRANSFER RESTRICTIONS

See Section 20 "*Selling and Transfer Restrictions*" for certain applicable selling and transfer restrictions relating to the Offering.

5.16 MANAGERS AND ADVISERS

SpareBank 1 Markets AS (Olav V's gate 5, 0161 Oslo, Norway) is acting as Global Coordinator, Lead Manager and Joint Bookrunner, and Pareto Securities AS (Dronning Mauds gate 3, 0260 Oslo) and Swedbank Norge, a branch of Swedbank AB (publ) (Filipstad brygge 1, 0252 Oslo) are acting as Joint Bookrunners, for the Offering. The Managers will be acting as paying agents in the Offering as described in Section 5.2.

Advokatfirmaet Selmer DA (Tjuvholmen allé 1, N-0112 Oslo, Norway) is acting as Norwegian legal counsel to the Bank.

Schjødt AS (Ruseløkkveien 14-16, 0201, Norway) is acting as Norwegian legal counsel to the Joint Bookrunners.

Deloitte AS (Dronning Eufemias gate 14, 0191 Oslo) has been engaged to perform the financial due diligence.

5.17 PROCEEDS AND EXPENSES RELATED TO THE OFFERING

The net proceeds from the sale of the Existing ECCs (the Institutional Offering and the Retail Offering) will be for the benefit of the Selling ECC Holders. The net proceeds from the sale of New ECCs (in the Employee Offering) will be for the benefit of the Bank and will depend both on the number of New ECCs subscribed for in the Employee Offering and the number of Eligible Employees participating in the Employee Offering (as the discount on the Offer Price is limited to NOK 25,000 per Eligible Employee allocated New ECCs). At maximum, the Employee Offering will imply net proceeds in the amount of approximately MNOK 182.9 to MNOK 183.2. The Bank is well capitalised compared to regulatory requirements. The proceeds received in the Employee Offering has no specific purpose, but will be used to finance profitable growth.

Upon completion of the Offering, the Managers shall be entitled to a transaction fee equal to 1.4% of the gross proceeds of the Offering (being the number of Offer Shares multiplied by the Offer Price). In addition, the Bank and the Foundation may, at its sole discretion, pay to the Managers a discretionary fee of up to 0.3% of the total gross proceeds of Institutional Offering and the Retail Offering. Furthermore, the Bank may, at its sole discretion, pay to the Managers a discretionary fee of up to 0.3% of the gross proceeds of the Employee Offering.

Selling ECC Holders will pay brokerage fees for any sale of Existing ECCs. All other transaction directly attributable in connection with the Listing and Offering will be paid by the Bank. SpareBank 1 Østlandet estimates that expenses in connection with the Offering and the Listing, which will be paid by the Bank, will amount to between NOK 16.8 million and NOK 17.1 million. Expenses directly relating to the application and delivery of ECCs in Offering will not be charged to the investor.

5.18 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE OFFERING

The Managers (and/or their affiliates) have provided from time to time, and may provide in the future, investment and commercial banking services to the Bank and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions. Further, in connection with the Offering, the Managers, their employees and any affiliates acting as an investor for their own account, may purchase Offer ECCs and other securities of the Bank or other investments for their own account and may offer or sell such securities (or other investments) otherwise than in connection with the Offering. Neither of the Managers intends to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Managers will receive a fee of a fixed percentage of the gross proceeds in the Offering. Furthermore, the Bank and the Foundation may choose, in their sole joint discretion, to give the Managers a success fee of up to 0.3% of the gross proceeds from the sale of Existing ECCs in the Offering upon a successful offering. As such, the Managers have an interest in the Offering.

The Selling ECC Holders will receive proceeds from the sale of the Existing ECCs and, as such, have an interest in the Offering. Please refer to Section 5.13 for details on the number of Offer ECCs to be sold by each of the Selling ECC Holder.

The Bank is not aware of whether any major ECC holders, members of the Bank's senior management or Board of Directors intend to apply for Offer ECCs in the Offering, or whether any person intends to subscribe for more than 5% of the Offer ECCs other than as described in this Prospectus.

5.19 DILUTION

As the Institutional Offering and the Retail Offering are sales of Existing ECCs, these offerings will not imply any dilution for existing ECC holders as such. The issue of New ECCs in the Employee Offering will depend on the Offer Price and the amount of New ECCs allocated and issued in the Employee Offering, but will in no event imply a dilution of more than 2.82% for existing ECC holders.

5.20 GOVERNING LAW AND JURISDICTION

The terms and conditions of the Offering as set out in this Prospectus shall be governed by and construed in accordance with Norwegian law. The courts of Norway, with Oslo as legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Offering or this Prospectus.

5.21 OVER ALLOTMENT OPTION AND STABILISATION ACTIVITIES

5.21.1 *Over-allotment of Additional ECCs*

In connection with the Offering, the Bank, the Foundation and the Managers may jointly elect to exercise the Over Allotment Option to over-allot a number of Additional ECCs equalling up to 10% of the total number of Existing ECCs sold through the Offering. In order to permit the delivery in respect of over-allotments made, the Stabilisation Manager may exercise the Lending Option, on behalf of the Managers, to require the Foundation to lend such Additional ECCs to the Stabilisation Manager. Pursuant to the Greenshoe Option, the Foundation

has also granted the Stabilisation Manager an option to purchase a number of Additional ECCs equal to up to 10% of the number of Existing ECCs at a price equal to the final Offer Price in the Offering, as may be necessary to cover over-allotments, if any, made in connection with the Offering. To the extent that ECCs have been over-allotted in the Offering, the Managers have created a short position in the ECCs. The Stabilisation Manager may close out this short position by buying ECCs in the open market through stabilisation activities and/or by exercising the Greenshoe Option.

A stock exchange notice will be made on or about 12 June 2017 announcing whether ECCs have been over-allotted in connection with the Offering. Any exercise of the Greenshoe Option will be promptly announced by the Stabilisation Manager through the information system of Oslo Børs.

5.21.2 *Price stabilisation*

The Stabilisation Manager may, upon any exercise of the Over Allotment option, effect transactions from the first day of trading with a view to supporting the market price of the ECCs at a level higher than what might otherwise prevail, through buying ECCs in the open market at prices equal to or lower than the Offer Price. There is no obligation on the Stabilisation Manager to conduct stabilisation activities and there is no assurance that stabilisation activities will be undertaken. Such stabilising activities, if commenced, may be discontinued at any time, and will be brought to an end at the latest 30 calendar days after first day of Listing. It should be noted that stabilisation activities might result in market prices that are higher than would otherwise prevail.

Any stabilisation activities shall be conducted in accordance with section 3-12 of the Norwegian Securities Trading Act, and the EC Commission Regulation 2273/2003 regarding buy-back programmes and stabilisation of financial instruments.

The net profit, if any, resulting from stabilisation activities conducted by the Stabilisation Manager, on behalf of the Managers, will be for the benefit of the Foundation.

Within one week after the expiry of the 30 calendar day period of price stabilisation, the Stabilisation Manager shall publish information as to whether or not price stabilisation activities were undertaken. If stabilisation activities were undertaken, the statement shall also include information about: (i) the total amount of ECCs purchased; (ii) the dates on which the stabilisation period began and ended; (iii) the price range between which stabilisation was carried out, as well as the highest, lowest and average price paid during the stabilisation period; and (iv) the date at which stabilisation activities last occurred.

6 PRESENTATION OF THE GROUP

6.1 HISTORY AND OVERVIEW

SpareBank 1 Østlandet can trace its history back to 1845, when funds from local granaries, forest commons, local authorities and private individuals were pooled to found the first savings bank.

The Bank came into being through a series of mergers between formerly independent savings banks in the county of Hedmark. Altogether, 22 local savings banks have merged and evolved to become Hedmark's largest source of capital. Until 1 April 2017, the Bank's name was Sparebanken Hedmark. SpareBank 1 Østlandet assumed its current name following the merger with B1OA on 1 April 2017, and its head office is located in Hamar, Norway (Hedmark County). For the sake of good order, in the following and where appropriate, SpareBank 1 Østlandet will be used to describe the Bank both before and after the merger with B1OA.

In June 2006, SpareBank 1 Østlandet became part of the SpareBank 1 Alliance. The Alliance has been key in the development and offering of relevant products to the customers of SpareBank 1 Østlandet, enabling the combination of efficient operations and economies of scale with independent local banking operations.

In the autumn of 2011, SpareBank 1 Østlandet expanded into the neighboring county of Oppland with branches in the cities of Gjøvik and Lillehammer. In 2012, the Bank also established a presence in the Municipality of Nes in the county of Akershus by purchasing a local branch from B1OA.

Since 2013, SpareBank 1 Østlandet had owned 40.5% of B1OA. In December 2015, SpareBank 1 Østlandet signed an agreement with the Norwegian Confederation of Trade Unions and related associations (collectively referred to as "**LO**") and the other SpareBank 1 banks to acquire the remaining shares in B1OA. The remaining shares were acquired 29 June 2016. The legal merger between SpareBank 1 Østlandet before the merger with B1OA (the "**Former Sparebanken Hedmark**") and B1OA was completed at 1 April 2017, under the name of SpareBank 1 Østlandet. With the expansion into Oslo and other parts of Akershus, SpareBank 1 Østlandet becomes Norway's fourth largest savings bank group[2].

On a stand-alone basis, B1OA (a commercial bank)was the seventh largest compared to Norwegian savings bank[3] with total adjusted assets in 2016 of NOK 61 billion including loans transferred to the covered bond companies SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt (refer to chapter 6.2.4 for a description of the companies).

Including B1OA and as at 31 December 2016, the SpareBank 1 Østlandet Group has around 290,000 customers, 1,200 employees across 38 offices and total assets of around NOK 138 billion, including loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. In combination, the Group has a retail share (of gross loans) of around 74%.

In the autumn of 2016, the Ministry of Finance gave its approval for SpareBank 1 Østlandet, as the first bank in Norway, to pay out annual customer dividends based on the Bank's profits. The qualifying year started in 2017.

SpareBank 1 Østlandet is a savings bank incorporated under the laws of Norway pursuant to Act No. 17 of 10 April 2015 on Financial Institutions (*Nw: Finansforetaksloven*), and is registered with the Norwegian Register of Business Enterprises with organization number 920 426 530. The Bank was incorporated 1 March 1988. The address of its registered office is Strandgata 15, PO Box 203, N-2302 Hamar and the telephone number of its registered office is +47 915 02999. SpareBank 1 Østlandet is a savings bank licensed by the Ministry of Finance and supervised by the Norwegian FSA. The Bank is dependent on its license to carry out its operations.

6.1.1 *Brief about savings banks and equity capital certificates*

Equity capital certificates are an important part of a savings banks capital structure, and share many characteristics with shares in Norwegian limited companies. The main differences are related to the owners' rights to the bank's assets and influence over the bank's governing bodies. A savings bank with issued equity

[2] Source: SpareBank 1 Gruppen analysis (total assets, based on annual reports)

[3] Source: SpareBank 1 Gruppen analysis (total assets, based on annual reports)

capital certificates has two equity classes (capital owned by holders of equity capital certificates and ownerless capital). As a main principle, the profits are distributed proportionally amongst the equity classes based on ownership share (the equity capital certificate ratio – the proportion of profits and equity owned by equity capital certificates holders).

The equity class ownerless capital is referred to as "ownerless" equity. This equity consists of the original capital in the bank and the retained earnings accumulated on this capital over the years (which for the Bank is all accumulated earnings up until the issue of equity capital certificates in November 2015). The second type of equity is the equity capital certificates holders' equity. This equity consists of paid-up capital which according to the Articles of Association refers to Equity Capital Certificates, subsequently added return or profit, and any dividend equalisation fund and equity premium reserve. Part of the ownerless equity can be converted into equity certificate capital.

In a savings bank the ownerless capital, including donations fund and equity share capital in excess of equity share capital stipulated in the articles of association, including the dividend equalization fund absorb losses first, and thereafter the premium reserve and compensation fund pro rata. This entails that the equity share capital stipulated in the articles of association (belonging to the equity capital certificate holders) is at risk only if the ownerless capital and other funds are exhausted.

Compared to a regular limited liability company, the equity certificate holders do not vote directly in the supervisory board (may also be called "general meeting"). The owners of equity certificates elect representatives to vote for them in the supervisory board. According to the Financial Institutions Act, the equity certificate holders shall represent between 20%-40% of the representatives in the supervisory board, please see Section 9.4 for further information on the Bank's supervisory board. The rest of the voters consist of depositors, publicly-appointed voters and employees. This entails that the equity certificate holders might have less representation in the supervisory board than their ECC ratio implies. The composition of the supervisory board is further regulated in the articles of association, please see section 16.8 for further information.

See chapter 17 "*Regulatory Environment*" for a more detailed description regarding equity certificates.

6.2 ORGANIZATION

6.2.1 *Organizational structure*

SpareBank 1 Østlandet's banking activities are organized into three separate divisions: Retail, Corporate and Organizational/Capital markets.

Within the Retail Market division ("RM") activities are divided into six geographic regions: Østerdalen, Glåmdalen, Hedmarken, Ringsaker/Oppland, Sentrum/Vest and Romerike-Øst-Follo. In addition, the retail division has a customer call center and a private banking team. The Corporate Market division ("CM") is divided geographically into five regions: Oslo/Akershus, Hedmarken, Oppland, Østerdalen and Glåmdalen. The CM division also has a customer call center.

Both divisions offer financial and insurance products to private individuals and the corporate market (including self-employees). The CM division also provides cash management services. The divisions operate on a multi-channel distribution basis with 38 branches spread across the Inland (Hedmark and Oppland counties) and capital (Oslo and Akershus counties) regions in addition to the two customer call centers and internet banking services.

The Organizations and Capital Markets division ("OM") services customers across categories. Partly, the division functions as a dedicated unit for the Bank's relations with the trade unions. The unions are an important customer group in the Bank, based in parts on their significant deposit volume and the long-term co-operation agreement (see Section 6.11) The division is also a competence center for other divisions in the Bank when it comes to trade union relations, especially for the RM division in relation to the customer relationship towards individual union members. Partly, the division also offers interest rate and FX brokerage and advisory services, primarily for the commercial needs of corporate clients. The division also provides wealth management services

to high net worth individuals and corporates. The division does not engage in trading activities for the Bank's own account.

The branch offices are located in the four counties of Oslo (6), Akershus (9), Hedmark (21) and Oppland (2). Most branch offices service both retail and corporate customers.

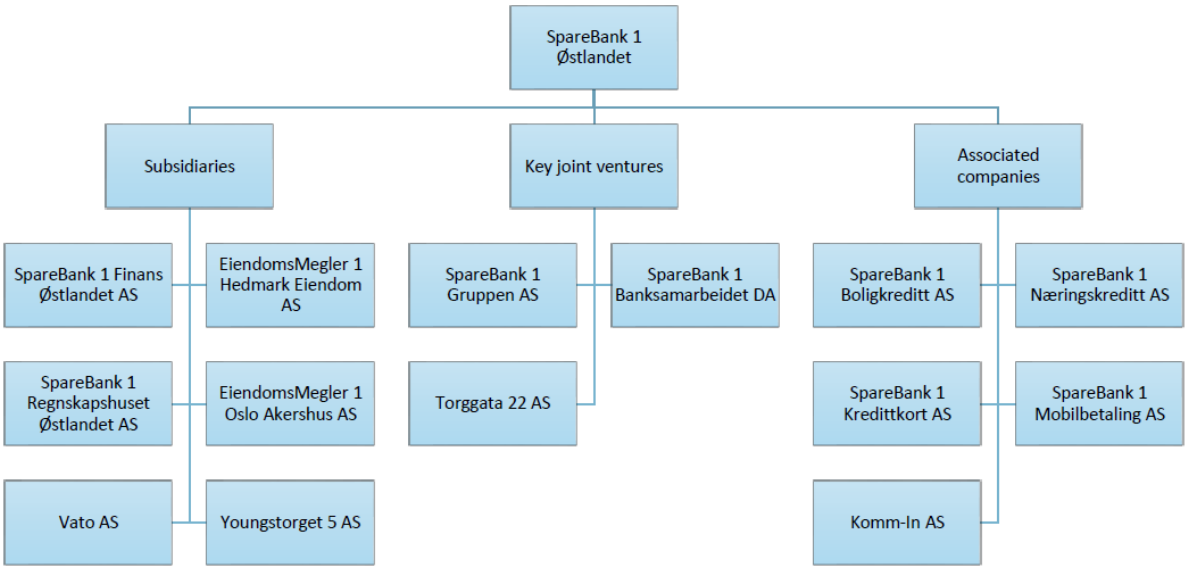
The Group has around 1,200 employees. Around 750 full-time equivalents ("**FTE**") work in the Bank, with the remainder working in the subsidiaries (see Section 6.2.3). Out of the 750 FTEs in the Bank, around 500 work directly towards customers while 250 work in support functions. SpareBank 1 Østlandet's support functions consist of divisions for Finance, Risk and Compliance, Innovation and Business Development, Business Operations, HR and Legal and Communications. Support functions are situated partly in the head office in Hamar and partly in Oslo, at B1OA's old head office.

The picture below illustrates the organizational structure in the Bank.



6.2.2 *Legal structure*

In addition to the parent bank, the Group consists of six subsidiaries: EiendomsMegler 1 Hedmark Eiendom AS, EiendomsMegler 1 Oslo Akershus AS, SpareBank 1 Finans Østlandet AS, SpareBank 1 Regnskapshuset Østlandet AS, Vato AS and Youngstorget 5 AS. The subsidiaries, joint ventures and associated companies are described in more detail in chapter 6.2.3 "*Subsidiaries*" and 6.2.4 "*Other ownership interests*". The picture below illustrates the legal structure of the Group.



The table below illustrates the Bank's (parent) ownership interests.

Company	Type of business	Year of acquisition	Business office, HQ	% ownership and voting share	Book value (NOK million)**
Subsidiaries					
EiendomsMegler 1 Hedmark Eiendom AS	Real estate agent	1988	Hamar, Norway	100%	20
EiendomsMegler 1 Oslo Akershus AS***	Real estate agent	2016	Oslo, Norway	100%	58
Youngstorget 5 AS	Rental, invest and development of real estate	2017	Oslo, Norway	100%	148
SpareBank 1 Finans Østlandet AS	Financing	1995	Hamar, Norway	95%	903
SpareBank 1 Regnskapshuset Østlandet AS	Accounting	2011	Hamar, Norway	100%	81
Vato AS	Rental of real estate	1981	Hamar, Norway	100%	9
Associated companies					
SpareBank 1 Boligkreditt AS	Covered bond company	2007	Stavanger, Norway	20.26%	1,994
SpareBank 1 Næringskreditt AS	Covered bond company	2012	Stavanger, Norway	9.24%	171
SpareBank 1 Kredittkort AS	Credit card	2012	Trondheim, Norway	19.58%	223
SpareBank 1 Mobilbetaling AS	Payment services	2015	Oslo, Norway	21.20%	6
KOMM-IN AS	Consulting	2013	Raufoss, Norway	23.70%	
Joint ventures					
Torggt 22 AS	Rental of real estate	2001	Hamar, Norway	50%	10
SpareBank 1 Gruppen AS	Financial holding company	2006	Tromsø, Norway*	12.4%	1,187
SpareBank 1 Banksamarbeidet DA	Cooperation and development	2006	Oslo, Norway	19.04%	21

**Headquarters in Oslo, Norway*
***Book value in subsidiaries from parent bank, book value in associated companies and joint ventures from Group*
**** Subsidiary of B1OA as of 31 March 17. Merger with B1OA effective from 1 April 2017*

6.2.3 *Subsidiaries*

EiendomsMegler 1 Hedmark Eiendom AS

EiendomsMegler 1 Hedmark Eiendom AS is a part of the EiendomsMegler 1 Alliance, one of Norway's largest[4] chain of real estate agents. The company has branches in all major cities and towns in Hedmark, as well as branches in Nes in Akershus and Gjøvik in Oppland. Most of the agencies are co-located with the Bank's branches

[4] Source: SpareBank 1 Gruppen analysis (Figures from Eiendomsverdi AS, eiendomsverdi.no)

in order to promote cooperation between the Bank and real estate agencies in delivering relevant products to the customers of the Group. The company opened a new branch in Hamar West during the year. The company has a total of 11 branches and is the Bank's market area's largest local real estate agent measured in number of sales.

In 2016, turnover grew by 22% to NOK 99 million. Profit after tax was NOK 14 million, an increase from NOK 5 million compared to the year before. Parts of the increased profitability were due to the change in pension scheme from defined benefit pensions to defined contribution. The one-off effect was NOK 6.3 million. The company sold 1,947 properties worth a total of NOK 4.25 billion in 2016. This represents an increase of 19.2% in the number of properties compared with 2015. Although prices rose strongly, the number of freely sold properties in the market area was almost flat in 2016 compared to 2015. EiendomsMegler 1 Hedmark Eiendom AS increased its market share somewhat, selling just below 30%[5] of all freely sold properties in the market area. In 2016, the company had an average of 57.8 FTEs.

SpareBank 1 Finans Østlandet AS
SpareBank 1 Finans Østlandet AS offers leasing and loan finance to the business sector, as well as unsecured loans for cars, motorcycles and caravans to private individuals. Until the end of 2015, the company was a wholly-owned subsidiary of SpareBank 1 Østlandet with its head office in Hamar. On 1 January 2016, SpareBank 1 Ringerike Hadeland became a part-owner (5%). The company has a presence in Oslo, Akershus, Østfold, Buskerud, Vestfold, Hedmark and Oppland. This has made the company a significant player within leasing and secured financing in Eastern Norway.

Demand for SpareBank 1 Finans Østlandet AS' products continued to grow well in 2016, with a total increase in new sales of 8.8%, equivalent to NOK 3,586 million. In 2016, profit after tax was NOK 85.6 million compared to NOK 74.1 million in 2015. The company continued to grow in accordance with the long-term strategy. Total assets increased by 11.8% and totalled NOK 6,481 million. The company's credit losses have been satisfactorily low in recent years, although they increased somewhat in 2016. The loss costs for 2016 were 0.42% of average gross lending (0.36% in 2015). The company has 56 employees.

SpareBank 1 Regnskapshuset Østlandet AS
SpareBank 1 Regnskapshuset Østlandet AS provides services within accounting, payroll, and advice to small and medium-sized companies within production, trade, and farming. The company is a 100% owned subsidiary of SpareBank 1 Østlandet and had 11 branches and one subsidiary at the end of 2016. The company had 168 employees at the end of 2016.

In 2015, the company sold its three branches in Rogaland to SpareBank 1 SR-bank and at the same time strengthened its position in Hamar and Nedre Romerike through three strategic acquisitions. Turnover decreased from NOK 172 million in 2015 to NOK 160 million in 2016. Profit after tax amounted to NOK 11.3 million in 2015, compared with NOK 4 million in 2016 (group figures).

EiendomsMegler 1 Oslo Akershus AS
EiendomsMegler 1 Oslo Akershus AS is a wholly-owned administration and settlement office for the Group's real estate services in the Oslo and Akershus region. The company supports and owns 100% of the real estate agency EiendomsMegler 1 Oslo AS. Its headquarters are in Oslo. Profit after tax for EiendomsMegler 1 Oslo Akershus AS was NOK 4 million (NOK 0.5 million in 2015), with operating income of NOK 36.5 million (NOK 31.7 million). Profit after tax for the subsidiary EiendomsMegler 1 Oslo AS was NOK 3 million (NOK 4.8 million) and an operating income of NOK 212 million (NOK 207 million).

The real estate agent EiendomsMegler 1 Oslo AS has 21 sales offices in Oslo and Akershus, of which 20 are real estate agencies and one is a project office. Most of the agencies are co-located with the Bank's branches in the Oslo and Akershus region, in order to promote cooperation between the Bank and real estate agencies in delivering relevant products to the customers of the Group. The real estate market in the region in 2016 was characterized by strong housing price inflation and a fall in the number of housing sales. In 2016,

[5] Source: Eiendomsverdi AS, eiendomsverdi.no (a real estate analysis company owned by four of the largest banking constellations in Norway, DNB, SpareBank 1, Eika and Nordea.)

EiendomsMegler 1 Oslo AS had an estimated market share of 8.9% in Oslo and Akershus (9.1% in 2015)[6]. The company facilitated 2,473 housing sales in 2016, compared with 2,730 in 2015 (all numbers excluding project sales).

Vato AS
Vato AS is a property management company that was set up to manage some of SpareBank 1 Østlandet's office buildings in Hedmark County. The book value of the company is NOK 9 million.

Youngstorget 5 AS
Youngstorget 5 AS is a Norwegian private limited liability company. The company was incorporated in 2017 and is owned 100% by the Bank. Until Q1 2017, B1OA owned the property of its head office, Youngstorget 5. In connection with the merger between B1OA and Sparebanken Hedmark, the property was transferred to the company as a single-purpose real estate company. The book value of the company is NOK 148 million.

6.2.4 *Other ownership interests*

Below is a description of joint ventures and associated companies.

Joint ventures

SpareBank 1 Gruppen AS
SpareBank 1 Østlandet owns 12.4% of SpareBank 1 Gruppen AS. The stake is classified as an investment in a joint venture. Other owners are SpareBank 1 SR-bank ASA, SpareBank 1 Nord-Norge, SpareBank 1 SMN, and Samarbeidende Sparebanker AS, as well as LO. The SpareBank 1 Alliance's (the "**Alliance**"**)** management structure is regulated by an agreement between the owners. See further description under chapter 6.7 "*Description of the SpareBank 1 Alliance and the SpareBank 1 Group*".

SpareBank 1 Banksamarbeidet DA
The Bank owns 19.04% of SpareBank 1 Banksamarbeidet DA. The investment is classified as a joint venture. The other owners of SpareBank 1 Banksamarbeidet DA are the banks in the SpareBank 1 Alliance. See description under chapter 6.7 "*Description of the SpareBank 1 Alliance and the SpareBank 1 Group*".

Torggt 22 AS
The Bank owns 50% of Torggt 22 AS. The company was founded in 2000 with the purpose of owning and renting the property Torggata 22, adjacent to the Bank's headquarters. The other owner is Utstillingsplassen Eiendom AS. The book value of the company is NOK 9 million.

Associated companies

A number of the companies in the Alliance are classified as associated companies in spite of the fact that the stake owned is less than 20%. The reason for this is the ownership structure and the strategic cooperation between the banks in the SpareBank 1 Alliance.

SpareBank 1 Kredittkort AS
SpareBank 1 Østlandet owns 19.58% of SpareBank 1 Kredittkort AS. The company is owned by the banks in the Alliance and offers credit card services. The company had a net profit of NOK 129 million in 2016, compared to NOK 112 million in 2015.

SpareBank 1 Mobilbetaling AS (mCASH)
The Bank owns 21.2% of the SpareBank 1 Mobilbetaling AS. The company provides mobile payment solutions. See description under chapter 6.8 "*Description of the SpareBank 1 Alliance and the SpareBank 1 Group*".

SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS
SpareBank 1 Østlandet has signed agreements for the legal sale of loans with high collateral and security in real estate to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. According to the management

[6] Source: Eiendomsverdi AS, eiendomsverdi.no

agreements signed with these two companies in the Alliance, the Bank manages the loans and is responsible for communication with the customers. The Bank receives compensation in the form of commissions for the obligations associated with managing the loans.

SpareBank 1 Boligkreditt AS is owned by the banks that make up the SpareBank 1 Alliance. The Bank owned a 20.26% stake as of 31 December 2016 (the Bank owned 9.96% as at 31 December 2015). The ownership is dynamic and adjusted annually based on the amount of transferred loans. SpareBank 1 Boligkreditt AS acquires loans with collateral in housing and issues covered bonds in accordance with the regulations established for this in 2007. Loans sold to SpareBank 1 Boligkreditt AS are secured by collateral in housing up to a ceiling of 75% of their valuation. The sold loans are legally owned by SpareBank 1 Boligkreditt AS and SpareBank 1 Østlandet has, apart from the right to administer them and receive commissions, as well as the right to take over fully or partially written down loans, no right to use the loans. The Bank administers the sold loans and receives commissions based on the net return on the loans the Bank has sold less the company's costs.

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

KOMM-IN AS
The Bank owns 23.7% of the consulting company KOMM-IN AS. The company was founded in 2011 in order to invest in knowledge-based growth companies. The company had a net profit of NOK 6.6 million in 2015.

6.3 OBJECTIVES, VISION AND AMBITIONS

SpareBank 1 Østlandet provides financial products and services to private individuals, businesses and the public sector in the Inland and capital regions. As the leading financial group in the Inland region, the Group does its bit for growth and development through financing individuals and companies who want to see good ideas come to fruition. In this way, the Group helps people build, live and work in its market areas. SpareBank 1 Østlandet also provides leasing, accounting and real estate brokerage services through its subsidiary companies. With the acquisition of B1OA, SpareBank 1 Østlandet expanded its home market to include a larger part of Eastern Norway.

The overarching goal of SpareBank 1 Østlandet is to remain one of Norway's largest, most solid and profitable financial groups. SpareBank 1 Østlandet has set strategic goals for the period 2015 to 2018. By the end of 2018, the SpareBank 1 Østlandet Group aims to be:

- the fourth largest savings bank group in Norway, listed on Oslo Stock Exchange with attractive equity certificates
- the preferred financial group in the Group's original market area and the strongest-growing group in new market areas
- a financial group that is able to offer valuable solutions for our customers
- a bank with a performance-based culture with a focus on continuous improvements and effective working-processes

In 2017, the Bank is expected to develop its new strategy for the coming strategy period.

The Bank's vision statement is "creating together".

6.4 THE FOUNDATION

Sparebanken Hedmark Sparebankstiftelse is organized under the laws of Norway with registration number 916 268 688 with address Strandgata 15, 2317 HAMAR, Norway (P.O Box 203, 2302 HAMAR). The Foundation owns 75.08% of the equity certificates as of the Offering. See chapter 7 "*The Selling ECC holders*" for more information.

6.5 DESCRIPTION OF THE BANK'S OPERATIONS

SpareBank 1 Østlandet is a mainstay of life in Hedmark with its many branches in 18 of the county's 22 municipalities. The Group offers a wide range of products within loans, deposits, insurance, pensions, payment services, estate agency, accounting services, leasing and financing. As a leading financial group in the market area, the Group is important for the region's growth and development through financing individuals and companies. In this way, the Group helps people build, live and work in the region. The acquisition of B1OA, led to SpareBank 1 Østlandet expanding its geographical reach to include Oslo and larger parts of Akershus than previously. B1OA also offered its customers regular banking and insurance services as well as real estate services. B1OA's market share in its geographical home market has been much lower than the market share of SpareBank 1 Østlandet in the latter's home market. The Group does not plan to expand its combined product portfolio significantly as a consequence of the merger.

6.5.1 *Customer dividends*

The Bank launched customer dividends towards the end of 2016. As the first bank in Norway, SpareBank 1 Østlandet will share its profits and pay dividends to customers just as it does to its owners. The customers, both retail and corporate, may receive an annual amount based on the Bank's profit and the amount the respective customer had in deposits and loans over the year. The basis for the customer dividends is from the first NOK and up to NOK 2 million, for deposits and loans separately.

The customer dividends may be paid out of the part of the profits that belong to the ownerless capital. Normally, the share of the profits belonging to the ownerless capital paid out to customers will be equal to the dividend share of the owners of the equity certificates. If so, the proportion of the total capital of the Bank belonging to ECC holders will be stable over time.

The customer dividends for each year will be distributed after the Bank's financial statement is adopted by the Supervisory Board the consecutive year, in line with dividend payments to the ECC holders (see chapter 6.14 on the Bank's dividend policy). The Bank's Supervisory Board decides the amount of customer dividends to be distributed each year. The first qualifying year for customer dividends will be 2017, with distribution of the dividends in the first half of 2018[7].

See chapter 16.9 under the paragraph "Profits and loss" for more description regarding the customer dividends.

6.5.2 *Financing*

The Bank offers financing products to retail customers, corporate customers and to the public sector. The services also include credit cards through SpareBank 1 Kredittkort AS (see description in chapter 6.2.4 "*Other ownership interests*"). The Alliance has established SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt (see description in chapter 6.2.4 "*Other ownership interests*") where the owner-banks sell loans secured by collateral in housing with up to 75% loan to value, and commercial real estate with up to 60% loan to value. Leasing products, as well as car loans and consumer loans are sold through SpareBank 1 Finans Østlandet AS (see description in chapter 6.2.3 "*Subsidiaries*").

6.5.3 *Savings/investments*

The Bank offers various savings and investment products to retail and corporate customers as well as customers in the public sector and within the organization market, including:

[7] The merger between Sparebanken Hedmark and B1OA was effective from 1 April 2017, the basis for customers from B1OA will start at this date.

- Deposit products
- Equity, fixed income and balanced funds, individual stocks, bonds and other investment products
- Insurance products

6.5.4 *Insurance*

The Bank offers personal and non-life insurance as well as retirement savings to retail and corporate customers. The main products are group pensions, life insurance, disability coverage, along with house and car insurance. SpareBank 1 Forsikring AS, a wholly owned subsidiary of SpareBank 1 Gruppen AS, produces the insurance products. See description in chapter 6.7 "*Description of the SpareBank 1 Alliance and the SpareBank 1 Group*".

6.5.5 *Payment systems/cash management*

The Bank offers payment products and services to retail and corporate customers, as well as to the public sector. The product offering includes payment systems with modernized solutions adapted towards the customer's rapid changing needs and demands. The products are delivered either by the Bank itself, in cooperation with the Alliance, through SpareBank 1 Mobilbetaling AS (mCASH) or through other third parties. See description of SpareBank 1 Mobilbetaling in chapter 6.7 "*Description of the SpareBank 1 Alliance and the SpareBank 1 Group*".

6.5.6 *Real estate brokerage*

Real estate brokerage is offered through the fully owned subsidiaries EiendomsMegler 1 Hedmark Eiendom AS and EiendomsMegler 1 Oslo Akershus AS. Read more about the companies in chapter 6.2.3 "*Subsidiaries*".

6.5.7 *Accounting services*

The Bank offers accounting services through the wholly-owned subsidiary SpareBank 1 Regnskapshuset Østlandet AS. Read more about the company in chapter 6.2.3 "*Subsidiaries*".

6.6 OPERATIONS, CUSTOMER DISTRIBUTION AND MARKET POSITION

6.6.1 *Customer base and market position*

The Bank's home market is Hedmark County. The Bank opened branches in Gjøvik and Lillehammer (both in Oppland County) in 2011, and at Årnes in Akershus County in 2012. The merger with B1OA expands the Bank's market to Oslo County and the rest of Akershus County.

The Bank is the fourth largest Norwegian savings bank, measured by total adjusted assets[8]. The Bank has about 290,000 customers spread mainly across the four counties of operation (see Section 6.6.2 and 6.6.3 for the geographical distribution of loans and deposits).

For historical reasons, Hedmark County is the home market for the Bank. In this market, the Bank holds a market share of around 50%[9] in both in the retail and corporate segment (measured by the number of customers). Combined with its 170 years of local knowledge, this gives the Bank a unique competitive advantage in the county. The Bank aims to maintain its market share in the home market. The counties of Oppland, Oslo and Akershus are markets in which the Bank aims to increase its market share (see the following sections below for more on market shares across counties).

Farming and forestry, plus the associated processing industries, as well as small and medium-sized companies dominate industry and commerce in the Inland region. The region has almost no activity directly related to petroleum, and growth in economic activity tends to be less volatile than in most other parts of Norway. Since 2013, the region has also benefited from a weak Norwegian krone, through export-oriented industries and tourism. Overall, growth in economic activity in the Inland region has been higher than in Norway as a whole.[10] To the extent that a stronger Norwegian krone towards the end of 2016 might have had a negative effect on

[8] SpareBank 1 Gruppen analysis (total assets, based on annual reports)
[9] Source: Kantar TNS, Posisjonsundersøkelse, 2015
[10] Source: Regional network reports from Norges Bank

local business, the effects should have been offset by the benefits of increased economic activity in the rest of the country. According to the Bank's own Economic Tendency Survey, companies in the Inland region were more optimistic going into 2017 than they were at the beginning of 2016. The tourism and manufacturing sectors were the most optimistic sectors, while real estate expected a worse economic development in 2017 than in 2016. From the end of 2015 to the end of 2016, the unemployment rate fell by more in Hedmark than in any other county in Norway[11]. The unemployment rate also fell in Oslo, Akershus and Oppland counties – as opposed to a marginal rise in the unemployment rate for Norway as a whole[12].

The counties of Oslo and Akershus have a very diverse business environment, including financial services, IT-services, maritime, offshore and petroleum-related services, R&D industries and information and communication services. Due also to its relative size (with around 32% of mainland-GDP per 2014[13]), economic activity in the Capital region tends to closely mirror economic activity in the country as a whole. Still, activity has held up somewhat better in the Capital region in the past few years than in Norway in aggregate. In the past few years, housing prices in Oslo have risen particularly strongly, also relative to other parts of the country.

The Bank's main operations are towards the retail market. At the end of 2016, 74% and 26% of total outstanding lending was towards the retail and the corporate segment, respectively (including loans transferred to the covered bond companies). Total deposits in the same period were 61% and 39% for the retail and corporate market, respectively.

Competitive position in the retail market

Within the retail market the Bank has about 274,000 customers. The market position is very strong in Hedmark county, with a market share of around 50% and high customer loyalty. The strength of the Bank's competitive position is enhanced by the fact that it is deeply involved in the local community, in terms of gifts and sponsorships but also through being a large employer. Compared to other regional savings banks, SpareBank 1 Østlandet's market share in its home market is relatively high. The Bank's market shares in Oppland, Oslo and Akershus are much smaller. The merged Bank holds a retail market share in Oslo of around 7%. In Akershus, the market share is around 4%. Through B1OA, the Bank has gained market shares in the past years, but the competition in the Capital region is fierce, partly through a more significant presence of Nordic banks. In Oppland, the market share is measured by looking only at the municipalities of Gjøvik and Lillehammer. In these municipalities, the Bank has a retail market share of 3%. DNB is the largest competitor in all markets. The Bank views the retail markets in Oppland, Oslo and Akershus as its greatest growth opportunities.

All numbers for market shares are based on surveys and are based on the number of customers, not volume outstanding (Posisjonsundersøkelsen, first half of 2015, by Kantar TNS).

Competitive position in the corporate market

Within the corporate market the Bank has about 16,000 customers. Most corporate customers are SMEs. Around 55% of outstanding corporate loans are below NOK 50 million. Similar to the retail market, SpareBank 1 Østlandet has a dominant market position in Hedmark, with a market share around 50%. DNB, as the main competitor, has closed many of its branch offices around the country, including in the Bank's market area. The Bank believes that its focus on local presence, not just digital banking, is a competitive advantage in the region, including for the corporate sector. The Bank's experience is that many business leaders need local discussion partners that understand their particular situation – especially in the SME segment, including the Bank's agricultural customers. As with the retail market, the Bank's market share in Oppland, Oslo and Akershus is much smaller than in Hedmark. In Oppland, measured by looking only at the municipalities of Gjøvik and Lillehammer, the market share is around 2% for the corporate market. In Oslo, the Bank has an estimated market share of 6% while the market share is 2% also in Akershus.

[11] Labor market statistics from the Norwegian Labor and Welfare Administration (NAV).

[12] Source: *Statistics Norway (SSB), "Økonomisk Utsyn" 1/2017, based on AKU, Arbeidskraftsundersøkelsen (SSB Labor Survey*

[13] Source: https://www.ssb.no/en/nasjonalregnskap-og-konjunkturer/statistikker/fnr

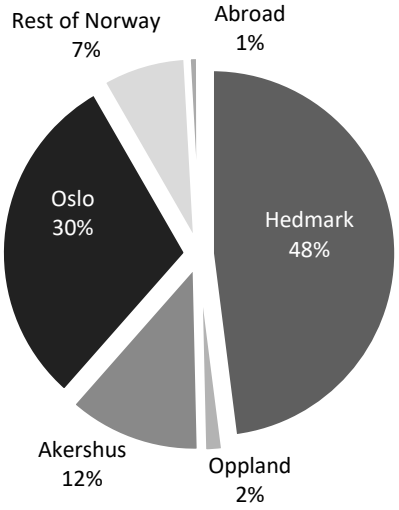
All numbers for market shares are based on surveys and are based on number of customers, not volume outstanding (Posisjonsundersøkelsen, first half of 2015, by Kantar TNS).

6.6.2 *Deposits*

Geographical distribution

The Bank's main source of funding is deposits. The depositors are mainly distributed across Hedmark, Oppland, Akershus and Oslo County. 48% of the deposits came from Hedmark, while 30% came from Oslo by the end 2016. Akershus and Oppland accounted for 12% and 2% of the deposits, respectively. The rest of the country and foreign deposits accounted for about 7% of total deposits. See chapter 14.5.2.1 for more details on geographical distribution of deposits.

Deposits by geographical area per year-end 2016



Sector, industry and type of deposits

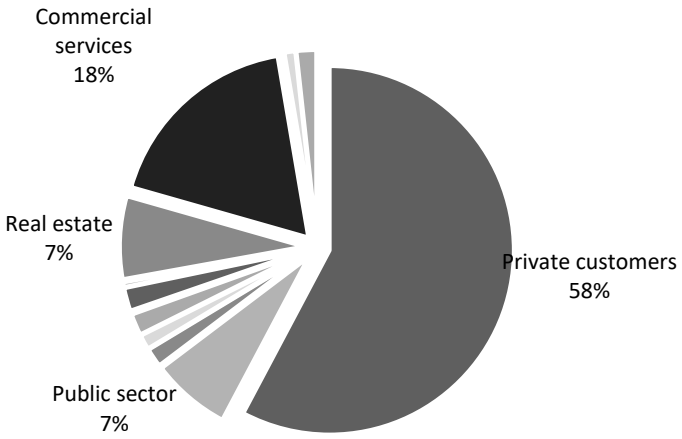
As of year-end 2016, 61% of the deposits came from retail customers, while 39% came from corporate customers. Deposits from local municipalities and commercial services make up a considerable proportion of total corporate deposits (19% and 41% of corporate deposits, respectively, per year-end 2016). The latter category includes deposits from LO, which are an important funding source for the bank – making up more than half of deposits from the commercial services sector.

Around NOK 8.0 billion (or approximately 13%) of total deposits at year-end 2016 were with agreed maturity dates. Most of these deposits were available to depositors at 31 days of notice. Moreover, the Banks' Guarantee Fund guaranteed for approximately 64% of deposits. Deposits from depositors with total deposits less than NOK 8 million made up about 70% of all deposits: These deposits are classified as more stable under the Liquidity Coverage Ratio-framework.

See the chart below for distribution of deposits by type of market and industry per 1Q17, highlighting private customers, commercial services, real estate and public sector, accounting for 58%, 18%, 7% and 7% of total deposits, respectively.

Refer to chapter 14.5.2.1 for more details on the development in deposits by type of market and industry.

Deposits by type of market and industry per 1Q17



6.6.3 *Loans*

Retail and corporate market

The gross loans for the Group amounted to NOK 82.9 billion per year-end 2016 (NOK 119.5 billion including loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt). Private customers accounted for 64% of this, while corporate customers accounted for 35%. The public sector accounted for less than 1%. Per 31 March 2017 private, corporate and public sector customers accounted for 64%, 36% and below 1% respectively.

Gross loans to private customers including loans transferred to SpareBank 1 Boligkreditt was NOK 89.8bn, where 60.4% was on the Bank's balance and 39.6% was transferred to SpareBank 1 Boligkreditt, per 31 March 2017.

Within the corporate lending, real estate accounted for the largest share of total gross lending at 17%, while commercial services and primary industries both accounted for about 5% per year-end 2016. Per 31 March 2017, real estate, commercial services and primary industries accounted for 17%, 4% and 5%, respectively.

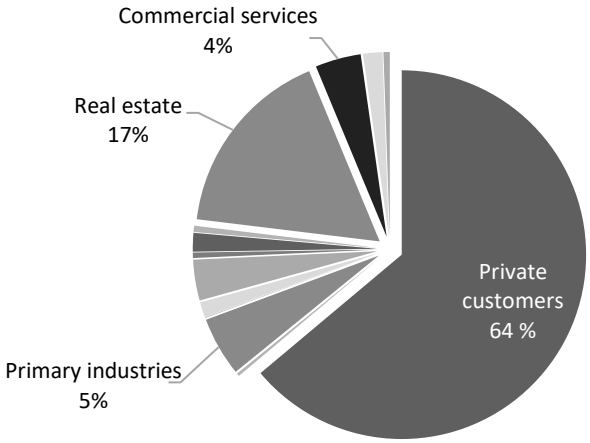
Gross loans to the corporate segment including loans transferred to SpareBank 1 Næringskreditt was NOK 31.9 mrd, where 96.0% was on the Bank's balance and 4.0% was transferred to SpareBank 1 Næringskreditt, per 31 March 2017.

Including loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt (the covered bond companies), 74% of the Bank's lending at year-end 2016 was to retail customers. Per 31 March 2017 private, corporate and public sector customers accounted for 74%, 26% and close to 0%, respectively, if including loans transferred to covered bond companies.

Looking at the corporate segment alone, including loans transferred to SpareBank 1 Næringskreditt, real estate, primary industries, commercial services, building and construction, wholesale and retail trade and other industries accounted for 49%, 14%, 11%, 10%, 4% and 13%, respectively, per 31 March 2017.

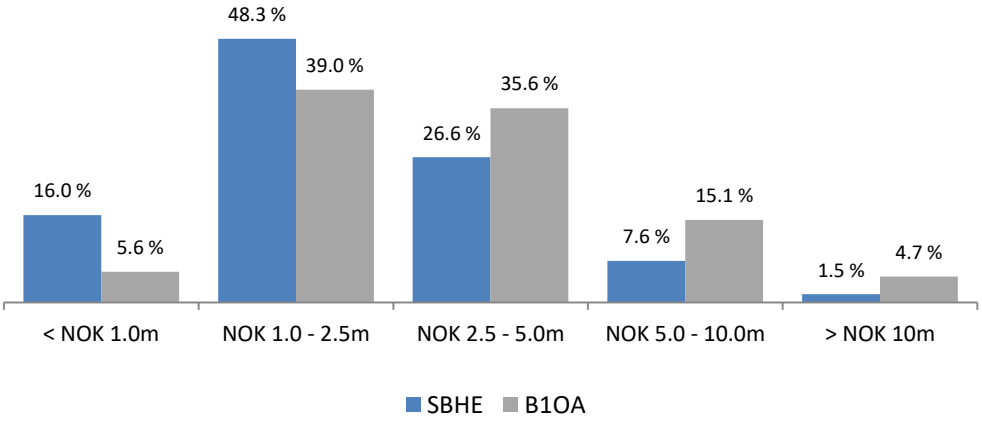
See chapter 14.5.1.1 for more details on the development in gross loans.

Gross loans by type of market and industry per 1Q17



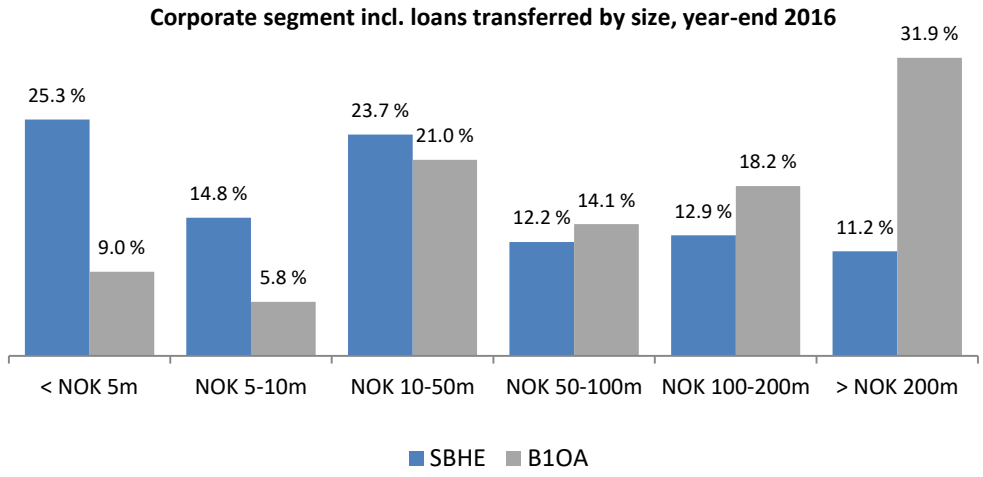
The charts below illustrate the distribution of loans to the retail and corporate segment, including loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, distributed by size, for the Former Sparebanken Hedmark and B1OA. Within the retail segment, the Former Sparebanken Hedmark had 48.3% of loans in the size between NOK 1.0 – 2.5 million, while B1OA had 39.0%. B1OA had a large share of loans between NOK 2.5 – 5.0 millions, accounting for 35.6%, while the Former Sparebanken Hedmark had 26.6%.

Retail segment incl. loans transferred, by size, year-end 2016



Within the corporate segment, most loans for the Former Sparebanken Hedmark was below NOK 5 million or between NOK 10-50 million, and accounted for almost 50% of the loans. B1OA had a much higher share of large

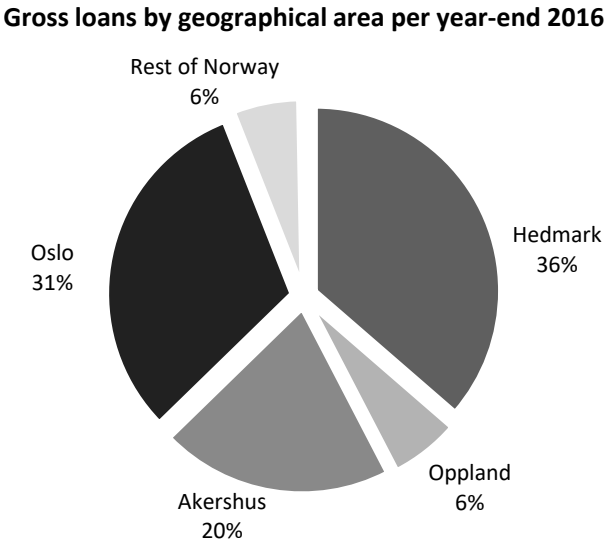
loans, where 31.9% of the loans was above NOK 200 million, and 18.2% of the loans was between NOK 100-200 million.



Geographical distribution

Total gross loans in the Group are mainly distributed across the Counties Hedmark, Oslo, Akershus and Oppland. Per year-end 2016 Hedmark and Oslo accounted for 36% and 31% respectively, while Akershus accounted for 20%. The share of lending to customers in Oslo and Akershus increased considerably with the acquisition of B1OA. At year-end, the share of lending towards customers in Oslo and Akershus from the old parent bank (excluding SpareBank 1 Finans Østlandet) was 10% and 8%, respectively. The lending in Oppland was about the size as the total for the rest of Norway at 6% of total gross loans.

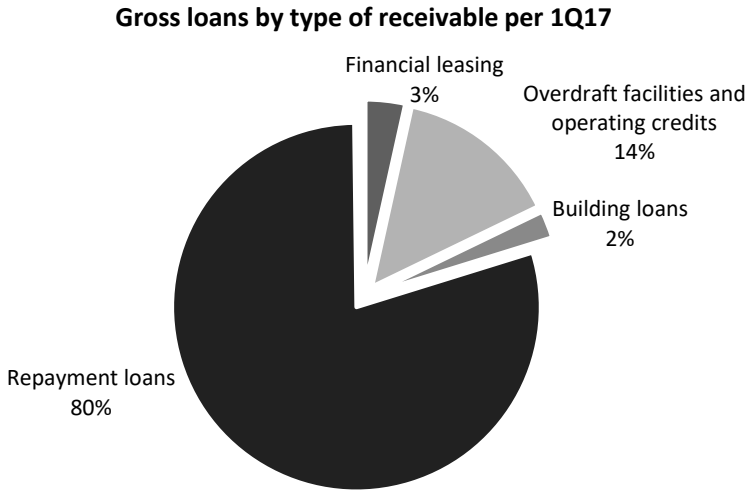
For more details on the development, see chapter 14.5.1.1.



Product distribution

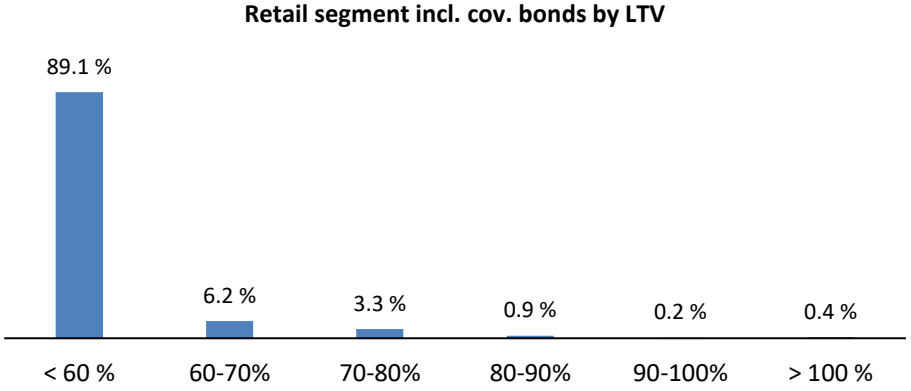
The Bank's lending are segmented into four types of receivables: Financial leasing, overdraft facilities, building loans and repayment loans. Repayment loans alone accounted for 78% of gross loans and overdraft facilities accounted for 16% per year-end 2016. Financial leasing and building loans constituted 3% and 2% of gross loans,

respectively. Per 31 March 2017, repayment loans, overdraft facilities, financial leasing and building loans accounted for 80%, 14%, 3% and 2%, respectively. Refer to chapter 14.5.1.1 for more details on the development in product distribution.



Gross loans towards retail segment distributed by LTV

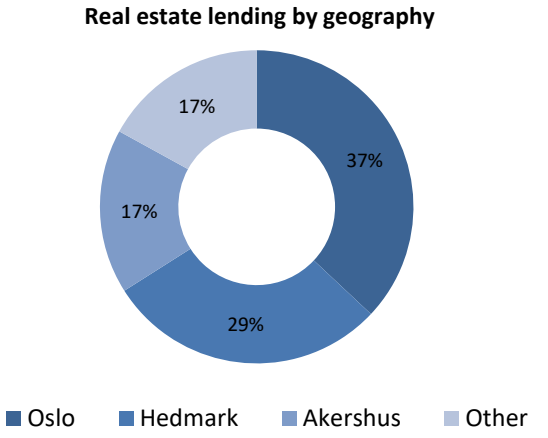
The chart below illustrates the gross loans towards the retail segment including loans transferred to SpareBank 1 Boligkreditt distributed by LTV per 31 March 2017. 89.1% of the loans had an LTV below 60%. The Former Sparebanken Hedmarks weighted LTV was 58.1% while B1OA's weighted LTV was 55.3%.

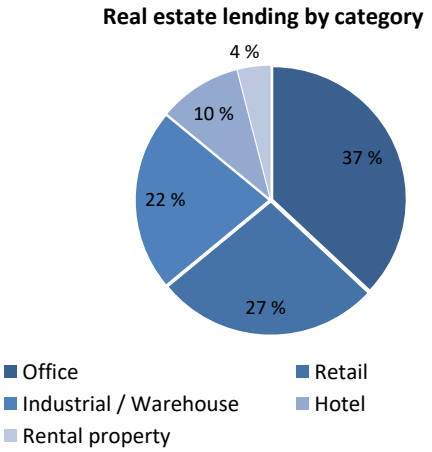


Commercial real estate lending

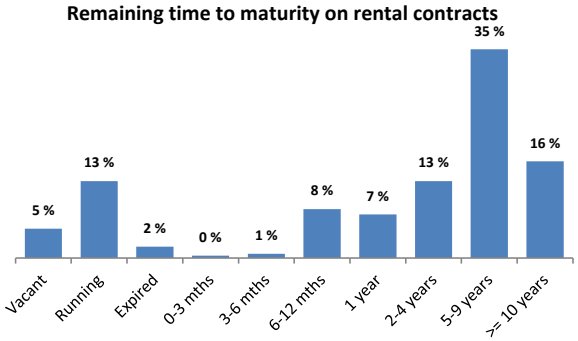
The Group has a large share of gross loans towards the commercial real estate industry. All figures in the following charts are as of 23 January 2017[14].

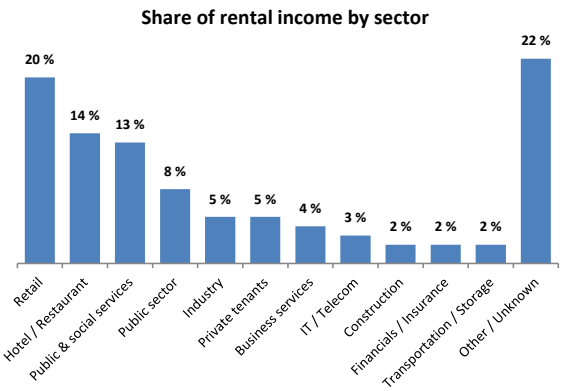
[14] Source: Centre for Credit Analysis (Stavanger)





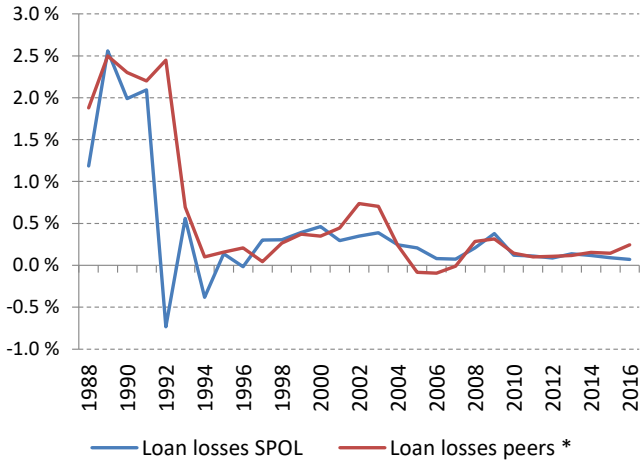
Total lending towards commercial real estate was NOK 14.2 bn. Most of the commercial real estate exposure in the Group was towards Oslo and constituted 37% of the real estate lending. Hedmark and Akershus accounted for 29% and 17% respectively. Regarding category, 37% of the commercial real estate lending was towards office buildings, while 27% was towards retail. Industrial/warehouse, hotel and rental property accounted for 22%, 10% and 4% respectively.





Most of the rental income on the commercial real estate is from the retail segment, which accounted for about 20%, while hotels and restaurants accounted for about 14%. 35% of the rental contracts had a maturity of between 5-9 years, while 16% had a maturity of 10 years or longer.

Long history of low loan losses

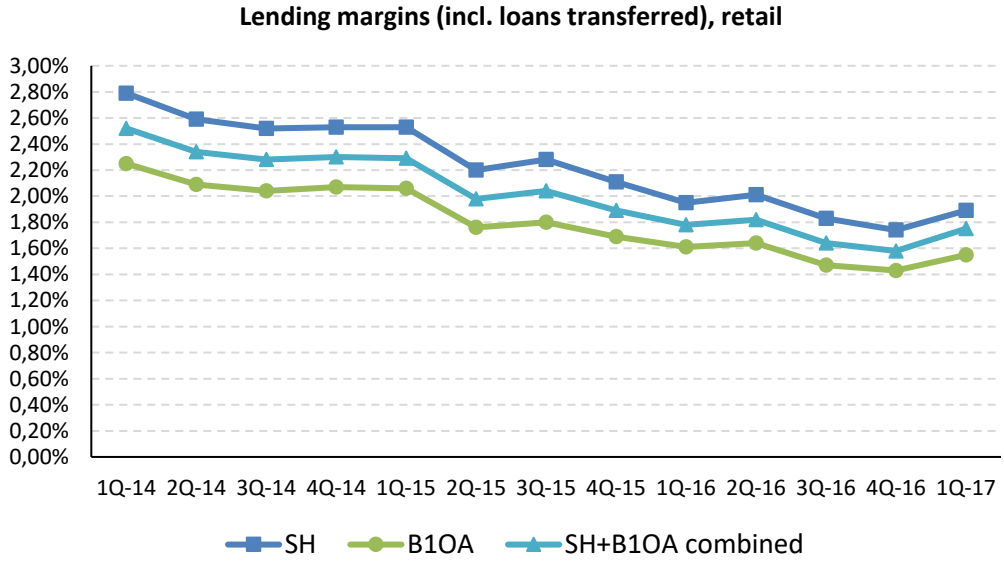


Source: SpareBank 1 Markets Equity Research. *Peers include NONG, SRBANK, MING, MORG, SVEG

The Group is one of the regional savings banks that get the most competitive pricing (meaning the lowest interest rates) on their funding in the Norwegian market due to its long history of strong solidity and low loan losses. In 2016 the Group had loan losses of 0.07% while the peer group had 0.25%. The last decade the loan losses have been low for both the Group and the peer group.

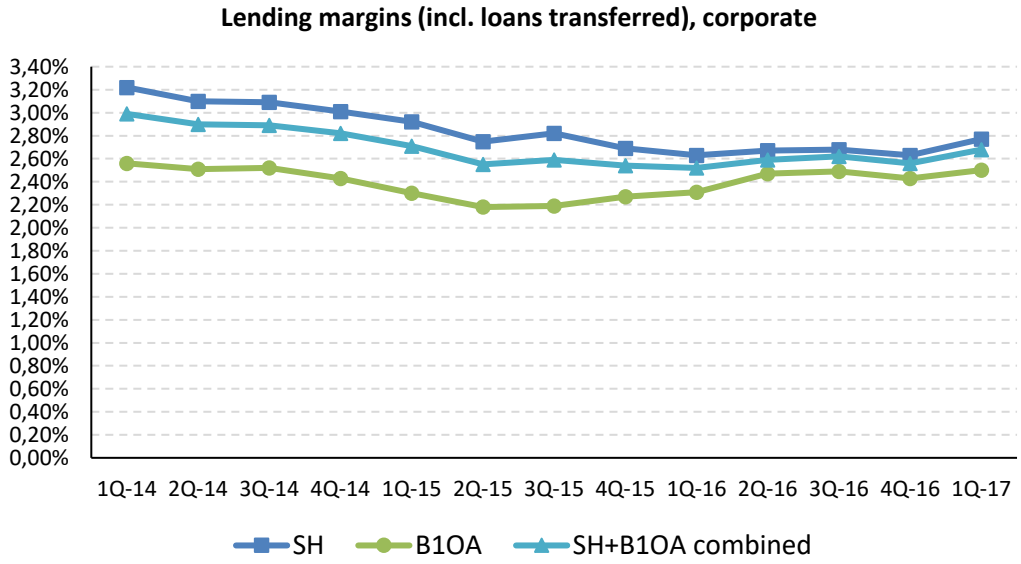
6.6.4 *Factors with significant impact on the Bank's profitability the latest years*

Net interest income is the Bank's most important source of income. The trend since 2014 shows increasing deposit margins and decreasing lending margins.

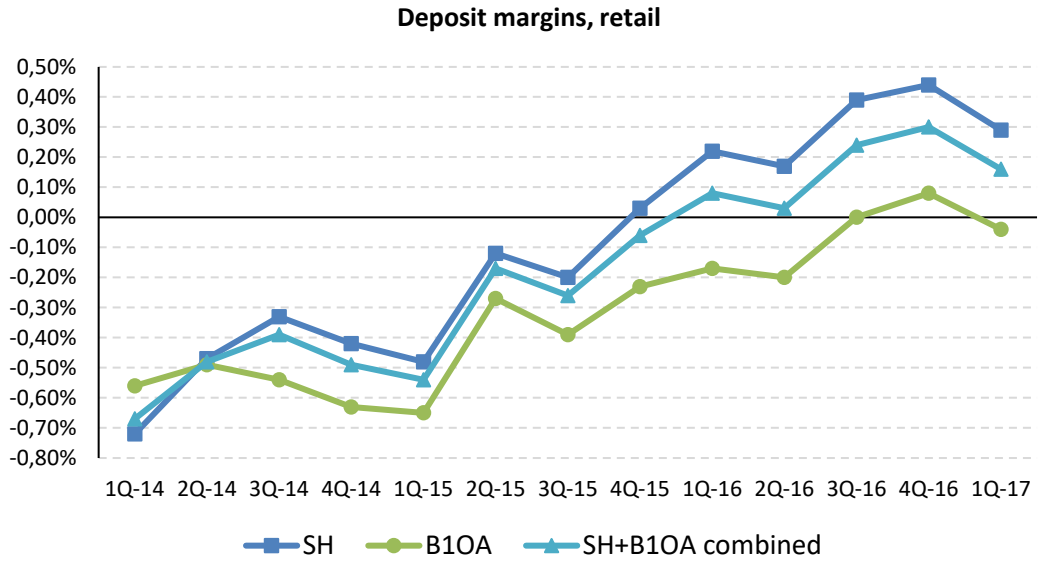


The fall in lending margins towards retail customers has been more pronounced than the fall in corporate margins, due to a different competitive environment across the two markets.

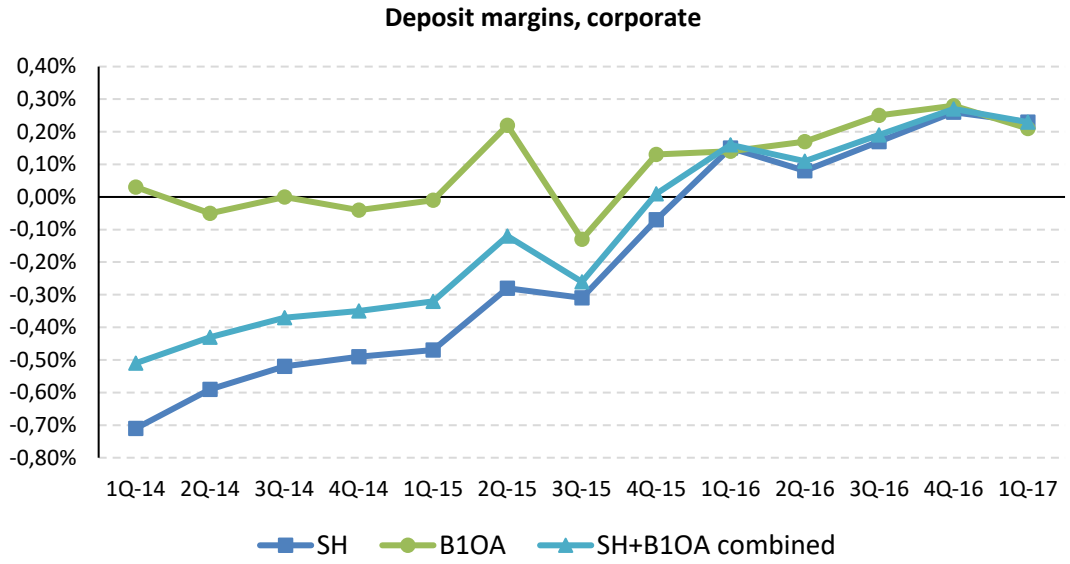
During the last three years, the lending margins towards the retail market have decreased, but have increased during 1Q-17. The Former Sparebanken Hedmark was able to uphold higher margins than B1OA during the period. The margins have decreased from about 2.8% to about 1.9% for the Former Sparebanken Hedmark since 1Q-14, while they have decreased from about 2.2% to about 1.6% for B1OA during the same period. Lower margins in Oslo and Akershus reflect harder competition for retail customers around the capital region.



The lending margins towards the corporate markets have been higher and fallen less since 1Q-14 than margins in the retail market. Lending margins within the corporate segment have also increased during 1Q-17. During the period, margins in the Former Sparebanken Hedmark fell from about 3.2% to about 2.8%, while they fell from about 2.6% to about 2.5% for B1OA. Margins in B1OA have increased since 2Q-15. The Former Sparebanken Hedmark achieved higher margins than B1OA during the whole period, although the difference narrowed towards the end of the period.



The deposit margins towards the retail market have increased from negative to positive between 1Q-14 and 4Q-16, but have decreased to negative 0.04% for B1OA during 1Q-17. Deposit margins for the Former Sparebanken Hedmark increased from negative 0.7% to about +0.3%, while B1OA's deposit margins increased from about negative 0.6% to about negative 0.04%. Except from 1Q-14, the Former Sparebanken Hedmark had higher retail deposit margins than B1OA during the period.



During the period, B1OA have maintained higher deposit margins towards the corporate market than the Former Sparebanken Hedmark. Deposit margins towards the corporate segment fell during 1Q-17. During 2014, B1OA had a deposit margin of about 0% increasing to about 0.2% in 1Q-17 after some instabilities in 2015. Corporate deposit margins for the Former Sparebanken Hedmark increased from about negative 0.7% to about +0.2% during the period.

For more details about interest rate margins, please refer to chapters 14.3.1.1 and 14.4.5.

6.7 DESCRIPTION OF THE SPAREBANK 1 ALLIANCE AND THE SPAREBANK 1 GROUP

The SpareBank 1 Alliance is a banking cooperation between the SpareBank 1 banks. The banks in the Alliance have different ownership stakes in the main Alliance corporation companies SpareBank 1 Gruppen AS and SpareBank 1 Banksamarbeidet DA. SpareBank 1 Østlandet owns 12.4% and 19.04% of SpareBank 1 Gruppen AS and SpareBank 1 Banksamarbeidet DA, respectively.

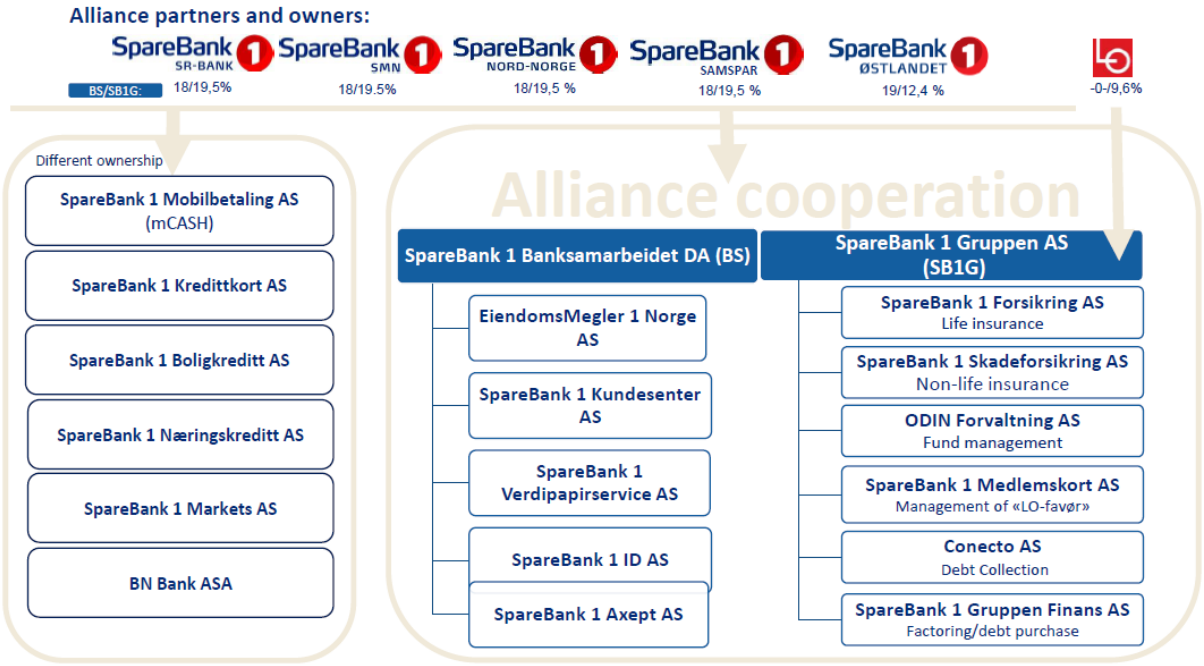
The Alliance's overarching goal is to ensure each banks independency and regional affiliation through competitive ability, profitability and solidity. The Alliance is one of the largest providers of financial services in Norway. The Alliance has an estimated gross lending market share in Norway at 19.6%[15].

The Alliance's overarching vision is that the SpareBank 1 banks shall be the recommended full-service bank for the retail and the SME market in Norway. Further, the customers shall perceive the SpareBank 1 banks as the best banks concerning local affiliation and competence. "Close (local) and skillful" are the core values of the Alliance. The Alliance is continuously working to strengthen the brand name "SpareBank 1".

[15] Source: SpareBank 1 Gruppen analysis, accumulated gross lending for the Alliance banks (Figures based on annual reports). Based on the individual market shares of the Alliance banks (lending and deposit market shares) and the market shares for the product companies within fund management, insurance and real estate brokerage. The national deposit market share was 17.2% in 2016. Both figures have been calculated by SpareBank 1 Gruppen, based on banks' quarterly reports and numbers from Statistics Norway. Where relevant, sources for market shares of the product companies are included in later footnotes

SpareBank 1 Alliance and SpareBank 1 Gruppen AS

The image below illustrates how the Alliance is composed



The total assets of the members of the Alliance were about NOK 1,025 billions distributed on the independent banks[16]. Per 1 April 2017, there were 14 independent banks in the Alliance, with some below 300 offices and about 7 200 FTE's nationwide (per 1 January 2016).

SpareBank 1 Gruppen AS and SpareBank 1 Banksamarbeidet DA are integral parts of the Alliance's strategy. The purpose, vision and values defined for the Alliance governs these two companies. It is a prerequisite that the operations of SpareBank 1 Gruppen AS imply value added for both the customers and the owners.

SpareBank 1 Gruppen AS' main function is to operate and develop competitive products and services that are distributed through the Alliance banks.

The main function of SpareBank 1 Banksamarbeidet DA is to operate and develop the infrastructure of the Alliance with focus on IT, financing, payment and savings along with a joint purchasing cooperation and management of the brand name "SpareBank 1".

SpareBank 1 Gruppen AS owns companies that offer non-life insurance, life insurance, unit-linked insurance and other financial products and services to the Alliance banks and their customers, along with the members of LO. The products are mainly distributed through the banks and agreements with LO.

The banks in the Alliance have economical gains from the product companies in two different ways. Firstly, when the banks distribute the products the sale is linked to sales commissions. Further, value accumulation and dividend from these companies can yield positive return for the banks through their ownership in SpareBank 1 Gruppen AS and other joint ventures in the cooperation.

The most important product companies are:

SpareBank 1 Forsikring AS and SpareBank 1 Skadeforsikring AS

SpareBank 1 Forsikring is the largest subsidiary in SpareBank 1 Gruppen (SpareBank 1 Group) and is one of the pillars in the Alliance. SpareBank 1 Forsikring is the fourth largest insurance company in Norway and insures

[16] The latest analysis by SpareBank 1 Gruppen is from 1Q 2017. Some of the Alliance-banks had not published numbers per 1Q 2017. In these cases numbers per 4Q 2016 are used

about every third home in Norway[17]. The company develops and manages both risk and personal insurances for the Alliance banks' retail and corporate customers. SpareBank 1 Forsikring is the main supplier of insurance to the LO and their members through the loyalty program "LO Favør". The company has about 650 employees. In the autumn in 2012, SpareBank 1 Skadeforskring (Property and Casualty insurance, P&C) and SpareBank 1 Livsforsikring (life insurance) merged. SpareBank 1 Livsforsikring is a continuation of David Livsforsikring AS along with the life insurance part of Vår Bank og Forsikring AS. SpareBank 1 Fondsforsikring AS, a provider of amongst other unit-linked products, was merged with SpareBank 1 Livsforsikring AS in December 2006. SpareBank 1 Skadeforsikring was established in 1990 and represented a new initiative within the insurance business at the time. Initially only the retail market was served, but after the acquisition of VÅR Bank og Forsikring AS the company acquired a position in the corporate market. In 2010, SpareBank 1 Skadeforsikring acquired the health insurance operations of Skandia Lifeline Norway and Unison Forsikring ASA.

ODIN Forvaltning AS

Odin Forvaltning AS was established in 1990 and is one of Norway's leading[18] fund managers. The company has an active and index independent investment philosophy and offers equity, fixed income and balanced funds. ODIN's equity funds can be marketed and distributed in Norway, Sweden, Finland and Netherlands. The fixed income and balanced funds can only be marketed and distributed in Norway. ODIN Forvaltning AS is a 100% owned subsidiary of SpareBank 1 Gruppen AS.

Conecto AS (previously Actor fordringsforvaltning AS)

Conecto AS is a 100% owned subsidiary of SpareBank 1 Gruppen AS, and is the result of a merger between Conecto AS and Actor Fordringsforvaltning AS on 1 January 2011. The reason for the merger was the Alliance's decision to make a long-term investment in the debt-collection market. Conecto AS is a counter-cyclical product company, and has about 150 employees.

EiendomsMegler 1

EiendomsMegler 1 is not a subsidiary of SpareBank 1 Gruppen, but an association between real estate brokerage companies owned by the banks in the Alliance. Consolidated, EiendomsMegler 1 is one of Norway's largest[19] real estate agents, and was the largest based on number of homes sold in 2016.

SpareBank 1 Gruppen Finans AS

SpareBank 1 Gruppen Finans AS is a product company owned by SpareBank 1 Gruppen AS that offers its services to both external companies as well as to the Alliance. The services are divided into the business areas Factoring and Portfolio. The company has about 45 employees with headquarters in Ålesund and a branch office in Tromsø. The company is also present in Trondheim, Stavanger, Hamar and Oslo. The majority of the employees work within the factoring division.

SpareBank 1 Mobilbetaling AS (mCASH)

mCASH offers mobile payment solutions. Using mCASH the customer can make payments with the smartphone to friends, shops and online. The company has built an infrastructure that connects the banks, merchants and customers.

In February 2017, SpareBank 1 and mCASH announced that the Alliance will start a cooperation with the main competition within mobile payment solutions, Vipps by DNB, along with a total of some above 100 banks. In this regard, mCASH will cease. After the transaction Vipps is expected be owned by DNB (~52%), the Alliance (~25%), independent savings banks (~12%), the Eika Alliance (~10%) and Sparebanken Møre (~1%). The cooperation is subject to approval by the Norwegian Ministry of Finance.

17 Source: Finance Norway

18 Source: vff.no/markedsstatistikk

19 Source: SpareBank 1 Gruppen analysis (Figures from Eiendomsverdi AS, eiendomsverdi.no)

Vipps has some above 2.1 million users and execute about 200,000 transactions every day. mCASH is used at some above 10,000 points of sale and have about 530,000 users.[20]

Even though the Bank does not consider itself to be dependent on participation in the Alliance to carry out its business and operations, the Bank deems such participation to be in its best interest.

6.8 INVESTMENTS

Subsidiaries, joint ventures and associated companies

The table below illustrates the Group's material investments and divestments in subsidiaries, joint ventures and associated companies since 2014 and to the date of the Prospectus.

Material investments (NOK million)	1Q17	2016	2015	2014	Total
Bank 1 Oslo Akershus AS	-148	2,068			1,919
Youngstorget 5 AS (B1OA demerger)	148				148
SpareBank 1 Kredittkort AS	7	6	14	46	73
SpareBank 1 Mobilbetaling AS		20	10		31
SpareBank 1 Regnskapshuset Østlandet AS			29	32	61
Total	**7**	**2,093**	**54**	**78**	**2,232**

Material divestments (NOK million)	1Q17	2016	2015	2014	Total
PBS Holding AS				271	271
SpareBank 1 Finans Østlandet AS		38			38
Total	**0**	**38**	**0**	**271**	**308**

In relation to the acquisition of B1OA, it has been allocated NOK 151 million in goodwill. It has not been allocated goodwill in relation to the other material investments in subsidiaries, joint ventures and associated companies. Refer to chapter 6.2.2, 6.2.3, 6.2.4, 14.5.1.3 and 14.7.4 for more information on subsidiaries, joint ventures and associated companies and future investments.

Other investments

The table below illustrates other material investments and divestments in listed and unlisted companies for the Group since 2014 and to the date of the Prospectus.

Material investments (NOK million)	1Q17	2016	2015	2014	Total
Verdipapirfondet Holberg Likviditet		200			200
Verdipapirfondet Holberg Likviditet 20		50			50
Pengemarkedsfondet Pluss Likviditet II		100			100
SpareBank 1 Markets	9		6	20	35
Total	**9**	**350**	**6**	**20**	**385**

Material divestments (NOK million)	1Q17	2016	2015	2014	Total
Verdipapirfondet Holberg Likviditet	204				204
Verdipapirfondet Holberg Likviditet 20	51				51
Pengemarkedsfondet Pluss Likviditet II	103				103

[20] Per February 2017

Total	**357**	**0**	**0**	**0**	**357**

There has not been allocated any goodwill in relation to the above investments.

The table below is an overview of the Group's other investments in listed and unlisted companies. For the avoidance of doubt, the "Classification" column below refers to accounting terms under IAS 39 and the classification "available for sale" is not meant as an indication of the Bank's willingness to sell.

Group 1Q17

Listed companies	**Classification**	**Share (%)**	**Stocks (#)**	**Cost (NOK million)**	**Value/book value (NOK million)**
Visa Inc. (shares, NYSE)	Available for sale	0.0%	73,404	8	56
Totens Sparebank (equity certificates, OSE)	Available for sale	24.6%	1,503,661	101	148
Sum, listed shares and equity certificates				**109**	**204**
Unlisted companies					
Eiendomskreditt AS	Available for sale	1.1%	32,510	3	4
Eksportfinans ASA	Available for sale	1.3%	3,499	52	77
NorgesInvestor IV AS	Available for sale	1.7%	79,000	7	7
NorgesInvestor Proto AS	Available for sale	16.9%	150,000	15	20
Oslo Kongressenter Folkets Hus BA	Available for sale	13.7%	70,638	7	56
SpareBank 1 Markets	Available for sale	6.2%	184,210	57	40
Other	Available for sale			17	11
Sum, unlisted shares and other equity				**158**	**215**
Sum, shares, equity certificates and other equity				**267**	**419**

Group 2016

Listed companies	**Classification**	**Share (%)**	**Shares (#)**	**Cost (NOK million)**	**Value/book value (NOK million)**
Visa Inc. (shares, NYSE)	Available for sale	0.0%	73,404	8	49
Totens Sparebank (equity certificates, OSE)	Available for sale	23.5%	1,440,530	95	138
Sum, listed shares and equity certificates				**103**	**188**
Unlisted companies					
Eiendomskreditt AS	Available for sale	1.1%	32,510	3	4
Eksportfinans ASA	Available for sale	1.3%	3,499	52	77
NorgesInvestor IV AS	Available for sale	1.7%	79,000	7	7
NorgesInvestor Proto AS	Available for sale	16.9%	150,000	15	19
Oslo Kongressenter Folkets Hus BA	Available for sale	13.7%	70,638	7	56
SpareBank 1 Markets	Available for sale	6.2%	139,454	47	30
Verdipapirfondet Holberg Likviditet	Fair value over P&L	2.7%	1,962,641	200	203
Verdipapirfondet Holberg Likviditet 20	Fair value over P&L	3.5%	495,616	50	50
Pengemarkedsfondet Pluss Likviditet II	Fair value over P&L	2.7%	99,985	100	102
Other	Available for sale			17	9
Sum, unlisted shares and other equity				**498**	**559**
Sum, shares, equity certificates and other equity				**601**	**747**

Group 2015

Listed companies	Classification	Share (%)	Shares (#)	Cost (NOK million)	Value/book value (NOK million)
Visa Inc. (shares, NYSE)	Available for sale	0.0%	54,840	6	38
Totens Sparebank (equity certificates, OSE)	Available for sale	23.5%	1,440,530	95	117
Sum, listed shares and equity certificates				**101**	**154**
Unlisted companies					
Eiendomskreditt AS	Available for sale	1.1%	32,510	3	4
Eksportfinans ASA	Available for sale	1.3%	3,499	52	74
NorgesInvestor IV AS	Available for sale	1.7%	79,000	7	7
NorgesInvestor Proto AS	Available for sale	16.9%	150,000	15	16
SpareBank 1 Markets	Available for sale	6.2%	139,454	47	29
Other				7	8
Sum, unlisted shares and other equity				**132**	**139**
Sum, shares, equity certificates and other equity				**233**	**294**

Group 2014

Listed companies	Classification	Share (%)	Shares (#)	Cost (NOK million)	Value/book value (NOK million)
Visa Inc. (shares, NYSE)	Available for sale	0.0%	13,710	6	27
Totens Sparebank (equity certificates, OSE)	Available for sale	23.5%	1,440,530	95	104
Sum, listed shares and equity certificates				**101**	**131**
Unlisted companies					
Eiendomskreditt AS	Available for sale	1.1%	32,510	3	4
Eksportfinans ASA	Available for sale	1.3%	3,499	52	72
NorgesInvestor IV AS	Available for sale	1.7%	79,000	7	7
NorgesInvestor Proto AS	Available for sale	16.9%	150,000	15	15
Other				19	10
Sum, unlisted shares and other equity				**97**	**108**
Sum, shares, equity certificates and other equity				**198**	**239**

6.9 PROPERTY, PLANT AND EQUIPMENT

The Group owns its own headquarter in Hamar with the addresses Torggata 12-14, Parkgata 2, and Strandgata 13/15, 2317 Hamar. The property is 14,476 sqm and the Group uses 12,752 sqm. The remainder of the property is leased to SpareBank 1 Finans Østlandet AS (860 sqm) and Conecto AS (804 sqm). Further, the Group owns B1OA's old headquarter with 4,980 sqm. The Group uses all of the property through its ownership of the subsidiary Youngstorget 5 AS. The address of the property is Youngstorget 5, 0181 Oslo.

Property, plant and equipment	Buildings, land and other property	Fixtures, fittings and vehicles	Total
Acquisition cost at 1 January 2015	468	274	**742**
Acquisitions	17	27	**44**

Disposals	1	8	**9**
Acquisition cost at 31 December 2015	**483**	**294**	**777**
Accumulated depreciation and write-downs at 1 January 2015	205	201	**406**
Current year's depreciation	14	24	**38**
Current year's disposal	1	6	**7**
Accumulated depr. and write-downs at 31 December 2015	**218**	**219**	**438**
Book value at 31 December 2015	**265**	**75**	**341**
Acquisition cost at 1 January 2016	483	294	**777**
Changes after buying B1OA	215	189	**404**
Acquisitions		34	**34**
Disposals	3	57	**60**
Acquisition cost at 31 December 2016	**696**	**459**	**1,155**
Accumulated depreciation and write-downs at 1 January 2016	218	219	**438**
Changes after buying B1OA	25	104	**129**
Current year's depreciation	17	40	**57**
Current year's write-downs			
Current year's disposal	2	53	**55**
Accumulated depr. and write-downs at 31 December 2016	**259**	**310**	**569**
Book value at 31 December 2016	**437**	**149**	**586**
Acquisition cost at 1 January 2017	696	459	**1,155**
Acquisitions	20	8	**28**
Disposals	6	0	**6**
Acquisition cost at 31 March 2017	**710**	**467**	**1,177**
Accumulated depreciation and write-downs at 1 January 2017	259	310	**569**
Current period's depreciation	6	15	**21**
Current period's disposal	1		**1**
Accumulated depr. and write-downs at 31 March 2017	**263**	**325**	**588**
Book value at 31 March 2017	**447**	**142**	**589**

The Bank has not pledged or accepted any other limitation on its right to dispose of the fixed assets. The acquisition cost of fully depreciated assets still in use by the Bank was NOK 158 million in 2016 and NOK 172 million in 2015. The Group did not have any fixed assets temporarily out of operation per end of year 2016

Investment property (NOKt)

Rented on 31.03.2017	**Value 01.01.2017**	**Acqu./depr.**	**Value 31.03.2017**	**Rent**	**Rented on 31.03.2017**
100%, Brugata 7, Brumunddal	6,590	-44	6,634	119	66%
Total	**6,590**		**6,634**	**119**	
Fair value			**8,391**		

Rented on 31.12.2016	**Value 01.01.2016**	**Acqu./depr.**	**Value 31.12.2016**	**Rent**	**Rented on 31.12.2016**
100%, Brugata 7, Brumunddal	6,590		6,590	493	66%
Total	**6,590**		**6,590**	**493**	

Fair value			**8.391**		

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

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

6.10 RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

The Bank does not conduct research and development in the traditional sense, but will continuously work to further develop its products, services and systems in cooperation with the Alliance. The Bank does not have any patents of significant importance for the Bank's operations.

The Bank holds licenses to operate as a savings bank and an investments firm and is dependent on such licenses to be able to engage in banking and investment services activities. For a further description on the regulatory environment for savings bank, see Section 17.2.

6.11 MATERIAL CONTRACTS

In connection with the acquisition of LO's shares in B1OA, the Bank and LO entered into a cooperation agreement on 10 December 2015. Under the cooperation agreement the Bank offers specialised products and services to LO and its members and the cooperation agreement has implied significant deposits in the Bank. The cooperation agreement has an original duration of 10 years, and may be terminated with 12 months' notice upon a material breach of the agreement that has not been cured within 30 days (including inter alia if LO is not represented on the Bank's board of directors with at least one board member and one deputy board member, provided LO owns at least 10% of the ECCs).

The Bank's IT systems are an important part of the daily operations of the Bank. The Bank has through SpareBank 1 Banksamarbeidet DA, entered into a framework agreement with Evry AS for the delivery of IT solutions. The agreement lasts until 31 December 2022. SpareBank 1 Banksamarbeidet DA has the option to extend the agreement for three new two years' periods and a one year period. As a result, the Bank may extend the agreement to last until 31 December 2029, subject to certain conditions. Pursuant to the agreement, Evry AS shall inter alia provide IT solutions for payments systems and core banking systems. In addition, Evry AS shall contribute to the Bank's development of digital banking services on various platforms. Although the Bank is not dependent on the agreement with Evry as such, a change of provider of IT-systems would be both costly and require significant operational resources.

Other than the cooperation agreement with LO as described above, neither the Bank nor any member of the Group has entered into any material contracts outside the ordinary course of business for the two years prior to the date of this Prospectus. Neither the Bank nor any member of the Group has entered in into a contract outside the ordinary course of business which contains any provisions under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this Prospectus.

6.12 ENVIRONMENT

The Bank does not use resources or input that have significant environmental impact. The Bank's impact on the environment is limited to the materials and energy necessary for the Bank to conduct its business. There are continuous efforts to shift towards electronic communication internally and externally which will help to reduce paper consumption. The business causes little environmental pollution. See also the Bank's climate accounts on page 10 of the Bank's annual report for 2016.

6.13 TREND INFORMATION

There have been no significant changes or trends beyond the normal operation since 31 December 2016 until the date of the Prospectus.

6.14 DIVIDEND POLICY

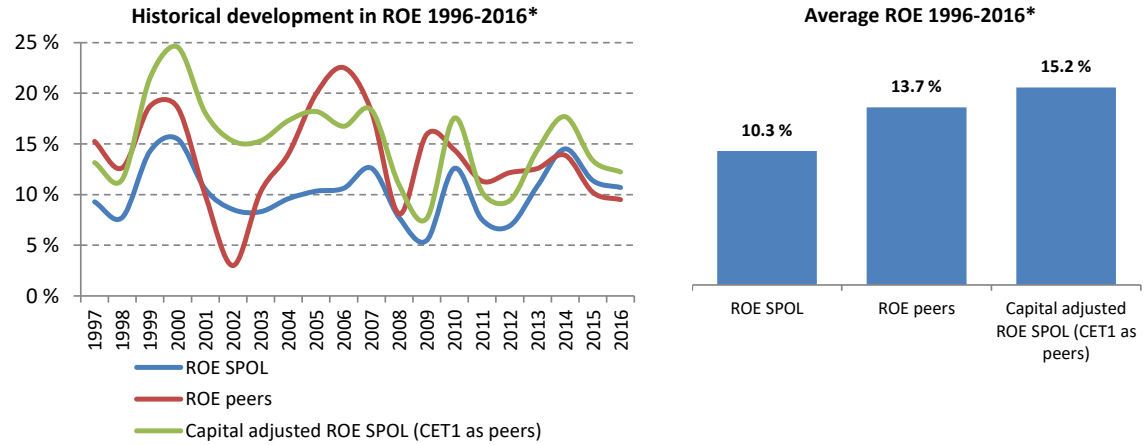
SpareBank 1 Østlandet puts emphasis on giving its owners a competitive and stable cash dividend, based on good profitability and high dividend capacity. The Bank targets payments of 50% of annual profits after taxes in dividends to the owners of equity certificates and as customer dividends from the ownerless capital.

The Bank's long-term target for profitability is a return on equity capital after tax of 10%. Consequently, the target for return of equity is somewhat lower than for similar banks, reflecting the goal of SpareBank 1 Østlandet to retain the well-established position as the country's most solid regional savings bank, measured by actual CET 1 ratios[21]. The goal for solidity is captured by a long-term target for a CET 1-ratio of 16%. Adjusted for differences in capitalization, SpareBank 1 Østlandet has historically been as profitable as comparable banks.

Following a proposal from the Board of Directors, the Supervisory Board will decide each year on the share of profits after taxes which will be distributed as dividends to ECC owners and the ownerless capital, proportionally in accordance with their relative share of the Bank's equity. The share of profits belonging to the ownerless capital is expected to be paid to the Bank's customers as customer dividends. The customer dividend may prevent or reduce a dilution of the ECC holders' ownership stake in the Bank. The share of the profits belonging to ECC owners is split between dividends and the equalisation fund. When deciding on cash dividends, the Supervisory Board will take into account expected profit developments in a normalised market situation together with possible regulatory changes.

As the Bank did not issue ECCs before the end of 2015, the Bank's first dividend distribution was resolved in April 2017. Rather than dividends, the Group has traditionally donated parts of its annual profits as gifts to the local community. The supervisory board resolved a dividend of about NOK 148 million equalling NOK 1.4 per ECC (equivalent to 20% of after-tax profits).

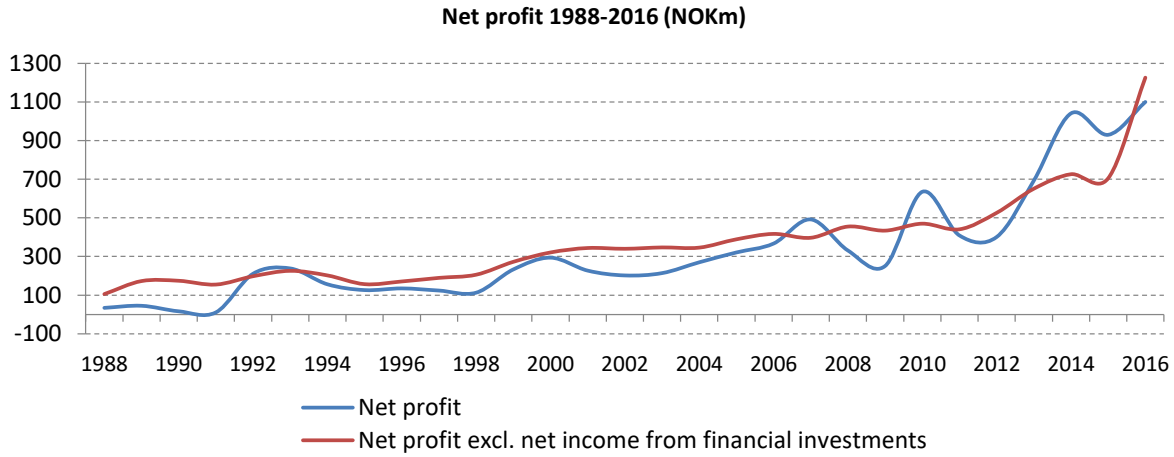
Profitable with high dividend capacity



Source: SpareBank 1 Markets Equity Research, based on annual reports. *Peer group includes NONG, SRBANK, MING, MORG and SVEG

The Group have historically had strong profitability. The return on equity capital after tax for the Group have been higher than for the peer group since 2014. The average return on equity capital after tax for the Group for the period is 10.3%, but when adjusting for CET1 ratio equal to peers, the average return on equity capital after tax is 15.2%. The peer group had an average return on equity capital after tax of 13.7% for the period.

[21] Measured by CET-1 and leverage ratios per 4Q16, compared with the regional savings banks: SpareBank 1 Nord-Norge, SpareBank 1 SMN, SpareBank 1 SR-Bank, Sparebanken Vest and Sparebanken Sør. Source: Annual/quarterly reports.



The Group have had a long history of consecutive profits. In 1988 the net profit was NOK 34 million, steadily increasing to NOK 1 100 million in 2016. Key events:

- 1988-91: High loan losses in the banking crisis, but no deficit or rescue
- 1993: Bond gains and lower losses
- 2007: Business cycle peak. 7 bps loss
- 2009: Business cycle dip. 40 bps loss
- 2010: Financial gains and low losses
- 2016: Acquisition of B1OA

6.15 LEGAL AND ARBITRATION PROCEEDINGS

The Group has not been part of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past significant effects on the Bank and/or Group's financial position or profitability.

6.16 CREDIT RATING

On 11 October 2016, Moody's upgraded the Bank's long-term deposit and issuer ratings from A2 to A1. Moody's also upgraded the Bank's baseline credit assessment ("**BCA**") to baa1 from baa2, and affirmed the Bank's adjusted BCA at baa1. The long-term ratings carry a stable outlook. The upgrade of the Bank's BCA from baa2 to baa1 came in view of the rating agency's opinion that the acquisition of B1OA benefitted the former Sparebanken Hedmark's standalone credit profile. The primary driver behind the upgrade of the long-term deposit and issuer ratings from A2 to A1 was the moderate government support assumption that the rating agency now incorporates into the Bank's ratings. Following the acquisition of B1OA, the Bank became the fourth largest savings bank in Norway with a presence in what is considered by Moody's the most important and economically developed region of Oslo-Akershus. This triggered the change in the rating agency's government support assumption for the new larger group to moderate, from low, in line with the rating agency's support assumptions for other similarly-sized Norwegian savings banks.

For more details on the Bank's rating, see https://www.sparebank1.no/content/dam/SB1/bank/hedmark/om-oss/investor/rating/2016_10_11_Moodys_Rating.pdf and https://www.sparebank1.no/content/dam/SB1/bank/hedmark/om-oss/investor/rating/2017_04_12_Moodys_Rating.pdf.

7 THE FOUNDATION

7.1 GENERAL

Sparebanken Hedmark Sparebankstiftelse is organized under the laws of Norway with registration number 916 268 688 with address Strandgata 15, 2317 Hamar, Norway (P.O Box 203, 2302 Hamar).

7.2 HISTORY

On 26 November 2015, 60% of SpareBank 1 Østlandet's (then Sparebanken Hedmark) equity capital was converted from ownerless capital to equity share capital. The equity share capital was increased following the acquisition of B1OA, on 29 June 2016.

Sparebanken Hedmark Sparebankstiftelse was established when the Bank was converted to an equity capital certificate bank on 26 November 2015. All of the equity capital certificates were transferred to the Foundation free of charge. Following the acquisition of B1OA, LO and other SpareBank 1 banks (for more information about the SpareBank 1 Group, see chapter 6.2.4) became owners of equity capital certificates in SpareBank 1 Østlandet through a private placement. As a result, the Foundation owns 75.08% of the equity capital certificates in the Bank while LO and the SpareBank 1-banks own 14.95 and 9.96%, respectively, as of the date of the Prospectus.

7.3 PURPOSE, VISION AND VALUES OF THE FOUNDATION

Pursuant to the Financial Institutions Act § 12-25 the articles of association of a savings bank foundation shall state that the foundation will continue the savings bank traditions and to have as its purpose a long-term and stable ownership of the savings bank or the converted bank. The Foundations shall have similar purposes in its articles of association in order to comply with the Financial Institutions Acts, but the articles of associations may be customized with respect to geographical presence for the respective savings bank.

The purpose article in the Foundation's articles of association states the following:

"*The Foundation's purpose is to manage equity capital certificates it was allocated upon formation and to exercise a significant, long-term and stable ownership of Sparebanken Hedmark with an objective to maintain their ownership of Sparebanken Hedmark, also through participation in equity capital certificate issues. The Foundation may also invest funds in an appropriate and satisfactory manner with regards to credit risk, liquidity and risk-adjusted returns. The Foundation may allocate a part of the profits and dividends to non-profit causes. In its distribution to non-profit causes, the Foundation shall preferably take into account the region that has contributed to the accumulation of capital in Sparebanken Hedmark. Through its ownership in Sparebanken Hedmark, the Foundation will contribute to the savings bank traditions in Hedmark. Moreover, the Foundation can exercise other activities that are consistent with specified purposes and those limits stipulated by the regulations for the savings bank foundations.*"

The vision of the Foundation is "For Hedmark" while its values are Long-term, *Creating value*, *Independence* and *Openness*.

- **Long-term:** The Foundation will manage its savings bank heritage – today and in the future.
- **Creating value:** The Foundation will be a competent and active owner in SpareBank 1 Østlandet and contribute by creating enthusiasm, wellbeing and a healthy development in the county.
- **Independent and open:** The Foundation will be professional and build trust in capital markets and among business partners, gift applicants, and the society in general.

7.4 OWNERSHIP POLICY

The Foundation shall be a long-term large owner in the Bank. According to its articles of association, the Foundation shall always own at least 50% of the equity capital certificates in SpareBank 1 Østlandet.

The Foundation shall be a predictable and active owner of SpareBank 1 Østlandet through:

- Exercising its ownership through participation in governing bodies of the Bank

- Being a result-oriented owner which emphasises long-term profitability
- Communicating a long-term perspective of its ownership
- Promoting the development of the Bank through professional governance and leadership in the Bank

The Foundation will position itself as a capital-rich foundation with the ability to participate in new equity issues in the Bank. Through selling equity capital certificates in the Offering, receiving dividends, and managing its funds, the Foundation aims to have a capital reserve that is large enough to maintain an ownership share of at least 50%.

The Foundation has the intention to be a competent and professional owner. Through a good collaboration with the Bank, the Foundation wishes to contribute to creating value. If the Bank performs well, the Foundation performs well. The Foundation will exercise its ownership in accordance with well-established ownership principles. Through digital channels, meetings with other investors and in other events, the Foundation will inform about its business and ownership strategy to investors and other interest groups.

The financial goals of the Foundation concerning its ownership in the Bank are built on well-established and general principles for a professional, long-term owner. The goals are:

- A return on equity in line with the most profitable regional savings banks in Norway, adjusted for leverage,
- A competitive cash dividend, taking into account the Bank's target for solidity and strategic ambitions.

The Foundation aims to be an important institution in the region through its role as the largest owner of the Bank. The Foundation's gifts and donations will contribute to growth and development in the Bank's market areas. Gifts will never be so large as to threaten the Foundation's ability to participate in ECC issues and to maintain at least 50% ownership. The Foundation will strive to ensure that SpareBank 1 Østlandet's head offices remain in Hedmark.

7.5 CAPITAL AND ASSET MANAGEMENT

At the time of the Offering, the Foundation holds 79,740,000 ECCs in SpareBank 1 Østlandet, each with a par value of NOK 50. Through selling parts of its holdings of equity capital certificates in the Offering and through dividends received, the Foundation will hold significant funds.

The management of these funds will be conservative. The Board will ensure that the administration of the Foundation manages the funds prudently and in line with the objective of the Foundation. The funds will consist of liquid and low-risk fixed-income securities or bank deposits. The conservative investment strategy means that the expected returns of the assets under management should be relatively low. However, ample liquidity is crucial for the ability of the Foundation to buy equity capital certificates in SpareBank 1 Østlandet or to participate in new equity capital certificates issues.

The net profit for the year shall be assigned to the Foundations' equity capital, unless the articles of association provide that net profit shall be distributed as dividend. The articles of association may provide that dividend funds can be utilised as gifts to non-profit causes or to a fund for such gifts or as gifts to a foundation for non-profit causes, cf. the Financial Institutions Act section 12-22 (2), cf. section 10-7. A savings bank foundation that devotes the profit for the year to gifts for the public good shall attach importance to promoting development in areas where the capital that was supplied to the foundation upon its establishment was raised, or transfer it to a fund with the same purpose (gift fund), cf. the Financial Institutions Act section 12-26 (3).

As stated above, the articles of association of the Foundation provides that it may distribute gifts to non-profit causes. The Board of Directors is responsible for distributing gifts within the limits decided by the Supervisory Board on the application of the net profit of the year.

7.6 GOVERNANCE AND MANAGEMENT

According to the Financial Institutions Act section 12-21 (1), savings banks foundations shall have a general meeting whose composition and election shall be as further provided by the articles of association. According

to the articles of association of Sparebanken Hedmark Sparebankstiftelse, the general meeting is the highest decision-making body of the Foundation, consisting of 14 members. The composition of the general meeting should reflect the customer structure of the part of SpareBank 1 Østlandet that created the Foundation, other interest groups and local community interests.

Six of the members of the general meeting need to reside in the Hedemarken region, four in the Østerdalen region and four in the Glåmdalen region. The members are elected by and among depositors who have held deposits in SpareBank 1 Østlandet in the six months prior to the announcement of the election. Members are elected for a period of four years. Deputy members are elected for a period of one year. Members can be re-elected. However, no-one can be a member or deputy member of the general meeting for longer than 12 years in total. The members and deputy members of the general meeting cannot hold board positions or be employed in companies that compete with SpareBank 1 Østlandet. The members of the general meeting are listed on the Foundation's web page https://sbh-stiftelsen.no.

According to the Financial Institutions Act section 12-21 (3), savings banks foundations shall have a board of directors that has been elected by the general meeting in accordance with the groups represented at the general meeting. The board of directors has the authority and responsibility that follows from existing regulations and from the Foundation's articles of association. The board consists of five members and three deputy members, of which two members and one deputy member need to reside in the Hedemarken region, one member and one deputy member need to reside in the Glåmdalen region, and one member and one deputy member need to reside in the Østerdalen region. In addition, an independent chair of the board needs to reside in Hedmark county. At the time of the Offering, the chair of the Foundation is Nils Arne Nordheim. Nordheim previously held the position as the Executive Director of Corporate Market in SpareBank 1 Østlandet.

Employees and officers of the Foundations cannot be employees or officers of SpareBank 1 Østlandet or any of its subsidiaries. The foundation may nonetheless, in accordance with the scale of its owner interest in the Bank, propose and have elected, persons who shall represent the Foundation in the Bank's governing bodies, in accordance with the Financial Institutions Act section 12-21 (4). Employees or officers of a savings banks foundation may not make up more than one third of the members of the Supervisory Board or of the Board of Directors of the Bank.

The Foundation will have a CEO, who needs to reside in Hedmark county. The CEO cannot hold Board positions or be employed in companies that compete with SpareBank 1 Østlandet or which are part of the SpareBank 1 Østlandet group. At the time of the Offering, Tore Anstein Dobloug is the CEO of the Foundation. Dobloug previously held the position as CFO in SpareBank 1 Østlandet.

7.7 LEGISLATION, REGISTRATION AND SUPERVISION

Financial foundations, including savings banks foundations, are regulated by the Financial Institutions Act chapter 12, IV and V. Except as otherwise provided by or pursuant to the Financial Institutions Act, the provisions of the Foundations Act concerning business foundations shall apply to financial foundations. The Norwegian FSA shall oversee financial foundations and their activities pursuant to the rules of the Financial Supervision Act. The financial foundations shall be registered in the Norwegian Register of Business Enterprises and in the Norwegian Foundation Register.

7.8 DISSOLUTION

The Financial Institutions Act section 12-23 regulates the winding-up of financial foundations. The general meeting may vote, by the same majority as for an amendment to the articles of association, to wind up the financial foundation. Such resolution requires the approval of the Ministry of Finance. The Ministry may decide that the foundation shall be wound up if the premises for its activities have materially changed.

Upon winding up, the assets shall be distributed as prescribed in the articles of association, except as otherwise provided by the Norwegian Ministry of Finance in the public interest or in the interest of the converted financial institution or its customers. According to the articles of the association of the Foundation, the funds shall be used to promote savings bank activities pursuant to further decision by the general meeting. The promotion of SpareBank 1 Østlandet's activities is considered as promoting savings bank activities in this regard, provided that

the Bank is carrying out its activities in the region where SpareBank 1 Østlandet carried on its business activities at the time of the establishment of the Foundation.

8 MARKET OVERVIEW

8.1 BRIEF ABOUT NORWAY

Norway has a population of about 5.3 million, spread across 19 counties (18 from 1 January 2018) and 426 municipalities. The capital of Norway is Oslo. It holds the status as a municipality and a county. Oslo is Norway's largest city in terms of population with about 650,000 inhabitants (in the municipality). Bergen and Trondheim holds position as the second and third largest cities with about 280,000 and 180,000 inhabitants, respectively. Akershus county, with 22 municipalities, has 595,000 inhabitants, while Hedmark county, also with 22 municipalities, has 195,000 inhabitants.[22]

In 2016, it was about 2.35 million private households in Norway, and about 2.2 individuals per household. Some below 900,000 was living alone and some above 550,000 was living as couples. In Hedmark county it is about 90,500 households, with 2.1 individuals per household. Oslo and Akershus has about 333,000 and 248,000 households with 2.0 and 2.4 individuals per household, respectively.[23]

27% of the households in Norway had children per 1 January 2016, decreasing from 32% 25 years ago[24]. Norwegians have a tradition of owning their household. In 2016, 82% of the population older than 16 years lived in a household that the household itself owned. The share is the same as it was in 1997[25].

The GDP per capita in Norway is about NOK 601,000, and has steadily been growing every year the last decades, except in 2009. Average salaries are higher for men than for women, with women earning 86% of what men earn. The average monthly salary was NOK 43,300 in 2016 (NOK 46,200 for men and NOK 39,800 for women)[26]. Average amount of interest and amortization cost for home owners was NOK 74,000 annually in 2015, while average total cost for those who rented homes was NOK 70,000[27]. In Hedmark county, the average monthly salary was NOK 39,100 (NOK 40,300 for men and NOK 37,800 for women), below the average in Norway. The average salary per month was higher than for Norway as a whole in Oslo and Akershus, with NOK 48,600 and NOK 45,000, respectively. Average monthly salary in Oslo was NOK 52,400 for men, while it was NOK 44,100 for women. In Akershus, the average monthly salary was NOK 48,500 for men while it was NOK 40,600 for women.

In 2015, for individuals 16 years or older, about 29% of women and 36% of men had higher education. The share of women with higher education has increased. In year 2000, about 22% of both men and women had higher education. Before the millennium, the share of men was higher than the share of women[28]. 20% of the men and 29% of the women in Hedmark had higher education, which is below the average in Norway. In Oslo, 47% of the men and 51% of the women had higher education, well above the average in Norway. In Akershus, 34% and 39% of the men and women had higher education, respectively. This is also higher than the average in Norway[29].

8.2 NORWEGIAN ECONOMIC OVERVIEW

The Norwegian economy is characterized as small and open, in which foreign trade has great economic significance. Norway has a relatively high standard of living, with relatively low income disparity. The economic social policies that have enabled this are often referred to as "The Nordic Model". Norway has a large public sector, generous social welfare services and high tax levels.

The following attributes can be used to describe the Norwegian economy:
- Stable macroeconomic environment
- Stable public finances and extensive welfare systems
- Strong embedded cultural inclination to repay debt
- Access to reliable personal information and data

[22] Source: Statistics Norway (SSB), www.ssb.no/befolkning/statistikker/beftett/aar/2016-12-06?fane=tabell&sort=nummer&tabell=285841
[23] Source: Statistics Norway (SSB), www.ssb.no/befolkning/statistikker/familie/aar/2016-10-28?fane=tabell&sort=nummer&tabell=281871
[24] Source: Statistics Norway (SSB), www.ssb.no/befolkning/statistikker/familie
[25] Source: Statistics Norway (SSB), www.ssb.no/bo
[26] Source: Statistics Norway (SSB), www.ssb.no/arbeid-og-lonn/statistikker/lonnansatt/aar/2017-02-01
[27] Source: Statistics Norway (SSB), www.ssb.no/bygg-bolig-og-eiendom/statistikker/bo/hvert-3-aar/2015-11-25?fane=tabell&sort=nummer&tabell=272262
[28] Source: Statistics Norway (SSB), www.ssb.no/utdanning/statistikker/utniv
[29] Source: Statistics Norway (SSB), www.ssb.no/utdanning/statistikker/utniv/aar/2016-06-20?fane=tabell&sort=nummer&tabell=270238

- Effective legal framework for debt collection

Norway has an effective framework for debt collection, which can help to simplify the debt collection process and promote recovery rates when debts become delinquent. The main legal debt collection measure is wage garnishment, which is managed by governmental bodies.

Seizure of property is also an available remedy in Norway. The statute of limitations for debt collection is ten years and it can be renewed through acknowledgement of the debt by the customer (usually through making a payment), the creditor making a claim or otherwise notifying the debtor in writing or through the act of taking legal action.

8.2.1 *Economic indicators in Norway*

Economic indicators		**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017E**	**2018E**	**2019E**	**2020E**
Household consumption	Change (%)	4.4	5.0	5.3	1.7	0.0	3.8	2.3	3.5	2.7	1.9	2.1	1.6	2.2	2.6	2.3	2.1
Exports	Change (%)	0.5	-0.8	1.4	0.1	-4.1	0.7	-0.8	1.4	-1.7	3.1	3.7	-1.2	0.5	2.0	2.2	3.1
Imports	Change (%)	7.9	9.1	10.0	3.2	-10.0	8.3	4.0	3.1	4.9	2.4	1.6	0.3	2.5	2.2	2.9	2.7
Norway GDP	Change (%)	2.6	2.4	2.9	0.4	-1.6	0.6	1.0	2.7	1.0	1.9	1.6	1.0	1.5	1.9	1.8	2.0
Mainland Norway GDP	Change (%)	4.7	5.0	5.7	1.7	-1.6	1.8	1.9	3.8	2.3	2.2	1.1	0.8	1.8	2.4	2.2	2.1
Unemployment rate	Level (%)	4.6	3.4	2.5	2.6	3.2	3.6	3.3	3.2	3.5	3.5	4.4	4.7	4.4	4.2	4.1	4.1
Household real income	Change (%)	8.3	-6.6	6.0	3.4	3.2	2.3	4.1	4.4	3.8	2.7	5.2	-1.6	2.0	2.1	1.9	2.0
CPI	Change (%)	1.6	2.3	0.8	3.8	2.1	2.5	1.2	0.8	2.1	2.0	2.1	3.6	2.0	2.1	2.2	2.3
CPI-ATE	Change (%)	1.0	0.8	1.4	2.6	2.6	1.4	0.9	1.2	1.6	2.4	2.7	3.0	1.7	2.0	2.0	2.0
Housing prices	Change (%)	8.2	13.7	12.6	-1.1	1.9	8.3	8.0	6.7	4.0	2.7	6.1	7.1	6.5	0.6	-1.5	-2.1
Money market rate	Level (%)	2.2	3.1	5.0	6.2	2.5	2.5	2.9	2.2	1.8	1.7	1.3	1.1	1.0	1.0	1.1	1.4
EUR/NOK	Level	8.0	8.1	8.0	8.2	8.7	8.0	7.8	7.5	7.8	8.4	9.0	9.3	8.9	8.9	8.9	8.9

Source: Statistics Norway (SSB), "Økonomisk Utsyn" 1/2017

8.2.2 *Economic development*

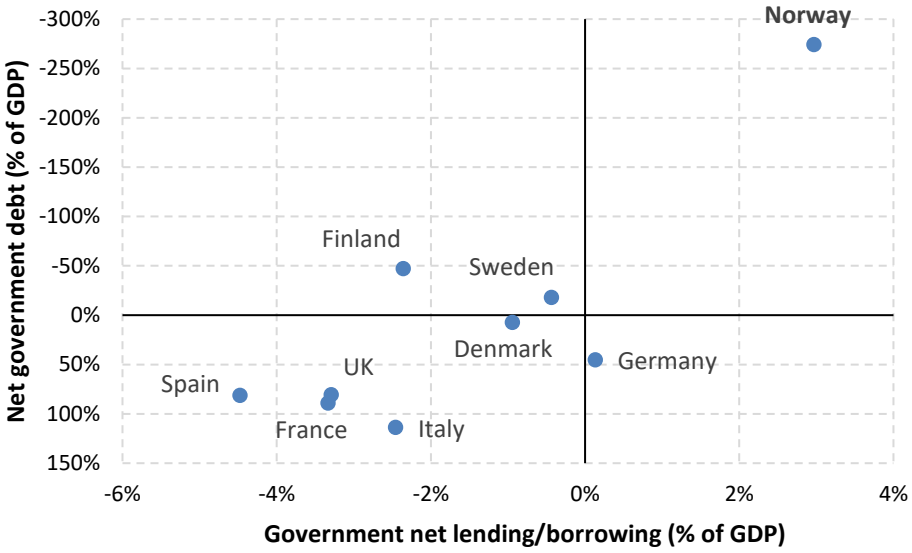
The most important sector in the Norwegian economy is oil and gas. The metals, shipping, salmon farming, fisheries and tourism industries are also important. In early 2014 the oil price dropped significantly after being priced at between about 100-120 USD/bbl since 2011. After 2014 the price has varied from about 30-65 USD/bbl. The price drop has led to challenges in the oil and gas industry in Norway. Massive staff cuts and low investments have been the most dramatic effects. However, one can observe that the fall in petroleum investment has decreased. The price drop has also led to a weaker Norwegian currency.

The oil downturn and pressure on the Norwegian economy is reflected in lower GDP growth. The cyclical downturn has lasted for about two years. The GDP growth in 2016 was 1.0% in total, and 0.8% for Mainland Norway.

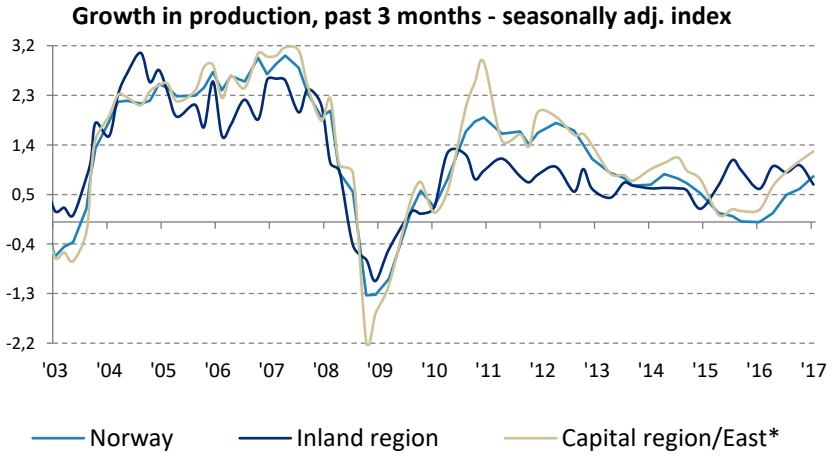
The monetary policy in Norway have contributed to ease the economic pressure through cuts in the key policy rate, which now is at a record low of 0.5% (March 2017). This has also contributed to the weak Norwegian currency.

After three years of about 2% annual increase in the consumer price index between 2013-2015, the index grew by 3.6% in 2016. Higher electricity prices partly explains this increase. Adjusted for tax changes and excluding energy products the CPI (CPI-ATE) rose by 3.0% in 2016.

The chart below illustrates Norway's unique financial situation with a combination of negative net government debt and a government surplus. This situation has made the latest years' economic downturn less pronounced than one might expect. Norway's net debt is equal to approximately negative 275% of GDP. While Finland has about negative 50% of GDP, Sweden and Denmark have about 0% net debt. Most of the other major economies in Europe have a combination of net government debt and government deficit.



Source: World Economic Outlook Database, October 2016. Note: Figures equal IMF estimates for 2016



Source: -Norges Bank's Regional network reports. Note (*): Capital region/East includes the counties of Oslo, Akershus, Buskerud and Østfold

8.2.3 *The Government Pension Fund*

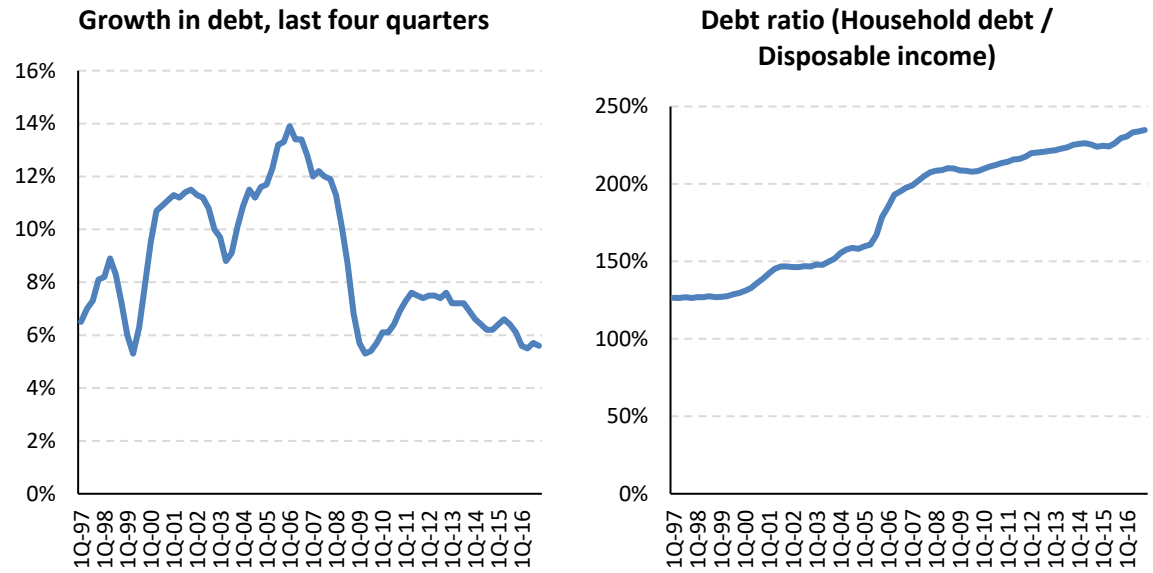
The value of the Norwegian Government Pension Fund is about NOK 7,800 billion (March 2017). The fund is invested in some below 9,000 companies across 77 countries. In 2001, the Norwegian government introduced the "fiscal rule" stating that the government could use a maximum of 4% of the funds value each year. In February 2017, the government proposed for the parliament to lower the rate from 4% to 3%. The fiscal rule has made Norway less dependent on oil money spending through normal economic times, allowing the government to meet the economic downturn with a more effective expansionary fiscal and monetary policy though downturns such as the financial crisis in 2008 and the oil price fall in 2014.

8.2.4 *Households*

During the second half of 2016, household consumption was more restrained, which have led to a more flat development in activity. In 2015, household consumption grew by 2.1%, while it grew by 1.6% in 2016. It is estimated to grow 2.2% and 2.6% in 2017 and 2018 respectively. The somewhat restrained consumption may be an effect of stagnation in real disposable income. In 2015 the real disposable income rose by 5.2% (including share dividends), but have stagnated through 2016. On the other hand, housing demand is very high. This can most likely be explained by mortgage rates having decreased over a long period, and that the rates appear to

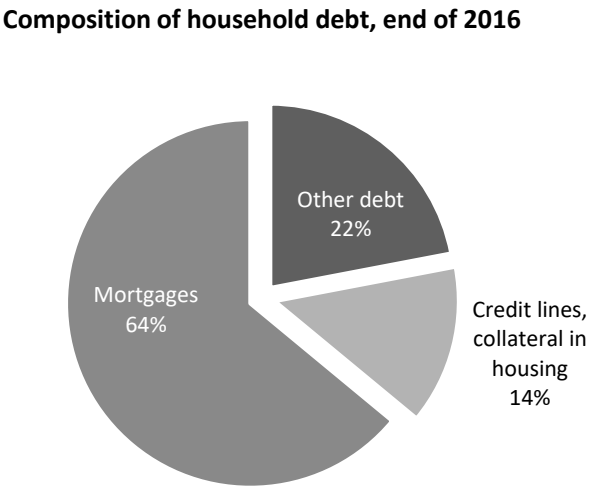
stay low going forward. This has contributed to growing housing prices along more investors speculating on housing during recent times.

Debt continues to grow more than disposable income, as debt ratio reaches about 235% in 4Q 2016. However, the growth in debt on a four quarter basis have abated since the levels around 2011-2013, coming down from some below 8% to 5.6% in 4Q 2016.

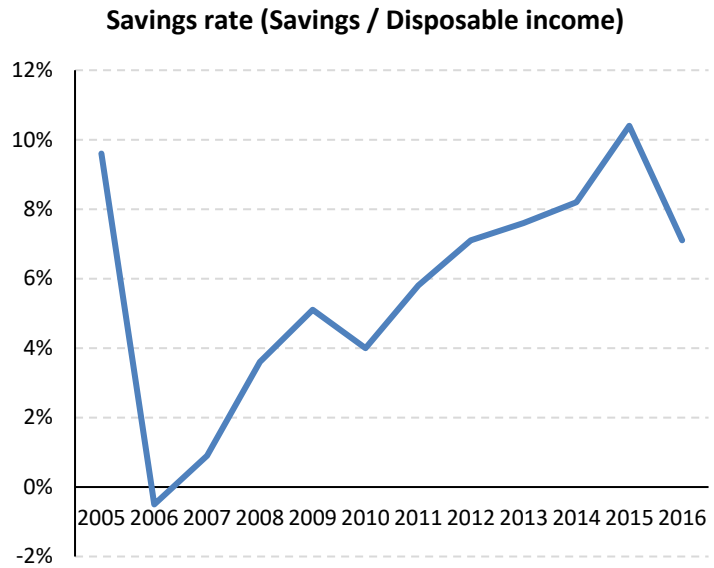


*Source: Statistics Norway, SSB.no, table 09477. *Season adjusted*

Mortgages accounts for about 64% of household debt, while other debt and credit lines with collateral in housing constitutes 22% and 14% respectively. About 78% of household debt has collateral in housing.

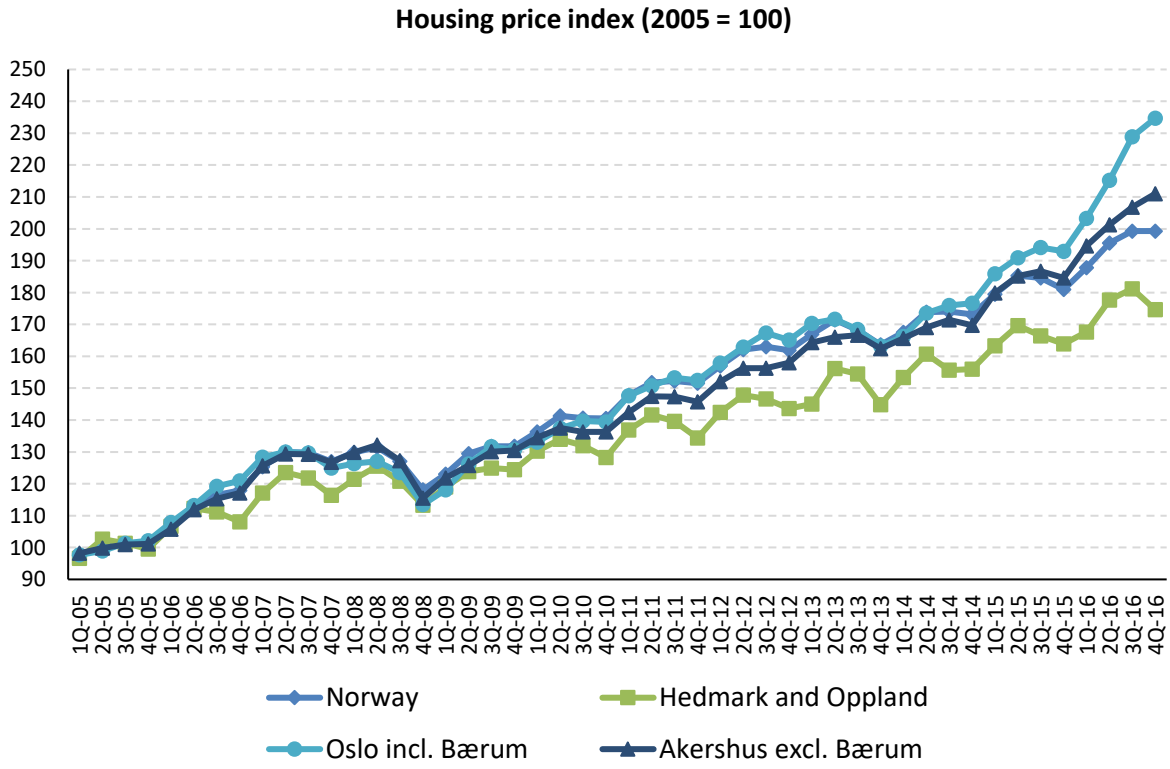


Source: Statistics Norway (SSB), "Økonomisk Utsyn" 1/2017, chart 6.13



Source: Statistics Norway, SSB.no, table 11020

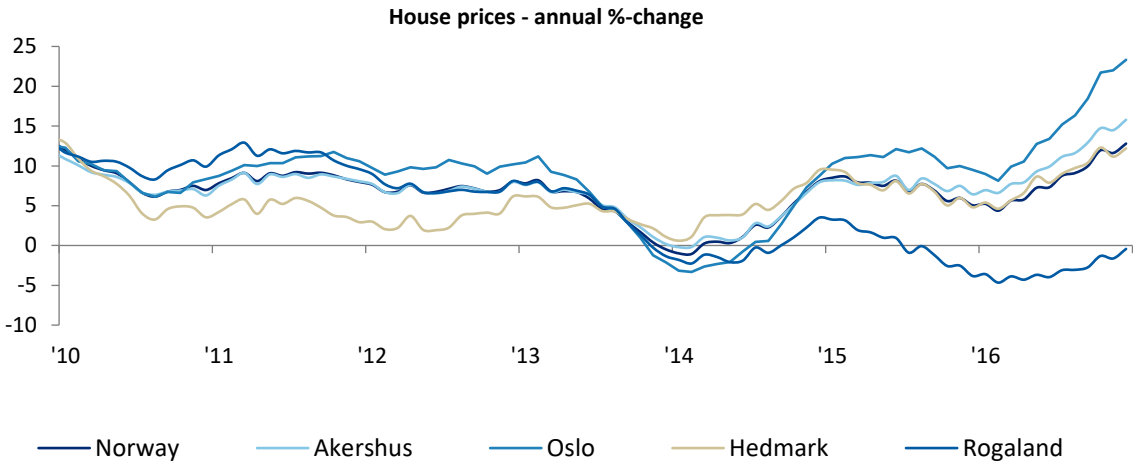
The savings rate has increased for a long period since 2006, while decreasing in 2016. The high level in 2015 can somewhat be explained by high share dividends. Households being more uncertain about the future after the financial crisis in 2008 can partly explain the increased savings rate during the latest years.



Source: Statistics Norway, SSB.no, table 07221

The housing price index illustrates a 100% increase in Norway since 2005. Housing prices in Oslo (incl. Bærum) have increased 235% in the same period, experiencing rapid growth since late 2015 and early 2016. For Hedmark and Oppland County together, the prices have increased by 75%, experiencing a decrease in prices from 3Q to 4Q 2016.

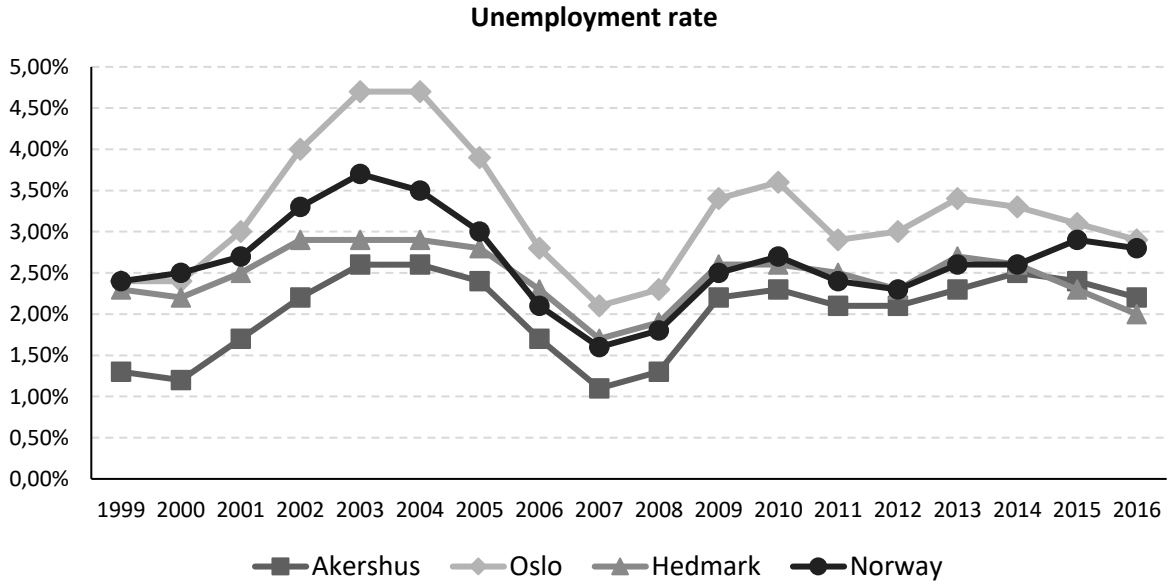
The chart below illustrates annual change in housing prices in Norway, Akershus, Oslo, Hedmark and Rogaland.



Source: - Monthly house price statistics from Eiendom Norge

8.2.5 *Unemployment*

Norway is characterized as having a low unemployment rate[30]. The unemployment rate has been between 1.5% and 3.7% during the period from 1999 to 2016. During the same period, the Oslo County have experienced higher unemployment than Norway as a whole. The unemployment in Hedmark has been either lower or at the same level as Norway during the period, while Akershus have been below the country as a whole during the period. The graph below illustrates the development in the unemployment rate for Norway, Akershus, Oslo and Hedmark from 1999 to 2016.

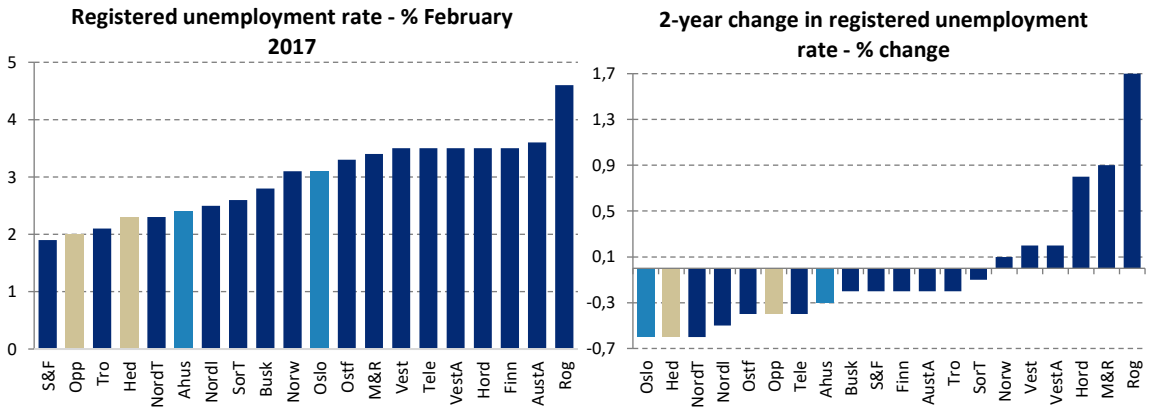


Source: Statistics Norway, SSB.no, Table 10540 : Registered unemployed (original figures from NAV survey, Norwegian Labor and Welfare Administration). November month each year.

The charts below illustrates the unemployment rate per February 2017 and the 2-year %-change in unemployment rate, per county. Rogaland has the highest registered unemployment rate, and also the most

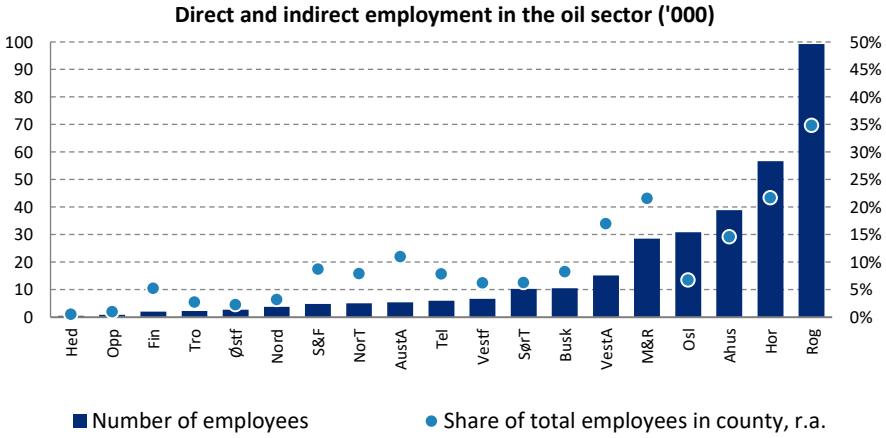
[30] Please note that two different figures for unemployment rate are published in Norway, one by SSB (Statistics Norway) and one by NAV (Norwegian Labor and Welfare Administration). Please see http://www.ssb.no/arbeid-og-lonn/arsaker-til-ulike-tall-pa-arbeidsledighet for more information

increasing unemployment rate in Norway. Oppland, Hedmark and Akershus have relatively low unemployment, while Oslo is close to the middle of the sample.



Source: NAV (Norwegian Labor and Welfare Administration), Statistics Norway

The chart below illustrates the number of employees and the share of total employees in 2015 per county that was directly or indirectly employed in the oil sector. Hedmark and Oppland have the lowest share and number of employees towards the oil sector in the country. Oslo and Akershus had about 30,000 and 40,000, respectively, employed in the sector. This can explain some of the reason that the mentioned counties were not as struck by the oil downturn as some other counties.

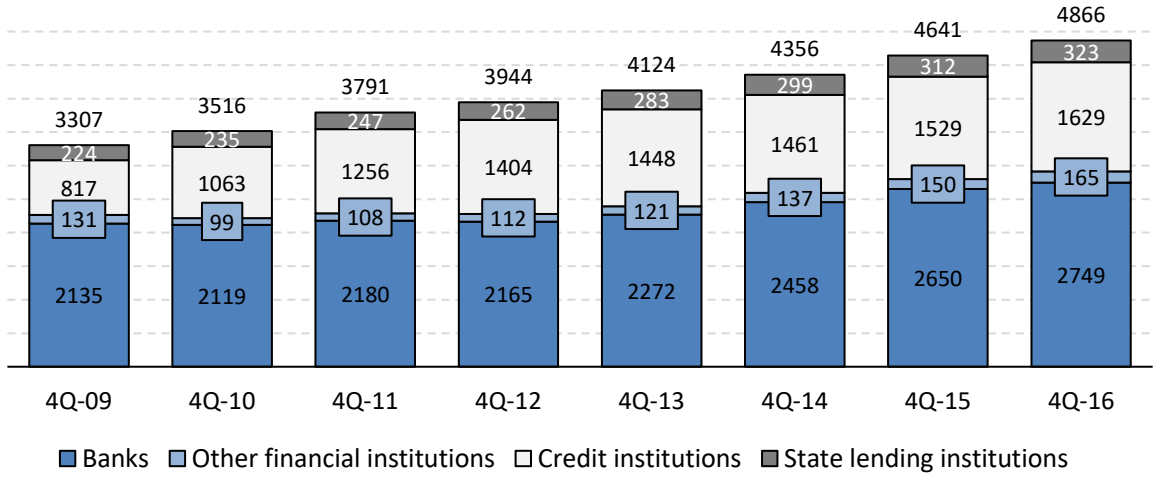


Source: Statistics Norway and IRIS (http://www.iris.no/forskning/samfunn/n-ringsliv-og-arbeidsmarked/indutstribyggerne-2015-).

8.2.6 *Financial institutions' loans to and receivables from customers*

The debt to retail and corporate customers in Norway is distributed across banks, other financial institutions, credit companies and state lending institutions. Banks lend about NOK 2,750 billion, while credit companies lend about NOK 1,630 billion, constituting about 56% and 33% respectively. Other financial institutions and state lending institutions account for about NOK 165 billion and NOK 323 billion, respectively. The growth in lending from year end 2015 to year end 2016 was 4.8%, while it was 6.5% the year before. Looking at credit companies alone, the growth in lending from 2015 to 2016 was NOK 100 billion, equal to 6.5%. The year before the growth was NOK 68 billion, equal to 4.7%.

Balance, financial institutions - loans to and receivables from customers (NOKbn)



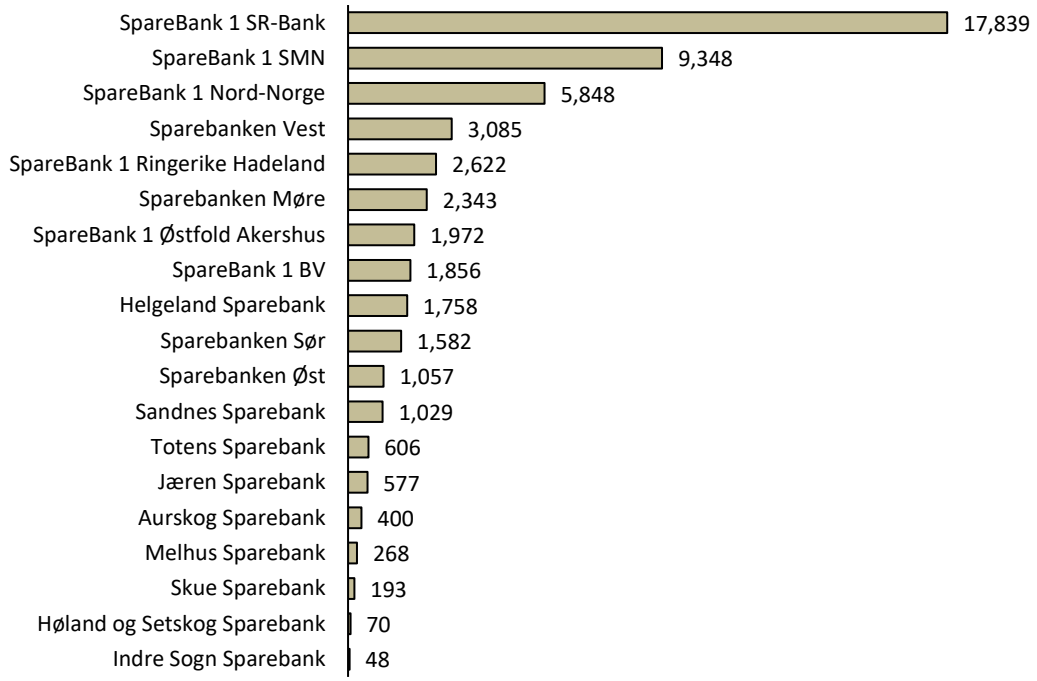
Source: Statistics Norway, SSB.no, table 07880

8.3 COMPETITIVE ENVIRONMENT AND STRUCTURE IN THE NORWEGIAN FINANCIAL SECTOR

8.3.1 *Savings banks*

The savings banks in Norway have traditionally been organized as self-owned foundations, where the equity has consisted of retained earnings added to the savings banks fund. In 1987, the Savings Banks Act was changed such that savings banks could raise equity in the public market by issuing equity certificates. Equity certificates was previously called OCC (Ownerless capital Certificates), but was changed by an amendment in 2009. The same amendment changed the name of the ownerless capital to equity share capital. This was a part of the comprehensive revision of the laws related to the capital and structural changes in the savings banks, and changes in the savings bank foundations. When issuing equity certificates, the capital raised counts as common equity Tier 1 capital in accordance with current regulations regarding the capital adequacy ratio. The first ownerless capital certificates were introduced in the stock market in the autumn of 1989. Per the date of this Prospectus there are 19 savings banks listed on the Oslo Stock Exchange, including SpareBank 1 SR-Bank, which originally was an equity certificate bank, but has converted to common stock. The total market cap of the equity share capital at Oslo Stock Exchange was about NOK 53 billion per 24 May 2017.

Market cap, savings banks listed on Oslo Stock Exchange per 24 May 2017



8.3.2 *Brief about the financial sector*

The Norwegian banks were much less affected by the international bank crisis in 2008 than other European banks. Even though the profitability was lower during 2008, the Norwegian banking sector experienced a positive return on equity as a whole.

Several years of new regulations regarding capital adequacy ratios has led to the Norwegian banking sector accumulating more equity. This contributed to the banks increasing lending margins during 2013 and 2014. During 2015 the lending margins decreased and have somewhat stabilized during 2016 as the banks' confidence in reaching the capital adequacy regulations have increased.

During recent years, the financial sector has experienced consolidation (mergers and acquisitions and forming of alliances). The structural change has also been observed in the Nordic financial market. Regulatory changes, new technology, demographics and changing customer behavior have been driving forces behind the recent change.

Recently, "niche banks" have also made an entry in the Norwegian and Nordic financial sector. Banks such as yA Bank, Bank2, Pareto Bank, Gjensidige Bank, Bank Norwegian, KLP Banken, OBOS Banken, Komplett Bank and Monobank have been established during the last decade. These banks' focus on niches such as consumer finance and project finance etc.

8.3.3 *Development in the Norwegian financial sector*

The number of banks in Norway has decreased significantly from 1960 until today. In 1960, there were 665 banks in Norway, whereas almost 600 of these were savings banks. At the end of 2016, the number of savings banks was 105, a decrease of 82% since 1960. The reduction comes primarily from mergers and acquisitions of savings banks to create larger and more powerful entities.

Type of bank (#)	1960	1970	1980	1990	2000	2005	2007	2009	2011	2013	2014	2015	2016
Savings banks	597	493	322	142	130	126	123	119	112	108	107	105	105

Commercial banks	68	40	23	22	22	21	21	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*

Source: http://fno.no/Hoved/Statistikk/Bank/

Even though Norway has a concentrated banking sector there is a high amount of banks relative to GDP and per capita. This may be due to Norway's geography and scattered settlement and businesses, and has provided the basis for a number of smaller and local savings banks. On the other side, compared to many other countries, Norway and the Nordics have a relatively low number of branch offices. Some of this may be explained by the high penetration of smart phones and internet. Out of the 20 largest banks in Norway, some of the players do not have branches at all, but is present through other distribution channels (internet, mobile apps i.e.).

The number of branch offices has been reduced in most counties. By the end of 2016, the savings banks and the commercial banks had 644 and 309 branch offices, respectively. Since 1980 the total number of branch offices has decreased by almost 50% from 1 887 to 953.

Branch offices (#)	**1980**	**1985**	**1990**	**1995**	**2000**	**2005**	**2007**	**2009**	**2011**	**2013**	**2014**	**2015**	**2016**
Savings banks	1 298	1 395	1 236	1 090	999	948	781	753	735	697	686	676	644
Commercial banks	589	667	649	462	458	286	479	431	423	364	356	315	309
Sum	1 887	2 062	1 885	1 552	1 457	1 234	1 260	1 184	1 158	1 061	1 042	991	953

Source: http://fno.no/Hoved/Statistikk/Bank/

The share of nondomestic players in the Norwegian financial market has increased significantly the last years. This is somewhat explained by Nordea's acquisition of Christiania Bank and Kreditkasse, Danske Bank's acquisition of Fokus Bank, Handelsbanken's acquisition of Bergensbanken and SEB's acquisition of Privatbanken. The Icelandic bank Glitnir acquired Kredittbanken and BN Bank, but was later declared bankrupt and the SpareBank 1 Alliance took over the operations in Norway, including BN Bank.

During recent years, there have been significant structural changes among the savings banks through collaboration agreements such as the Terra-Group, savings banks with business collaboration with DNB along with alliances such as the SpareBank 1 Alliance and the Eika Alliance. In spite of this, the savings bank sector is characterized by many small- and middle-sized banks with strong local roots. The larger regional banks have also kept a strong focus on preserving the local and regional roots and affiliations.

The savings banks have a strong position in Norway compared to other countries. The market shares are especially high in the retail market, and in regions where there are many SMEs.

The savings banks have traditionally had a more broad geographical prevalence than the traditional commercial banks. The largest commercial banks have a national focus with emphasis on the larger cities.

8.3.4 *The largest players in the Norwegian banking sector*

The table below illustrates the total assets within traditional banking for the ten largest financial institutions in Norway as of 31 December 2016.

	Group figures as of 31.12.2016	
	Bank	**NOKbn**
1	DNB Bank-konsernet	2,348
2	Nordea Bank Norge	669
3	Danske Bank	379
4	Handelsbanken	234
5	SpareBank 1 SR-Bank	218
6	SpareBank 1 SMN	173
7	Sparebanken Vest	163
8	Santander Consumer Bank	143
9	SpareBank 1 Østlandet*	138
10	Sparebanken Sør	105

Source: FNO, http://fno.no/Hoved/Statistikk/Bank/, annual reports, Note: Figures for SpareBank 1 Banks included loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

DNB is the largest bank by far after the merger between Den Norske Bank (DNB) and Gjensidige NOR in 2003. Since the merger DNB have had a market share of about 30-40% within both deposits and loans to the retail and corporate market.

9 BOARD OF DIRECTORS, MANAGEMENT, EMPLOYEES AND CORPORATE GOVERNANCE

9.1 INTRODUCTION

The Supervisory Board is the highest decision-making authority of the Bank.

The overall management of the Group is vested in the Board of Directors and the Management. In accordance with Norwegian law, the Board of Directors is responsible for, among other things, supervising the general and day-to-day management of the Group's business ensuring proper organisation, preparing plans and budgets for its activities ensuring that the Group's activities, accounts and assets management are subject to adequate controls and undertaking investigations necessary to perform its duties.

The Management is responsible for the day-to-day management of the Group's operations in accordance with Norwegian law and instructions set out by the Board of Directors. Among other responsibilities, the Group's chief executive officer, or CEO, is responsible for keeping the Group's accounts in accordance with applicable law and for managing the Group's assets in a responsible manner. In addition, the CEO must according to Norwegian law brief the Board of Directors about the Group's activities, financial position and operating results at a minimum of one time per month.

9.2 BOARD OF DIRECTORS

9.2.1 *Overview*

The Articles of Association provide that the Board of Directors shall consist of 7 to 9 members.

As at the date of this Prospectus, the Bank's Board of Directors consists of the following:

Name of director	Director since	Current term expires
Siri J. Strømmevold	2006	2019
Nina C. Lier	2010	2018
Erik Garaas	2013	2019
Guro Nina Vestvik	2016	2018
Morten Herud	2013	2019
Hans-Christian Gabrielsen	2016	2018
Espen Bjørklund Larsen	2007	2019
Vibeke Hanvold Larsen	2016	2018

The Board of Directors is in compliance with the independence requirements of the Norwegian Code of Practice for Corporate Governance dated 30 October 2014 (the "**Corporate Governance Code**"), meaning that (i) the majority of the members of the Board of Directors elected by the Supervisory Board are independent of the Bank's executive management and material business contacts, (ii) at least two of the members of the Board of Directors elected by the Supervisory Board are independent of the Bank's main ECC holders, and (iii) no members of the Bank's executive management are on the Board of Directors.

Except for Mr. Gabrielsen, being the president of LO, all members of the Board of Directors are independent of the Bank's significant business relations. All of the members of the Board of Directors are independent of the Management.

The Bank's registered office, Strandgata 15, 2317 Hamar, serves as the business address for the members of the Board of Directors in relation to their directorships of the Bank.

9.2.2 *Brief biographies of the members of the Board Directors*

Set out below are brief biographies of the members of the Board of Directors, including their relevant management expertise and experience, an indication of any significant principal activities performed by them outside the Bank and names of companies and partnerships of which a member of the Board of Directors is or

has been a member of the administrative, management or supervisory bodies or partner the previous five years (not including directorships and management positions in subsidiaries of the Bank).

In the following, for directorships the denominations "C" and "BM" states the position as chairman of the Board of Directors ("C") and ordinary board member ("BM"), respectively, and "CEO" and "CFO" state the position as Chief Executive Officer and Chief Financial Officer respectively in the relevant companies.

Siri J. Strømmevold, Chairman

Siri J. Strømmevold became a member of the Board of Directors in 2006 and was appointed chairperson in 2012. She holds a degree in engineering with Computer Science from Kongsberg Ingeniørhøgskole, a degree in Electronics at Telemark Ingeniørhøgskole and is a business economist from NKS. Siri J. Strømmevold is chief executive officer and owner at Tynset bokhandel. Previous work experience includes head of planning in Saga Petroleum, Department Engineer at Statoil and automation engineer at Mobil Exploration Norway Inc.

Current directorships and management positions	Nordøsterdalsmuseet (C) Tynset Bokhandel AS (CEO/owner) Feste NordØst AS (BM) Supervisory board of Nord-Østerdal Kraftlag (BM)
Previous directorships and management positions last five years	Den Norske Bokhandler Forening (C) AS TUN (BM) Supervisory board of SpareBank 1 Oslo Akershus (C) Supervisory board of SpareBank 1 Gruppen As (C) Supervisory board of SpareBank 1 Forsikring AS (C) Supervisory board of SpareBank 1 Skadeforsikring AS (C) Supervisory board of SpareBank 1 Gruppen Finans AS (C) Sykehuset Innlandet HF (BM)

Nina C. Lier, Board member

Nina C. Lier became a member of the Board of Directors in 2010 and was appointed deputy chairperson in 2016. She holds a Master of Economy and Business Administration from the Norwegian School of Economics (NHH).

Nina C. Lier has worked several years in the health sector. She is chief financial officer of Sykehuset Innlandet HF. Previous experience includes finance manager of Sykehuset Innlandet HF, head of accounting of Oppland Sentralsykehus and accounting associate at PriceWaterhouseCoopers DA.

Current directorships and management positions	HK Data AS (BM)
Previous directorships and management positions last five years	Sykehuset Innlandet (CFO)

Erik Garaas, Board member

Erik Garaas became a member of the board in 2013. He holds a Cand. Oecon from the University of Oslo, an YMP from INSEAD and a TEP from the University of Virginia. Erik Garaas was group executive vice president in Gjensidige Forsikring from 1985 to 1991, group managing director of the finance department in Gjensidige from 1991 to 1998, chief executive officer in Gjensidige NOR Asset Management from 1998 to 2004 and general manager DNB Asset Management from 2004 to 2012. He retired in 2012 and is today active as a board member in several companies as listed below.

Current directorships and management positions	Stiftelsen Scheibler (C) Positron Capital AS (C) Banebakken 38 AS (C) Solheimsveien 3 AS (C) Positron International Direct Investments 2016 AS (C) Positron Infrastructure Fund 2017 AS (C) BSA Lange Kontrakter AS (C) Verdipapirservice AS (BM)

	Stiftelsen Scheibler (business administrator)
Previous directorships and management positions last five years	DNB Asset Management AB (C) DNB Private Equity AS (BM) DNB Asset Management AS (general manager)

Guro Nina Vestvik, Board member

Guro Nina Vestvik became a member of the board in 2016. She holds a Bachelor in business and Administration with a specialisation in the European Union. In addition, she has completed a one year program in Administration and leadership.

Guro Nina Vestvik has a broad experience working in different areas within the finance sector. She is working as project manager in Eleverumregionens Næringsutvikling AS. She is responsible for Byregion programmet (regional and city development). This entails working with industrial and commercial development with focus on existing businesses and industries in transition as well as attracting new businesses to the region and establishing a trademark that is suitable for offensive marketing of the region both nationally and internationally. Previous experience includes head of finance cash management of Moelven Industrier ASA and project leader manufacturing in St. Petersburg for Moelven Nor East AS. Vestvik is also a board member in the Bank's largest ECC holder, the Foundation. She has political experience as a board member of Hamar Høyre.

Current directorships and management positions	Sparebanken Hedmark Sparebankstiftelse (BM)
Previous directorships and management positions last five years	Moeleven Industrier ASA (CFO) Elverumregionens Næringstvikling AS (project manager)

Morten Herud, Board member

Morten Herud became a member of the board in 2013. He holds a Master of Economy and Business Administration from Handelshøgskolan at Gøteborg University. He is general manager at Sintef Raufoss manufacturing-Kongsvinger AS. Morten Herud has broad experience within finance and economics. He has previous experience as general manager of 7sterke AS, operation director at Ibas AS, CFO of Walbro Automotive AS, CFO at Hydro Aluminium Magnor AS, sous chef at Nevi Finance AS and project manager at Nevi Corporate AS.

Current directorships and management positions	Sintef Raufoss Manufacturing-Kongsvinger AS (general manager) Elmico AS (C) Gjøstad gård AS (BM)
Previous directorships and management positions last five years	7sterke AS (general manager) Fibra Networks AS (BM) Industriforeningen 7 sterke

Hans-Christian Gabrielsen, Board member

Hans-Christian Gabrielsen became a member of the board in 2016. He holds a Certificate of Apprenticeship as process operator and a degree in Management and Organisation at Høgskolen i Vestfold. Hans-Christian Gabrielsen has broad experience with negotiations on behalf of trade unions in the forestry, constructions and glass industry and political work. He is the president of LO (the Norwegian Confederation of Trade Unions), a lager ECC owner and business relation of the Bank, and has worked for United Federation of Trade Unions as second vice president in the national secretary. He has been a member of the city council for Røyken kommune from 1995 to 2003. He was the leader of Røyken Arbeiderparti from 1999 to 2001 and has been a member of the national secretary of Arbeiderpartiet.

Current directorships and management positions	LO – (leader) MARUT –strategic advisory (Member World Skills Norway (BM) Den faste tvistenemda (member) Den faste sanksjons nemda (member)

	LO/NHO fondsstyre(BM) LO Partner AS (BM)
Previous directorships and management positions last five years	United Federation of Trade Unions (second vice president) Norsk Bergverksmuseum (C) Sparebank 1 Gruppen AS– (deputy board member)

Espen Bjørklund Larsen, Board member

Espen Bjørklund Larsen became a member of the board in 2007 as an employee representative. He has studied two years of business and administration and has completed a one year program in innovation at Høgskolen i Hedmark. In addition he holds an Executive Master of Management from BI Norwegian Business School. Espen Bjørklund Larsen is leader of the Finance Sector Union in the Alliance and is principal union representative in Finance Sector Union in Sparebanken Hedmark. Previous experience includes Customer service representative and wealth management in Sparebanken Hedmark.

Current directorships and management positions	Sparebank 1 Gruppen AS (BM) Sparebank 1 Banksamarbeidet DA (BM)
Previous directorships and management positions last five years	

Vibeke Hanvold Larsen, Board member

Vibeke Hanvold Larsen became a member of the board in 2016 as an employee representative. She holds a Bachelor in Business and a Graduate Diploma Information Technology form Swinburne University of Technology. She works in the Bank as customer service representative at the retail customer centre. She has previous experience as Store Manager at Coop Prix and Coop Mega.

Current directorships and management positions	
Previous directorships and management positions last five years	Norsk Langbuelag (BM) Middelalderforeningen I Hedmark (BM)

9.2.3 *Remuneration*

The remuneration paid to the members of the Board of Directors in 2016 was as follows:

NOK thousand Title/Name	Fees	Other remuneration
Siri J. Strømmevold	318	6
Vice Chairman Nina C. Lier	210	-
Board member Erik Garaas	230	-
Board member Guro Nina Vestvik	106	-
Board member Morten Herud	177	1
Board member Hans-Christian Gabrielsen	57	-
Board member Espen B. Larsen (employee, incl. in salary)	798	136
Board member Vibeke Hanvold Larsen (employee, incl. in salary)	575	112
Deputy Hanne Sverderup Dahl	37	1
Deputy Alexander S Lund	23	-
Deputy Ole Reidar Gulli (employee, incl salary)	559	114
Deputy Marit Astrup	-	-
Deputy Susanne Valberg Granheim	-	-

9.2.4 *ECCs and options held by members of the Board of Directors*

As at the date of this Prospectus, none of the members of the Board of Directors holds any ECCs or options for ECCs in the Bank.

9.3 MANAGEMENT

9.3.1 *Overview*

The Management of the Bank consists of 10 individuals. The names of the members of the Management as at the date of this Prospectus, and their respective positions, are presented in the table below:

Name	Position	Served since
Richard Heiberg	Chief Executive Officer	2010
Geir-Egil Bolstad	Chief Financial Officer	2016
Dag-Arne Hoberg	Head of Innovation and Business Development	2017
Gudrun Michelsen	Chief Operating Officer	2017
Vidar Nordheim	Chief Risk and Compliance Officer	2006
Siv Stenseth	Head of Communication	2003
Eldar Kjendlie	Head of HR and Legal	2002
Hans Olav Wedvik	Head of Corporate Banking	2016
Kari Elise Gisnås	Head of Personal Banking	2009
Espen Mejlænder-Larsen	Head of Organizations and Capital Markets	2017

All members of the Management are employed by SpareBank 1 Østlandet.

The Bank's registered office, Strandgata 15, 2317 Hamar, serves as the business address for the members of management in relation to their positions in the Bank.

9.3.2 *Brief biographies of the members of the Management*

Set out below are brief biographies of the members of the Management, including their relevant management expertise and experience, an indication of any significant principal activities performed by them outside the Bank and names of companies and partnerships of which a member of the Management is or has been a member of the administrative, management or supervisory bodies or partner the previous five years (not including directorships and management positions in subsidiaries of the Bank).

In the following, for directorships the denominations "C" and "BM" states the position as chairman of the Board of Directors ("C") and ordinary board member ("BM"), respectively, and "CEO" and "CFO" state the position as Chief Executive Officer and Chief Financial Officer respectively in the relevant companies.

Richard Heiberg, Chief Executive Officer

Richard Heiberg holds a MBA from University of Wisconsin and a Bachelor in Business Administration (Nw: Diplomøkonom) from Bedriftsøkonomisk Institutt. Richard Heiberg was appointed CEO of the Bank in 2010. Prior to this he has eight years of experience as CEO in Nordic Paper Group. He worked in Norske Skog from 1985 to 2002 were he was CEO of various subsidiaries of Norske Skog for 13 of those years. Richard Heiberg served on the Board of the Bank for 14 year, 3 of those years as chairman.

Current directorships and management positions	SpareBank1 Gruppen AS (BM) SpareBank1 Banksamarbeidet DA (BM)
Previous directorships and management positions last five years	Bank1 Oslo Akershus AS (C) Nordic Paper AB (C)

Geir-Egil Bolstad, Chief Financial Officer

Geir-Egil Bolstad holds a Master of Economy and Business Administration (Nw: Siviløkonom) from BI Norwegian Business School and a MBA in Business Management from Norwegian School of Economics (NHH).

Geir-Egil Bolstad has more than 11 years of experience from the Sparebank 1 Group. He has been chief financial officer of the Bank since 2016. Prior to his appointment as chief financial officer of the Bank, he served as chief financial officer and deputy chief executive officer in B1OA, as well as risk manager in the SpareBank 1 Group

and B1OA. He also has previous experience as a consultant within banking and finance from Arthur Andersen and Bearingpoint and as senior consultant in the Norwegian FSA.

Current directorships and management positions	SpareBank 1 Boligkreditt AS(BM) SpareBank 1 Markets AS(BM) SpareBank 1 Østlandet Finans AS (Deputy board member) SpareBank 1 Gruppen AS (Deputy board member) SpareBank 1 Banksamarbeidet DA (Deputy board member)
Previous directorships and management positions last five years	Bank 1 Oslo Akershus (CFO) SpareBank 1 Mobilbetaling AS (BM)

Dag-Arne Hoberg, Head of Innovation and Business Development

Dag-Arne Hoberg holds a degree in engineering specializing in information and communications technology and has taken courses in administration and leadership at Norges Tekninske Høgskole. He has also completed master programs in "project administration and project leadership" and "interaction and leadership" at BI Norwegian Business School.

Dag-Arne Hoberg has been employed by the Bank since 1995, with the exception of the period 2002 to 2003 where he worked at Gjensidige NOR IT Partner. Prior to his appointment as Head of innovation and business development, he was head of IT at the Bank. He has extensive managerial experience in the Norwegian IT industry and has held different management positions in NKI/Datahøgskolen, Fjerndata AS, KDØ and Norsk Informasjonsteknologi (NIT). He was project manager for NITs involvement in the Olympics Games in the period 1991 to 1994 together with Andersen Consulting.

Current directorships and management positions	Sparebank 1 Kredittkort AS (BM) Torggata 22 AS (BM)
Previous directorships and management positions last five years	

Gudrun Michelsen, Chief Operating Officer
Gudrun Michelsen is a certified public auditor. She has 10 years of experience within auditing and consultancy. She has had different leading positions in Banks, including being responsible for the internal auditing, economy and business management, corporate market and risk and compliance.

Current directorships and management positions	Foreningen Norden, avd. Sørum (BM) A-MED bedriftshelsetjeneste (deputy BM)
Previous directorships and management positions last five years	Bank 1 Oslo Akershus AS (Director of risk and compliance) Losby Golfpark AS (C and deputy board member)

Vidar Nordheim, Chief Risk and Compliance Officer
Vidar Nordheim holds a Master of Economy and Business Administration (Nw: Siviløkonom) from BI Norwegian Business School. Vidar Nordheim has been employed by the Bank since October 1990. He has experience from various parts of the Bank prior to being appointed as chief risk and compliance officer in 2006. Since 2013, he has served as a board member for Sparebank 1 Finans Østlandet.

Current directorships and management positions	
Previous directorships and management positions last five years	

Siv Stenseth, Head of Communication

Siv Stenseth holds a degree in journalism from the Norwegian School of Journalism and a master degree in management specialising in communication and management from BI Norwegian Business School. She also holds a degree in social services from SHT and has extensive experience in the areas of media and communications and in working with individuals. Prior to joining the Bank, she worked in Hamar Arbeiderblad.

Current directorships and management positions	Hamar og Hedemarken Turistforening (Deputy chairman of the board) Håkon Håkonsonsgt 21 (BM)
Previous directorships and management positions last five years	

Eldar Kjendlie, Head of HR and Legal

Eldar Kjendlie holds a degree in business and a Master in Management and Employment law from BI Norwegian School of Management. In addition he has completed a two year program in the Norwegian Air Force's officer training school. Eldar Kjendlie has worked in a variety of positions at the Bank since 1988, including being an employee representative full time for a three year period. He has participated in several important tariff negations as a member of the employer negotiation delegation. As part of his position in the Bank he has been in charge of large reorganizations in the Bank.

Current directorships and management positions	Sparebanken Hedmarks Pensjonskasse (C)
Previous directorships and management positions last five years	Finans Norge (BM)

Hans Olav Wedvik, Head of Corporate Banking

Hans Olav Wedvik holds a bachelor degree in business administration from BI Norwegian School of Management and supplementary qualifications within finance and risk management from Norwegian School of Economics (NHH).

Hans Olav Wedvik was CEO of SpareBank 1 Finans Østlandet in the period 2006 to 2016. He has previously worked as head of corporate market Oslo/Akershus in DnB Finance. Previous experience also includes various positions in DnB Finance, DnB Asset Management and DnB Corporate Market.

In addition to his position in the Bank he is a part time farmer, which include rental and development of his own property and what stands in natural relation to this.

Current directorships and management positions	SpareBank 1 Finans Østlandet AS (C) SpareBank 1 Regnskapshuset Østlandet AS Farmer
Previous directorships and management positions last five years	

Kari Elise Gisnås, Head of Personal Banking

Kari Elise Gisnås holds degrees in Agricultural Economy from the Norwegian College of Agriculture, Marketing Management from BI Norwegian School of Management and Customer Relationship Management from NKI Nettstudier. She has managerial experience from the food industry. Prior to her appointment as Head of Personal Banking of the Bank, she worked in various positions in AL Gilde Hedmark og Oppland.

Current directorships and management positions	Næringslivsnettverket Vikinglauget (C) Visa Norge FLI (deputy chairman) SpareBank 1 Skadeforsikring AS (BM) SpareBank 1 Mobilbetaling AS (BM) EiendomsMegler 1 Oslo AS (BM) EiendomsMegler 1 Oslo Akershus AS (BM) SpareBank 1 Boligkreditt AS (deputy BM) SpareBank 1 Næringskreditt AS, (deputy BM)
Previous directorships and management positions last five years	

Espen Mejlænder-Larsen, Head of Organizations and Capital Markets

Espen Mejlænder-Larsen holds a Master of Economy and Business Administration (Nw: Siviløkonom) and a master in management from BI Norwegian Business School.

Espen Mejlænder has extensive experience within finance and the bank sector. He served as executive director capital market, liquidity and funding of B1OA from 1997-2010. In the period 2011-2014, he worked as bond broker at SEB. Prior to joining the Bank, he served as executive director for the trade union movement of B1OA.

Current directorships and management positions	
Previous directorships and management positions last five years	Bank 1 Oslo Akershus (executive director of the Organizational market)

9.3.3 *Remuneration and benefits*

The table below sets out the total remuneration paid to the members of the Management in 2016 (all in NOK) thousands.

Name	Position	Salary	Bonus	Pension costs	Other remuneration *	Total amount
Richard Heiberg	Chief Executive Officer	3,001	-	2,063	573	5,637
Geir-Egil Bolstad	Chief Financial Officer	300	-	-	13	313
Hans Olav Wedvik	Head of Corporate Banking	889	-	79	200	1,168
Kari Elise Gisnås	Head of Personal Banking	1,457	-	216	724	2,397
Eldar Kjendlie	Head of HR and Legal	1,343	-	144	301	1,788
Siv Stenseth	Head of Communications	1,177	-	204	356	1,737
Dag-Arne Hoberg	Head of Innovation and Business Development	1,343	-	233	474	2,050
Vidar Nordheim	Chief Risk Officer	1,318	-	158	358	1,834
Tor Morten Nygård**	General Manager Capital Markets	1,021	-	177	238	1,436

*Other remuneration includes remuneration in kind and board fees in subsidiaries.
**Former member of the management

9.3.4 *ECCs and options held by members of the Management*

As at the date of this Prospectus, no members of the Management holds, direct or indirect, any ECC or options for ECCs in the Bank.

9.3.5 *Bonus program*

The Bank does not currently have any bonus program or ECC incentive program for the management.

9.4 THE SUPERVISORY BOARD

As at the date of the Prospectus, the Bank's supervisory board consists of the following persons:

Name	Elected by
Line Morønning	Elected by depositors
Siv Nytrøen Reiten	Elected by depositors
Siri Lutnæs Enget	Elected by depositors
Ingunn Flaa	Elected by depositors
Arne Jacob Lund	Elected by depositors
Geir Arne Hagerud	Elected by depositors
Malin Westby Skoglund	Elected by depositors
Kari Heggelund	Elected by depositors
Heidi Hemstad	Elected by depositors
An-Katrin Eikefjord	Elected by depositors
Pål Jan Stokke	Elected by depositors
Vebjørn Nilsen	Elected by depositors
Bodil Helen Andersen	Elected by depositors
Amund Spangen	Elected by depositors
Dag Rønning	Elected by the Hedmark County Council
Turid Backe-Viken	Elected by the Hedmark County Council
Ditte Marie Geisler Olsen	Elected by the Hedmark County Council
Per Roar Bredvold	Elected by the Hedmark County Council
Ken Wahlberg	Elected by the employees
Øystein Bjørkli	Elected by the employees
Aase Bergersen	Elected by the employees
Liv Krokan Murud	Elected by the employees
Per Skattum	Elected by the employees
Asbjørn Grønbakken	Elected by the employees
Cato Edvardsen	Elected by the employees
Iver Helstad	Elected by the employees
Sjur Smestad	Elected by the employees
Turid Hekne	Elected by the employees
Peggy Hessen Følsvik	Elected by the ECC holders
Tor-Arne Solbakken	Elected by the ECC holders
Arne Grunt	Elected by the ECC holders
Trond Hagerud	Elected by the ECC holders
Hanne Elisabeth Sundby	Elected by the ECC holders
Ketil Leteng	Elected by the ECC holders
Inge Storberg	Elected by the ECC holders
Roar Stormoen	Elected by the ECC holders
Jan Gjerdrum	Elected by the ECC holders
Marit Johnsrud	Elected by the ECC holders
Olav Vold	Elected by the ECC holders
Eli Arnkværn Bryhni	Elected by the ECC holders

As at the date of this Prospectus, None of the members of the supervisory board holds, direct or indirect, any ECC or options for ECCs in the Bank. For the sake of good order, reference is made to Section 16.8 for a description of an agreement between LO and the Foundation related to the election of supervisory board members.

The Bank's registered office, Strandgata 15, 2317 Hamar, serves as the business address for the members of the supervisory board in relation to their positions in the Bank.

9.5 BENEFITS UPON TERMINATION

No employee, including any member of Management, has entered into employment agreements that provide for any special benefits upon termination of employment.

No member of the Board of Directors has or will have service contracts with the Bank or any of its subsidiaries providing for benefits upon termination of employment.

9.6 PENSION AND RETIREMENT BENEFITS

The Group's pension schemes are defined contribution schemes. The Group has previously had defined benefit schemes, but the last of which was wound up with effect from 1 July 2016 for the Former Sparebanken Hedmark and with effect from 1 January 2017 for B1OA. Defined contribution pension schemes entail that the Group does not guarantee a future pension of a given size, and that the Group pays instead an annual contribution to the employees' collective pension savings plan. The future pension will depend on the size of the contribution and the annual return on the pension savings. The Group does not have any further obligation related to work performed after the annual contribution has been paid. There are no provisions for accrued pension liabilities in such schemes. Defined contribution pension schemes are recognised directly as an expense.

The CEO has an agreement on possible early retirement from the age of 62. If the Bank decides to exercise this option, the Bank will pay an annual early retirement pension that amounts to 70 per cent of the applicable fixed salary on the retirement date. Should the CEO wish to retire between the ages of 62 to 67, the Bank will pay an annual early retirement pension that amounts to 60 per cent of the applicable fixed salary on the retirement date.

For further information on the Group's pension and retirement benefits, please see note 24 in the Annual Accounts for 2016.

9.7 NOMINATION COMMITTEE

The Articles of Association provide for a nomination committee composed of 5 members and 5 deputy members who are elected by and among members of the Supervisory Board. Two members and two deputies are elected from among the depositor-elected representatives, one member and one deputy member are elected from among the representatives elected by the ECC holders, one member and one deputy member are elected from among the publicly-appointed representatives, and one member and one deputy member are elected from among the employees' representatives. The nomination committee is responsible for nominating the chair and deputy chair for the Supervisory Board, the chair, deputy chair and other members of the board of directors and the chair, members and deputy members of the nomination committee. Only employee representatives of the Nomination Committee may issue recommendations for members of the Board of Directors to be elected from and among the Bank's employees. The Nomination Committee shall also prepare the depositors' election of members and deputy members to the Supervisory Board.

9.8 NOMINATION COMMITTEE FOR HOLDERS OF ECCS

The members of the Supervisory Board elected by the Holders of ECCs, elect a nomination committee comprising of 4 to 6 members and 4 to 6 deputy members. ECC holders owning 10% or more of the ECCs shall be entitled to elect one member and one deputy member to the nomination committee. The nomination committee shall prepare the holders of ECCs election of members and deputy members to the Supervisory Board, and the election of members and deputy members to the nomination committee for the holders of ECCs. For the sake of good order, reference is made to Section 16.8 for a description of an agreement between LO and the Foundation related to the election of members to the nomination committee for holders of ECCs.

9.9 AUDIT COMMITTEE

The Board of Directors has elected an audit committee amongst the members of the Board of Directors. The audit committee consists of 3 members. The current members of the audit committee are Nina C. Lier (Chairman), Erik Garaas and Morten Herud.

Pursuant to section 8-19 of the Norwegian Financial Institutions Act, the audit committee shall:

- prepare the Board of Directors' supervision of the Bank's financial reporting process;
- monitor the systems for internal control and risk management;
- submit a statement about the Bank's election of auditor;
- have continuous contact with the Bank's auditor regarding the audit of the annual accounts; and
- review and monitor the independence of the Bank's auditor, including in particular the extent to which services than auditing provided by the auditor or the audit firm represent a threat to the independence of the auditor.

9.10 REMUNERATION COMMITTEE

The Bank has established a remuneration committee. The committee currently consists of 3 members. The current members of the remuneration committee are Morten Herud (Chairman), Siri J. Strømmevold and Vibeke Hanvold Larsen.

The Remuneration Committee shall be a preparatory body for the Board in its efforts to ensure that the Bank has guidelines and frameworks in place for a remuneration scheme that shall apply to the Bank and its subsidiaries at all times.

The Bank has adopted separate instructions for the remuneration committee setting out further details on the duties, composition and procedures of the committee.

9.11 RISK COMMITTEE

The Bank has established a risk committee to be elected among the Board members. The risk committee shall be a preparatory and advisory working committee for the Board. Together, the Risk Committee shall have the expertise necessary for performing its duties based on the Bank's organisation and operations. The current members of the risk committee are Erik Garaas (Chairman), Nina C. Lier and Morten Herud

The Risk Committee shall:

- prepare for consideration matters relating to the Board's monitoring and management of overall risk, and assess the extent to which management and control arrangements have been adapted to the Group's relative risk level;
- monitor the internal control systems as well as the Group's internal auditing; and
- monitor the Bank's ethical guidelines.

9.12 BOARD AND MANAGEMENT PRACTICES

The Bank has adopted routines and guidelines to ensure proper distribution and handling of information, internally in the Group and for the Management and the Board, and distribution of information to the market. The Bank has adopted insider manuals, manual on disclosure of information, rules of procedures for the Board, instructions for the nomination committee, audit committee, the remuneration committee and the risk committee.

For further information on the Board and the executive management, please refer to Sections 9.2and 9.3.

9.13 CONFLICTS OF INTERESTS

For information on the Group's involvement in transactions with related parties, see Section 15 "*Related party transactions*".

There are no family relations between any of the members of the Board of Directors or members of Management.

There are currently no actual or potential conflicts of interest between the private interests or other duties of any of the members of Management and the Board of Directors and their duties towards the Bank, including any family relationships between such persons.

9.14 CONVICTIONS FOR FRAUDULENT OFFENCES, BANKRUPTCY ETC.

None of the members of the Board of Directors or the Management has during the last five years preceding the date of this Prospectus:

- any convictions in relation to indictable offences or convictions in relation to fraudulent offences;
- received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or was disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company; or
- been declared bankrupt or been associated with any bankruptcy, receivership or liquidation in his/her capacity as a founder, director or senior manager of a company or partner of a limited partnership.

9.15 EMPLOYEES

9.15.1 *Overview*

As at the date of this Prospectus, the Group had a total of 1,168 employees, of which of all are located in Norway.

The following table illustrates the number of employees as per the end of each calendar year for 2016, 2015 and 2014 and as of the date of this Prospectus split by the geographical areas.

		Year ended 31 December		
Product Area	Prospectus date	2016	2015	2014
SpareBank 1 Østlandet, banking	747	777	490	478
SpareBank 1 Finans Østlandet AS, leasing/financing	57	56	53	47
SpareBank 1 Regnskapshuset Østlandet AS, accounting	161	169	170	137
EiendomsMegler 1 Hedmark Eiendom AS, real estate brokerage	62	60	48	45
EiendomsMegler 1 Oslo Akershus AS, real estate brokerage	141	148	N/A	N/A

9.15.2 *Employee incentive schemes*

The Bank does not have any bonus program or incentive schemes for the Bank.

9.16 CORPORATE GOVERNANCE

The Bank has adopted and implemented a corporate governance regime which complies in all material respects with the Corporate Governance Code. The deviations from the Corporate Governance Code with reasoning are described below:

- The Bank is organised pursuant to the Norwegian Financial Institutions Act and complies with the governance structure set out in the act. As a consequence, the Bank deviates from the Corporate Governance code section 6 which regulates general meetings.
- The Bank deviates from the Corporate Governance Code section 7. All members of the nomination committee are elected by the groups which are represented at the Supervisory Board pursuant to the Banks articles of associations.

- The Bank deviates from the Corporate Governance Code section 14. The Bank is a partly self-owned institution which cannot be subject to a takeover situation without approval by the governing bodies of the Bank. Acquisition of qualifying holdings of equity capital certificates in a savings bank requires an approval from the Norwegian FSA, cf. the Financial Institutions Act chapter 6, as further described in Section 17.1.7. Due to the nature of savings banks the Bank has not implemented detailed guidelines on take-over situations.

10 CAPITALISATION AND INDEBTEDNESS

The information presented below should be read in conjunction with the other parts of this Prospectus, in particular Section 11 "*Financial Information*" and the Annual Financial Statements and the notes therein and the unaudited Interim Financial Statements, included in Appendices B and C to the Prospectus.

This Section provides information about the Group's unaudited consolidated capitalisation and net financial indebtedness on an actual basis as of 31 March 2017 and, in the "As adjusted 31 March 2017" column, the Group's unaudited consolidated capitalisation and net financial indebtedness as at the time on adjusted basis to give effect to the planned issuance of the New ECCs in connection with the Employee Offering. The adjustments are based on management's best estimate.

Other than as set forth as above, there has been no material change to the Group's unaudited consolidated capitalisation and net financial indebtedness since 31 March 2017.

10.1 CAPITALISATION

In NOK millions	**As of 31 March 2017** (unaudited)	**Adjustments 31 March 2017** (unaudited)	**Adjusted 31 March 2017** (unaudited)
Total current debt			
- Guaranteed			
- Secured			
- Unguaranteed/unsecured	66,755[2]	12[9]	66,767
Total non-current debt			
- Guaranteed			
- Secured	234[3]		234
- Unguaranteed/unsecured	21,799[4]		21,799
Total indebtedness	**88,788**	**12**	**88,800**
Shareholders' equity			
a. Share capital[1]	5,310	96[7]	5,406
b. Legal reserve	4,966[5]	54[8]	5,020
c. Other reserves	2,095[6]		2,095
Total equity	**12,370**	**150**	**12,520**
Total capitalisation	**101,158**	**162**	**101,320**

[1] SpareBank 1 Østlandet has no share capital, but instead it has equity capital certificates. See section 17.1 for further information about equity capital certificates.

[2] This is current portion of Deposits from and liabilities to credit institutions (NOK 758 million), Deposits from and liabilities to customers (NOK 62,782 million), Liabilities arising from issuance of securities (NOK 3,057 million), Financial derivatives (NOK 55 million), Other debt and liabilities recognised in the balance sheet (NOK 102 million) and Subordinated loan capital (NOK 1 million).

[3] This non-current debt related to financial derivatives that is secured with cash collateral.

[4] This is non-current portion of Deposits from and liabilities to credit institutions (NOK 800 million), Liabilities arising from issuance of securities (NOK 19,697 million), Financial derivatives (NOK 18 million), Other debt and liabilities recognised in the balance sheet (NOK 79 million) and Subordinated loan capital (NOK 1,205 million).

[5] This is Premium funds (NOK 520 million), Dividend equalisation fund (NOK 974 million), Primary capital (NOK 3,307 million), provision for gifts (NOK 29 million) and Fund for unrealised gains (NOK 136 million).

[6] This is Hybrid capital (NOK 400 million), Dividends (NOK 148 million), Other equity (NOK 1,498 million) and Minority interests (NOK 49 million).

[7] An adjustment has been made for the planned issuance of the 1,916,933 New ECCs in connection to the Employee Offering, each having a par value of NOK 50 per ECC. This adjustment reflects management's best estimate for the size of the number of ECCs and gross proceeds from the Employee Offering.

[8] An adjustment has been made for the issuance of the 1,916,933 New ECCs in connection to the Employee Offering based on a final offer price of NOK 78, which is the mid-point of the Indicative Price range. This adjustment reflects management's best estimate for the size of the number of ECCs and gross proceeds from the Employee Offering.

[9] An adjustment has been made for estimated total transaction costs of NOK 12 million related to the Offering

10.2 NET FINANCIAL INDEBTEDNESS

NOK mill		As of 31 March 2017 *(unaudited)*	Adjustments *(unaudited)*	Adjusted 31 March 2017 *(unaudited)*
(A)	Cash (Cash and balances with central banks)	430	150[1]	580
(B)	Cash equivalents (Loans and receivables from banks without fixed maturity)	14[3]		14
(C)	Trading securities	9,630[4]		9,630
(D)	**Liquidity (A)+(B)+(C)**	**10,074**	**150**	**10,224**
(E)	**Current financial receivables**	**22,181**[5]		**22,181**
(F)	Current bank debt	758[6]		758
(G)	Current portion of non-current debt	65,839[7]		65,839
(H)	Other current financial debt	158[8]	12 [2]	170
(I)	**Current financial debt (F)+(G)+(H)**	**66,755**	**12**	**66,767**
(J)	**Net current financial indebtedness (I)-(E)-(D)**	**34,500**	**(138)**	**34,362**
(K)	Non-current bank loans	800[9]		800
(L)	Bonds issued	0		0
(M)	Other non-current loans	21,233[10]		21,233
(N)	**Non-current financial indebtedness (K)+(L)+(M)**	**22,033**		**22,033**
(O)	**Net financial indebtedness (J)+(N)**	**56,533**	**(138)**	**56,395**

[1] An adjustment has been made for the estimated gross proceeds of NOK 150 million from the sale of the New ECCs in connection with the Employee Offering. The estimated gross proceeds is set equal to management's best estimate for the size of the gross proceeds from the Employee Offering.

[2] An adjustment has been made for the estimated total transaction costs of NOK 12 million related to the Offering.

[3] The part of Loans to and receivables from credit institutions that is on request.

[4] This is Certificates and bonds (NOK 8,425 million), Financial derivatives (NOK 786 million) and Shares, units and other equity interests (NOK 419 million).

[5] This is the current portion of Loans to and receivables from credit institutions that is not on request (NOK 566 million) and the current portion of Loans to and receivables from customers (NOK 21,615 million).

[6] This is the current portion of Deposits from and liabilities to credit institutions.

[7] This is the current portion of Deposits from and liabilities to customers (NOK 62,782 million) and Liabilities arising from issuance of securities (NOK 3,057 million).

[8] This is the current portion of Financial derivatives (NOK 55 million), Other debt and liabilities recognised in the balance sheet (NOK 102 million) and Subordinated loan capital (NOK 1 million).

[9] This is the non-current portion of Deposits from and liabilities to credit institutions.

[10] This is the non-current portion of Liabilities arising from issuance of securities (NOK 19,697 million), Financial derivatives (NOK 252 million), Other debt and liabilities recognised in the balance sheet (NOK 79 million) and Subordinated loan capital (NOK 1,205 million).

10.3 WORKING CAPITAL STATEMENT

The Group is of the opinion that the working capital available to the Group is sufficient for the Group's present requirements, for the period covering at least 12 months from the date of this Prospectus.

10.4 CONTINGENT AND INDIRECT INDEBTEDNESS

As at the date of the Prospectus, the Group did not have any contingent or indirect indebtedness.

11 FINANCIAL INFORMATION

11.1 INTRODUCTION AND BASIS FOR PREPARATION

The following summary of consolidated financial information has been derived from the Bank's consolidated Annual Financial Statements for the years ended 31 December 2016, 2015 and 2014, prepared in accordance with IFRS as adopted by the EU, as well as the unaudited consolidated Interim Financial Statements as of and for the three month periods ended 31 March 2017 and 2016, prepared in accordance with IAS 34. The Interim Financial Statements as of and for the three month period ended 31 March 2017 have been subject to a limited review.

The historical results of the Bank are not necessarily indicative of its results for any future period. For a discussion of certain risks that could impair the business, operating results, financial condition, liquidity and prospects of the Bank, see Section 2 "*Risk Factors*". The following summary of consolidated financial data should be read in conjunction with other information contained in this Prospectus, including the Group's Annual Financial Statements and the notes therein and unaudited Interim Financial Statement included in Appendices B and C to the Prospectus.

11.2 SUMMARY OF ACCOUNTING POLICIES AND PRINCIPLES

For information regarding accounting policies and the use of estimates and judgements, please refer to Note 2 of the Group's Annual Financial Statements and Note 1 of the Group's Interim Financial Statement included in Appendices B and C to the Prospectus.

11.3 TREATMENT OF BANK 1 OSLO AKERSHUS IN THE BANK'S CONSOLIDATED FINANCIAL STATEMENTS

Between 1 January 2014 and 29 June 2016, the Bank had a 40.5% shareholding in B1OA. On 29 June 2016, the Bank acquired the remaining shares in B1OA, which increased the Bank's shareholding in B1OA to 100%. The Bank's shareholding in B1OA has remained constant since 29 June 2016.

In the year ended 31 December 2016, B1OA consequently went from being an equity investment to becoming a wholly owned subsidiary of the Bank. Prior to 29 June 2016, B1OA was treated as an equity investment and accounted for in accordance with the equity method (IFRS 10 and IFRS 11), meaning the net results from this investment was presented on one line in the consolidated income statement under "Net profit from investments", while the net investment itself was presented on one line in the consolidated balance sheet under "Investments in associates and joint ventures". From and including 29 June 2016, B1OA has been treated as a wholly owned subsidiary and accounted for through full consolidation (IFRS 10), meaning the results, balances and cash flows have been fully included as part of the Bank's consolidated financial statements.

To sum up, B1OA has been treated in the following manner in the Bank's consolidated financial statements included in this Prospectus:

Year ended 31 December 2014:	Equity method.
Year ended 31 December 2015:	Equity method.
Year ended 31 December 2016:	Equity method (1 January - 29 June) + Full consolidation (29 June - 31 December).
Quarter ended 31 March 2016:	Equity method.
Quarter ended 31 March 2017:	Full consolidation.

11.4 STATEMENT OF COMPREHENSIVE INCOME

The table below sets out selected data from the Group's consolidated statement of comprehensive income for the years ended 31 December 2016, 2015 and 2014 and its interim statement of comprehensive income for the three month periods ended 31 March 2017 and 2016.

In NOK millions	Three months ended 31 March		Year ended 31 December		
	2017 (unaudited)	**2016** (unaudited)	**2016** (audited)	**2015** (audited)	**2014** (audited)
Interest income	787	472	2,494	1,972	2,101
Interest expenses	322	176	1,004	867	1,058
Net interest income	**464**	**297**	**1,490**	**1,105**	**1,043**
Commission income	277	123	830	514	575
Commission expenses	22	13	71	53	50
Other operating income	53	50	180	190	138
Net commission and other income	**308**	**160**	**939**	**651**	**663**
Dividends from other than group companies	9	0	46	9	13
Net profit from ownership interests	6	70	236	301	394
Net profit from other financial assets and liabilities	-14	-63	-62	205	166
Net income from financial assets and liabilities	**0**	**7**	**220**	**514**	**572**
Total net income	**773**	**464**	**2,649**	**2,270**	**2,279**
Personnel expenses	232	148	573	590	543
Depreciation	21	11	65	46	41
Other operating expenses	184	94	565	416	397
Total operating expenses before losses on loans and guarantees	**437**	**253**	**1,203**	**1,052**	**981**
Profit before losses on loans and guarantees	**335**	**211**	**1,446**	**1,218**	**1,298**
Losses on loans and guarantees	-26	9	75	56	66
Profit/loss before tax	**361**	**202**	**1,371**	**1,162**	**1,232**
Tax charge	88	33	271	233	192
Results for the accounting period	**274**	**169**	**1,100**	**930**	**1,040**
Majority interests	273	168	1,095	930	1,038
Minority interests	1	1	4	0	2
Earnings per equity certificate (NOK)	1.73	1.26	6.95	7.00	
Statement of other comprehensive income according to IAS1	**274**	**169**	**1,100**	**930**	**1,040**
Actuarial gains / losses on pensions	0	0	-52	85	-51
Tax effect of actuarial gains / losses on pensions	0	0	12	-21	14
Share of other comprehensive income from equity investments	0	0	-7	34	-14
Total items not reclassified through profit or loss	**0**	**0**	**-46**	**98**	**-51**
Change in value of financial assets available for sale	14	9	4	67	142
Share of other comprehensive income from equity investments	-1	0	7	15	2
Financial assets available for sale transferred to profit and loss on					
- realization	0	0	0	0	-158
- write-downs due to permanent impairment of value	0	0	0	0	0
Total items reclassified through profit or loss	**-13**	**9**	**11**	**82**	**-14**
Total profit and loss items recognized in equity	**-13**	**9**	**-35**	**180**	**-65**
Total profit and loss for the accounting period	**287**	**178**	**1,064**	**1,109**	**975**
Majority interest of comprehensive income	286	177	1,060	1,109	973
Minority interest of comprehensive income	1	1	4	0	2

11.5 CONDENSED STATEMENT OF FINANCIAL POSITION

The table below sets out selected data from the Group's statement of financial position as at 31 December 2016, 2015 and 2014 and its interim statement of financial position as at 31 March 2017 and 2016.

	Three months ended 31 March		Year ended 31 December		
In NOK millions	**2017**	**2016**	**2016**	**2015**	**2014**
ASSETS	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Cash and deposits with central banks	430	544	759	264	748
Loans to and receivables from credit institutions	1,462	888	1,335	864	675
Loans to and receivables from customers	84,523	44,050	82,537	43,526	39,691
Certificates and bonds	8,425	6,261	9,776	6,133	4,017
Financial derivatives	786	507	810	455	531
Shares, units and other equity interests	419	303	747	294	239
Investments in associates and joint ventures	3,617	3,538	3,618	3,386	3,073
Assets held for sale	5	0	5	0	0
Property, plant and equipment	586	345	587	341	336
Goodwill and other intangible assets	368	210	371	211	185
Deferred tax asset	0	0	0	0	33
Other assets	1,240	538	695	497	406
Total assets	**101,861**	**57,185**	**101,240**	**55,971**	**49,934**
LIABILITIES					
Deposits from and liabilities to credit institutions	1,558	1,250	1,654	660	665
Deposits from and liabilities to customers	62,782	33,675	63,070	33,458	31,070
Liabilities arising from issuance of securities	22,754	11,743	21,937	11,576	8,951
Financial derivatives	307	312	349	320	330
Current tax liabilities	117	135	247	167	150
Deferred tax liabilities	106	48	118	65	0
Other debt and liabilities recognised in the balance sheet	662	538	554	510	639
Subordinated loan capital	1,206	491	1,203	496	505
Total liabilities	**89,491**	**48,190**	**89,132**	**47,253**	**42,310**
EQUITY CAPITAL					
Equity capital certificates	5,310	3,987	5,310	3,987	0
Premium funds	520	0	520	0	0
Dividend equalisation fund	974	503	974	503	0
Primary capital	3,307	3,015	3,313	3,019	6,645
Provision for gifts	29	46	33	50	42
Fund for unrealised gains	136	151	134	135	109
Hybrid capital	400	0	400	0	0

Dividends	148	0	148	0	0
Other equity	1,498	1,253	1,228	1,023	827
Minority interests	49	40	47	0	0
Total equity capital	**12,370**	**8,995**	**12,107**	**8,718**	**7,624**
Total equity capital and liabilities	**101,861**	**57,185**	**101,240**	**55,971**	**49,934**

11.6 CONDENSED STATEMENT OF CASH FLOWS

The table below sets out selected data from the Group's statement of cash flows for the years ended 31 December 2016, 2015 and 2014 and its interim statement of cash flows for the three month periods ended 31 March 2017 and 2016.

	Three months ended		**Year ended**		
	31 March		**31 December**		
	2017	**2016**	**2016**	**2015**	**2014**
In NOK millions	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
This year's downpayment on repayment loans etc. to customers	8,276	2,461	24,740	13,378	12,905
Change in advance rent leasing	4	41	15	9	19
Newly discounted repayment loans etc. to customers for the period	-10,944	-3,847	-31,296	-17,868	-12,979
Change in balances of foreign currency lending	12	74	167	74	-118
Change in balances of credits	704	739	650	511	-2,883
Interest and commission income on lending	703	408	2,251	1,726	1,848
Included in previous years' realised losses on lending	9	24	33	9	9
Net cash flow from assets held for sale	0	0	0	0	1
Cash flow from lending operations (A)	**-1,235**	**-100**	**-3,441**	**-2,161**	**-1,198**
Change in balances of deposits from customers at call	-316	-648	2,295	2,118	714
Change in balances of deposits from customers with agreed maturity dates	-80	791	1,503	277	279
Interest payments to customers	-106	-37	-518	-564	-763
Cash flow from deposit operations (B)	**-503**	**106**	**3,279**	**1,831**	**230**
Net cash flow from securities held short term	1,351	-132	-540	-2,184	914
Cash flow linked to exchange rate gains / losses on securities held short term	-19	-31	-112	39	122
Interest received on certificates and bonds	29	16	120	92	97
Cash flow from investments in securities (C)	**1,361**	**-148**	**-532**	**-2,053**	**1,134**
Change in receivables from credit institutions with agreed maturity dates	-289	-48	-44	-170	33
Interest received on deposits in credit institutions	36	39	153	126	116
Cash flow from deposits in credit institutions (D)	**-254**	**-9**	**110**	**-44**	**149**
Other income	355	202	1,108	814	821
Operating expenses payable	-393	-250	-1,500	-1,186	-979
Tax payments	-186	-78	-181	-130	-159
Donations	-10	-9	-23	-24	-35
Group contribution	0	0	0	-6	0
Net cash flow from change in other assets	-482	-38	61	-43	-37
Net cash flow from change in accruals	-60	-106	-164	-45	147
Net cash flow from change in other liabilities	165	30	520	-16	-121
Remaining cash flow from current operations (E)	**-612**	**-249**	**-178**	**-635**	**-361**
CASH FLOW FROM OPERATIONS (A+B+C+D+E=F)	**-1,243**	**-400**	**-762**	**-3,062**	**-46**

Change in deposits from credit institutions	-75	616	467	-10	33
Receipts arising from issuance of securities	2,204	531	2,901	4,000	2,053
Payments arising from redemption of securities issued	-817	-439	-1,846	-658	-1,388
Buy-back of own securities	-765	-47	-542	-440	-262
Interest payments on financing	-117	-41	-336	-241	-225
Cash flow from financing activities (G)	**431**	**621**	**644**	**2,651**	**211**
Investments in fixed assets and intangible assets	-22	-11	-43	-50	-83
Sales of fixed assets and intangible assets at sales price	6	0	0	2	1
Net liquidity effect from purchase and sale of long-term securities	328	-2	-49	-174	58
Share dividends from securities held long term	11	38	371	187	85
Cash flow from investments (H)	**323**	**26**	**280**	**-35**	**61**
Liquidity effect from acquisition of remaining shares in B1OA (I)	0	0	-225	0	0
Cash and cash equivalents taken over from B1OA (J)	0	0	843	0	0
Liquidity effect of acquisition and sale of other subsidiaries (K)	0	0	-13	-28	-43
Payments arising from placements in subsidiaries (L)	1	0	5	0	0
CHANGE IN CASH AND CASH EQUIVALENTS (F+G+H+I+J+K+L)	-488	246	772	-474	184
Cash and cash equivalents at 1 January	1082	309	309	783	599
Cash and cash equivalents at the end of the period	**594**	**555**	**1,082**	**309**	**783**
Cash and cash equivalents at comprise:					
Cash and deposits with central banks	430	544	759	264	748
Deposits etc. at call with banks	165	11	323	46	35
Cash and cash equivalents at the end of the period	**594**	**555**	**1,082**	**309**	**783**

1) An updated version of the annual report for 2016 was published on the Bank's website with some insignificant changes to the cash flow statement: The two lines "Purchase of long-term securities" and "Sale of long term securities" were merged and changed to "Net cash flow from purchase and sale of equity interests". Furthermore, the purchase of bonds for NOK 566 million was reclassified from "Cash flow from investments" to "Cash flow from operations". **A revised annual report for 2016 is expected to be published on Newsweb separately in the week starting with 29 May 2017.**

2) The cash flow effect from the cash and cash equivalents taken over from B1OA is in the annual report taken into account by correcting the cash balance at 1 January 2017. In the cash flow statement above, this is corrected according to IAS 7 and presented on a separate line. Furthermore, the liquidity effect from the acquisition of the remaining shares in B1OA has been separated from "Liquidity effect of acquisition and sale of subsidiaries" and presented on a separate line.

11.7 CONDENSED STATEMENT OF CHANGES IN EQUITY

The table below sets out selected data from the Group's statement of changes in equity for the years ended 31 December 2016, 2015 and 2014 and its interim statement of changes in equity for the three month periods ended 31 March 2017 and 2016.

	Paid-up equity		Earned equity capital								
In NOK millions	Equity certificates	Premium fund	Primary capital	Dividend equalisation funds	Provision for gifts	Fund for unrealized gains	Other equity	Dividends	Hybrid capital	Minority interests	Total equity capital
Equity capital at 1 January 2014	**0**	**0**	**6,012**	**0**	**71**	**125**	**495**	**0**	**0**	**14**	**6,718**
Results for the accounting year			676				364				1,040
Actuarial gains / losses on pensions			-38								-37
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss							-14				-14
Change in value of financial assets available for sale						-16	1				-14
Adjusted equity capital in associated companies and joint ventures							-4				-4
Change in the group composition							-15			-14	-29

Donations distributed from profit 2013			-6								-6
Grants from provision for gifts in 2014					-29						-29
Equity capital at 31 December 2014	**0**	**0**	**6,644**	**0**	**42**	**109**	**827**	**0**	**0**	**0**	**7,624**

	Paid-up equity		Earned equity capital								
In NOK millions	**Equity certificates**	**Premium fund**	**Primary capital**	**Dividend equalisation funds**	**Provision for gifts**	**Fund for unrealized gains**	**Other equity**	**Dividends**	**Hybrid capital**	**Minority interests**	**Total equity capital**
Equity capital at 1 January 2015	**0**	**0**	**6,644**	**0**	**42**	**109**	**827**	**0**	**0**	**0**	**7,624**
OB correction: Correction of previous years' errors in associated companies and joint ventures [1]							5				5
OB correction: Correction of previous years' errors [2]			57			-57					0
Adjusted equity capital at 1 January 2015	**0**		**6,701**	**0**	**42**	**52**	**832**	**0**	**0**	**0**	**7,630**
ECs transferred Foundation	3,987		-3,987								0
Results for the accounting year			312	468		16	134				930
Actuarial gains / losses on pensions			24	35			5				65
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss							34				34
Change revaluation reserve						67					67
Other items that will be reclassified in associated companies and joint ventures							14				14
Adjusted equity capital in associated companies and joint ventures							2				2
Donations distributed from profit 2014			-6								-6
To provision for gifts in 2015			-25		25						0
Grants from provision for gifts in 2015					-17						-17
Equity capital at 31 December 2015	**3,987**	**0**	**3,019**	**503**	**50**	**135**	**1,023**	**0**	**0**	**0**	**8,718**

1) Errors are connected to changes in preliminary accounts for the accounting year and final accounts. As at 31.12.2014 the error is due to errors related to deferred tax on insurance funds classified as equity in SpareBank 1 Gruppen AS.
2) NOK 57 million was transferred from primary capital to fund for unrealized gains. This was due to transition to a more advanced calculation method.

	Paid-up equity		Earned equity capital								
In NOK millions	**Equity certificates**	**Premium fund**	**Primary capital**	**Dividend equalisation funds**	**Provision for gifts**	**Fund for unrealized gains**	**Other equity**	**Dividends**	**Hybrid capital**	**Minority interests**	**Total equity capital**
Equity capital at 1 January 2016	**3,987**	**0**	**3,019**	**503**	**50**	**135**	**1,023**	**0**	**0**	**0**	**8,718**
OB correction: Correction of previous years' errors in associated companies and joint ventures [1]							73				73
Adjusted equity capital at 1 January 2016	**3,987**	**0**	**3,019**	**503**	**50**	**135**	**1,096**	**0**	**0**	**0**	**8,791**
Equity certificates issued and transferred owners	1,323	520									1,843
Results for the accounting year			316	506		-7	130	148		4	1,100
Actuarial gains after tax on pensions			-17	-35			13				-40
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss							-7				-7
Change revaluation reserve						5					5
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss							11				11
Interest cost for hybrid capital in subsidiary							-13				-13
Reclassification of hybrid capital in subsidiary									400		400
Change in shareholding in Group companies										43	43

Donations distributed from profit 2015			-6								-6
Grants from provision for gifts in 2016					-18						-18
Equity capital at 31 December 2016	**5,310**	**520**	**3,313**	**974**	**33**	**134**	**1,228**	**148**	**400**	**47**	**12,107**

1) Errors are connected to changes in preliminary accounts for the accounting year and final accounts. As at 31.12.2015, the change primarily is related to changes in SpareBank 1 Gruppen, in the amount of NOK 89 million. In December 2015, the Ministry of Finance adopted changes in the annual accounts regulations for insurance companies with effect from 1.1.2016. One of the changes was that the security provisions were dissolved for accounting purposes. The change in accounting rules is considered a change of principle and the security provision as at 31.12.15 was transferred to other earned equity in the first quarter of 2016, reduced for deferred tax. The other changes were change in preliminary accounts for Bank 1 Oslo Akershus in the amount of - NOK 8.6 million and SpareBank 1 Kredittkort in the amount of - NOK 7.4 million.

	Paid-up equity		**Earned equity capital**								
In NOK millions	**Equity certificates**	**Premium fund**	**Primary capital**	**Dividend equalisation funds**	**Provision for gifts**	**Fund for unrealized gains**	**Other equity**	**Dividends**	**Hybrid capital**	**Minority interests**	**Total equity capital**
Equity capital at 1 January 2016	**3,987**	**0**	**3,019**	**503**	**50**	**135**	**1,023**	**0**	**0**	**0**	**8,718**
Results for the accounting period						7	162			1	170
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss											0
Change revaluation reserve						9					9
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss											0
Adjusted equity capital in associated companies and joint ventures							70				70
Change in shareholding in Group companies										39	39
Donations distributed from profit 2015			-6								-6
Grants from provision for gifts in 2016					-4						-4
Equity capital at 31 March 2016	**3,987**	**0**	**3,015**	**503**	**46**	**151**	**1,253**	**0**	**0**	**40**	**8,995**

	Paid-up equity		**Earned equity capital**								
In NOK millions	**Equity certificates**	**Premium fund**	**Primary capital**	**Dividend equalisation funds**	**Provision for gifts**	**Fund for unrealized gains**	**Other equity**	**Dividends**	**Hybrid capital**	**Minority interests**	**Total equity capital**
Equity capital at 1 January 2017	**5,310**	**520**	**3,313**	**974**	**33**	**134**	**1,228**	**148**	**400**	**47**	**12,107**
OB correction: Correction of previous years' errors in associated companies and joint ventures [1)]							-11				-11
Adjusted equity capital at 1 January 2017	**5,310**	**520**	**3,313**	**974**	**33**	**134**	**1,217**	**148**	**400**	**47**	**12,096**
Results for the accounting period						-10	283			1	274
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss											0
Change revaluation reserve						12	2				14
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss											0
Interest cost for hybrid capital in subsidiary							-4				-4
Reclassification of hybrid capital in subsidiary											0
Change in shareholding in Group companies										1	1
Donations distributed from profit 2015			-6								-6
Grants from provision for gifts in 2016					-4						-4
Equity capital at 31 March 2017	**5,310**	**520**	**3,307**	**974**	**29**	**135**	**1,498**	**148**	**400**	**49**	**12,370**

1) Errors are connected to changes in preliminary accounts for the accounting year and final accounts in SpareBank 1 Gruppen.

11.8 CONDENSED STATEMENT OF CAPITAL ADEQUACY AND CAPITAL MANAGEMENT

The table below sets out selected data from the Group's statement of capital adequacy and capital management as at 31 December 2016, 2015 and 2014 and its interim statement of capital adequacy and capital management as at 31 March 2017 and 2016.

	Basel III				
	Three months ended 31 March		Year ended 31 December		
In NOK millions	2017 (unaudited)	2016 (unaudited)	2016 (audited)	2015 (audited)	2014 (audited)
Equity certificate capital	5,310	3,987	5,310	3,987	0
Premium fund	520	0	520	0	0
Dividend equalisation funds	974	503	974	503	0
Primary capital	3,307	3,015	3,313	3,019	6,644
Provision for gifts	29	46	33	50	42
Fund for unrealised gains	135	151	134	135	109
Hybrid capital	400	0	400	0	0
Dividends	148	0	148	0	0
Other equity	1,498	1,253	1,228	1,023	827
Minority interests	49	40	47	0	0
Total equity carried	**12,370**	**8,995**	**12,107**	**8,718**	**7,624**
Tier 1 capital					
Share of positive annual results that can not be included in Tier 1 capital	-224	0	0	0	0
Share of equity not included in Tier 1 capital	-500	0	-604	0	0
Results for the accounting year not included	0	-169	0	0	0
Minority interests that can be included in CET 1 capital	37	-9	36	0	0
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	96	-60	43	-119	0
Goodwill and other intangible assets	-368	-221	-371	-217	-197
Revaluation reserve available for sale (Basel II / transitional rule)	0	0	0	0	-110
Positive value of expected losses under the IRB approach	-207	-181	-205	-182	-271
CET1 instruments of financial sector entities where the institution does not have a significant investment	0	0	0	0	0
CET1 instruments of financial sector entities where the institution does have a significant investment	-214	-1,827	-452	-1,720	-1,602
Valve adjustments to common equity Tier 1 Capital ratio related to regulatory filters	0	0	10	0	0
Value adjustments due to the requirements for prudent valuation	-31	-13	-33	-13	-10
Excess of deduction from AT1 items over AT1 Capital	0	0	0	0	0
Total common equity Tier 1 capital	**10,960**	**6,514**	**10,530**	**6,467**	**5,434**
Additional Tier 1 capital					
Hybrid capital	563	162	619	162	162
AT1 instruments of financial sector entities where the institution does not have a significant investment	0	0	0	0	0
AT1 instruments of financial sector entities where the institution does have a significant investment	0	-32	0	-32	-2
Excess of deduction from T2 items over AT1 Capital	0	0	0	0	0
Excess of deduction from AT1 items over AT1 Capital	0	0	0	0	0
Total additional Tier 1 capital	**563**	**130**	**619**	**130**	**160**
Supplementary capital in excess of core capital					
36 percent (45 percent under Basel II) of unrealised gain on shares classified as available for sale	0	0	0	0	40
Subordinated loan capital	1,254	784	1,524	783	783
T2 instruments of financial sector entities where the institution does not have a significant investment	0	0	0	0	0

T2 instruments of financial sector entities where the institution does have a significant investment	-128	-199	-17	-202	-144
Excess of deduction from T2 items over AT1 Capital	0	0	0	0	0
Total supplementary capital	**1,126**	**585**	**1,507**	**581**	**679**
Net subordinated capital	**12,649**	**7,229**	**12,656**	**7,179**	**6,273**
Corporates - SME	4,642	4,442	4,546	4,639	4,791
Corporates - Specialised Lending	10,957	8,431	10,628	8,270	9,019
Corporates - Other	770	757	768	847	855
SME exposure	1,081	962	1,104	939	723
Retail mortgage exposure	18,553	8,740	18,393	8,538	7,738
Other retail exposure	1,751	709	1,834	704	669
Risk-weighted assets credit risk IRB	**37,754**	**24,042**	**37,273**	**23,937**	**23,795**
Exposures calculated using the standardised approach	15,160	10,427	14,495	10,237	9,534
Market risk	0	0	0	0	0
CVA	722	272	452	234	338
Operational risk	3,702	3,702	3,702	3,269	3,038
Basel 1 transitional floor	8,215	0	6,279	0	0
Risk-weighted assets	**65,553**	**38,443**	**62,201**	**37,677**	**36,705**
Capital requirements (8%)	**5,244**	**3,075**	**4,976**	**3,014**	**2,936**
Buffer requirements					
Conservation buffer (2.5%)	1,639	961	1,555	942	918
Countercyclical capital buffer (1.5% in Q1-17 and YE-16 / 1% in Q1-16 and YE-15)	983	384	933	377	n.a.
Systemic risk buffer (3%)	1,967	1,153	1,866	1,130	1,101
Total buffer requirements for common equity (7.0% in Q1-17 and YE-16 / 6.5% in Q1-16 and YE-15 / 5.5% in YE-14)	**4,589**	**2,499**	**4,354**	**2,449**	**2,019**
Available common equity (net minimum requirement of 11.5%* in Q1-17 and YE-16 / 11.0% in Q1-16 and YE-15 / 10.0% in YE-14)	**3,421**	**2,286**	**3,377**	**2,323**	**1,764**
Capital adequacy ratio					
Common equity Tier 1 capital ratio	**16.7%**	**16.9%**	**16.9%**	**17.2%**	**14.8%**
Tier 1 Capital ratio	**17.6%**	**17.3%**	**17.9%**	**17.5%**	**15.2%**
Capital adequacy ratio	**19.3%**	**18.8%**	**20.3%**	**19.1%**	**17.1%**

*Please note that the minimum requirement of 11.5% in Q1-17 and YE-16 does not include the Bank's Pilar II requirement which was set at 1.7% as at 31 December 2016. Refer to Section 14.8 for further information about the Bank's capital base and capital adequacy.

11.9 CONDENSED STATEMENT OF SEGMENT INFORMATION

The table below sets out selected data from the Group's segment information for the years ended 31 December 2016, 2015 and 2014 and its interim segment information for the three month periods ended 31 March 2017 and 2016.

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

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

11.9.1 *Income statement*

	Three months ended 31 March 2017

In NOK millions	Retail banking	Corporate banking	Bank 1 Oslo Akershus	Spare-Bank 1 Finans Østlandet	Eiendoms Megler 1 Hedmark Eiendom	Spare-Bank 1 Regnskapshuset Østlandet	Other	Total
Net interest income	138	130	137	73	0	0	-14	464
-of which internal items	*0*	*0*	*0*	*0*	*0*	*0*	*0*	
Net commission and other income	83	22	137	-9	23	46	6	308
-of which internal items	*0*	*0*	*0*	*0*	*0*	*0*	*0*	
Net return on financial investments	1	0	12	0	0	0	-14	0
Operating expenses*	133	51	142	21	20	43	27	437
Profit before losses by segment	**90**	**100**	**144**	**44**	**3**	**3**	**-49**	**335**
Losses on loans and guarantees	1	-27	-7	7	0	0	0	-26
Profit / loss per segment before tax	**89**	**127**	**152**	**37**	**3**	**3**	**-49**	**361**
Tax	22	32	41	9	1	1	-18	88
Profit / loss per segment after tax	**67**	**95**	**111**	**28**	**2**	**2**	**-31**	**274**

	Three months ended 31 March 2016							
In NOK millions	Retail banking	Corporate banking		Spare-Bank 1 Finans Østlandet	Eiendoms Megler 1 Hedmark Eiendom	Spare-Bank 1 Regnskapshuset Østlandet	Other	Total
Net interest income	135	108		54	0	0	1	298
-of which internal items	*0*	*0*		*0*	*0*	*0*	*0*	
Net commission and other income	79	20		-6	20	45	3	160
-of which internal items	*0*	*0*		*0*	*0*	*0*	*0*	
Net return on financial investments	0	0		0	0	0	7	7
Operating expenses*	60	26		18	18	43	88	253
Profit before losses by segment	**154**	**102**		**30**	**1**	**2**	**-78**	**211**
Losses on loans and guarantees	3	5		5	0	0	-4	9
Profit / loss per segment before tax	**151**	**97**		**25**	**1**	**2**	**-74**	**202**
Tax	38	24		6	0	0	-36	33
Profit / loss per segment after tax	**113**	**73**		**19**	**1**	**2**	**-39**	**169**

	Year ended 31 December 2016							
In NOK millions	Retail banking	Corporate banking	Bank 1 Oslo Akershus	Spare-Bank 1 Finans Østlandet	Eiendoms Megler 1 Hedmark Eiendom	Spare-Bank 1 Regnskapshuset Østlandet	Other	Total
Net interest income	552	457	262	238	0	-1	-19	1,490
-of which internal items	*0*	*0*	*-4*	*0*	*0*	*1*	*-3*	
Net commission and other income	340	87	280	-29	99	158	4	939
-of which internal items	*0*	*0*	*-2*	*-2*	*0*	*0*	*2*	
Net return on financial investments	2	0	53	0	0	0	165	220
Operating expenses*	509	202	383	68	79	155	-193	1,203
Profit before losses by segment	**385**	**343**	**212**	**142**	**19**	**2**	**343**	**1,446**
Losses on loans and guarantees	15	31	1	27	0	0	0	75

Profit / loss per segment before tax	**370**	**311**	**211**	**115**	**19**	**2**	**343**	**1,371**
Tax	93	78	50	29	5	0	16	271
Profit / loss per segment after tax	**278**	**234**	**160**	**86**	**14**	**2**	**327**	**1,100**

	Year ended 31 December 2015						
In NOK millions	**Retail banking**	**Corporate banking**	**Spare-Bank 1 Finans Østlandet**	**Eiendoms Megler 1 Hedmark Eiendom**	**Spare-Bank 1 Regnskaphuset Østlandet**	**Other**	**Total**
Net interest income	482	390	227	1	-2	7	1,105
-of which internal items	*0*	*0*	*-1*	*0*	*-2*	*3*	
Net commission and other income	350	78	-26	81	172	-3	651
-of which internal items	*0*	*0*	*-1*	*0*	*0*	*1*	
Net return on financial investments	0	0	0	0	0	514	514
Operating expenses*	534	210	86	74	155	-7	1,052
Profit before losses by segment	**298**	**258**	**115**	**7**	**15**	**526**	**1,220**
Losses on loans and guarantees	6	29	21	0	0	0	56
Profit / loss per segment before tax	**292**	**229**	**95**	**7**	**15**	**526**	**1,164**
Tax	79	62	20	2	4	67	234
Profit / loss per segment after tax	**213**	**167**	**75**	**5**	**11**	**459**	**930**

	Year ended 31 December 2014						
In NOK millions	**Retail banking**	**Corporate banking**	**Spare-Bank 1 Finans Østlandet**	**Eiendoms Megler 1 Hedmark Eiendom**	**Spare-Bank 1 Regnskaphuset Østlandet**	**Other**	**Total**
Net interest income	420	368	210	0	-3	48	1,043
-of which internal items	*0*	*0*	*-1*	*0*	*-3*	*4*	
Net commission and other income	390	74	-20	79	126	14	663
-of which internal items	0	0	-1	0	0	1	
Net return on financial investments	0	0	0	0	0	572	572
Operating expenses*	247	100	75	67	118	374	981
Profit before losses by segment	**563**	**342**	**115**	**12**	**5**	**260**	**1,298**
Losses on loans and guarantees	15	37	14	0	0	0	66
Profit / loss per segment before tax	**548**	**305**	**101**	**12**	**5**	**260**	**1,232**
Tax	148	82	28	4	1	-71	192
Profit / loss per segment after tax	**400**	**223**	**73**	**8**	**4**	**332**	**1,040**

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

11.9.2 *Balance sheet*

	31 March 2017							
In NOK millions	**Retail banking**	**Corporate banking**	**Bank 1 Oslo Akershus**	**Spare-Bank 1 Finans Østlandet**	**Eiendoms Megler 1 Hedmark Eiendom**	**Spare-Bank 1 Regnskap shuset Østlandet**	**Other**	**Total**
Gross lending to customers	24,411	17,842	35,410	6,525	0	0	714	84,901
-of which internal items	*0*	*0*	*0*	*0*	*0*	*0*	*0*	
Individual loan write-downs	-28	-85	-13	-18	0	0	0	-143
Collective loan write-downs	-37	-58	-120	-21	0	0	0	-235
Other assets	94	4	6,751	181	58	147	10,104	17,338
Total assets per segment	**24,440**	**17,703**	**42,028**	**6,667**	**58**	**147**	**10,818**	**101,861**
Deposits from and liabilities to customers	21,996	13,096	26,913	0	0	0	777	62,782
-of which internal items	*0*	*0*	*0*	*0*	*0*	*0*	*0*	
Other liabilities and equity	2,445	4,607	15,115	6,667	58	147	10,041	39,079
Total equity capital and liabilities per segment	**24,440**	**17,703**	**42,028**	**6,667**	**58**	**147**	**10,818**	**101,861**

	31 March 2016						
In NOK millions	**Retail banking**	**Corporate banking**	**Spare-Bank 1 Finans Østlandet**	**Eiendoms Megler 1 Hedmark Eiendom**	**Spare-Bank 1 Regnskap shuset Østlandet**	**Other**	**Total**
Gross lending to customers	21,479	16,335	5,780	0	0	713	44,308
-of which internal items	*0*	*0*	*0*	*0*	*23*	*-23*	*0*
Individual loan write-downs	-28	-93	-15	0	0	0	-136
Collective loan write-downs	-27	-76	-18	0	0	0	-121
Other assets	113	3	74	55	146	12,743	13,134
Total assets per segment	**21,538**	**16,169**	**5,820**	**55**	**146**	**13,457**	**57,185**
Deposits from and liabilities to customers	21,295	11,775	0	0	0	604	33,674
-of which internal items	*0*	*0*	*0*	*0*	*0*	*0*	
Other liabilities and equity	243	4,393	5,820	55	146	12,853	23,511
Total equity capital and liabilities per segment	**21,538**	**16,169**	**5,820**	**55**	**146**	**13,457**	**57,185**

	31 December 2016							
In NOK millions	**Retail banking**	**Corporate banking**	**Bank 1 Oslo Akershus**	**Spare-Bank 1 Finans Østlandet**	**Eiendoms Megler 1 Hedmark Eiendom**	**Spare-Bank 1 Regnskap shuset Østlandet**	**Other**	**Total**
Gross lending to customers	24,053	17,169	34,659	6,327	0	0	737	82,945
-of which internal items	*0*	*0*	*0*	*0*	*0*	*21*	*21*	
Individual loan write-downs	-28	-90	-13	-14	0	0	0	-145
Collective loan write-downs	-36	-87	-120	-20	0	0	0	-262
Other assets	102	1	8,324	165	55	144	9,911	18,703
Total assets per segment	**24,091**	**16,994**	**42,850**	**6,458**	**55**	**144**	**10,648**	**101,240**
Deposits from and liabilities to customers	21,985	13,614	26,838	0	0	0	634	63,070
-of which internal items	*0*	*0*	*0*	*0*	*0*	*0*	*0*	
Other liabilities and equity	2,106	3,380	16,012	6,458	55	144	10,014	38,169
Total equity capital and liabilities per segment	**24,091**	**16,994**	**42,850**	**6,458**	**55**	**144**	**10,648**	**101,240**

	31 December 2015						
In NOK millions	**Retail banking**	**Corporate banking**	**Spare-Bank 1 Finans Østlandet**	**Eiendoms Megler 1 Hedmark Eiendom**	**Spare-Bank 1 Regnskap shuset Østlandet**	**Other**	**Total**
Gross lending to customers	21,270	16,174	5,643	0	0	693	43,779
-of which internal items	*0*	*0*	*0*	*0*	*23*	*-23*	
Individual loan write-downs	-32	-87	-13	0	0	0	-133
Collective loan write-downs	-27	-76	-17	0	0	0	-120
Other assets	128	1	67	43	135	12,070	12,444
Total assets per segment	**21,339**	**16,012**	**5,680**	**43**	**135**	**12,762**	**55,970**
Deposits from and liabilities to customers	21,068	11,915	0	0	0	475	33,458
-of which internal items	*0*	*0*	*0*	*0*	*0*	*0*	
Other liabilities and equity	271	4,097	5,680	43	135	12,286	22,513
Total equity capital and liabilities per segment	**21,339**	**16,012**	**5,680**	**43**	**135**	**12,761**	**55,970**

	31 December 2014						
In NOK millions	**Retail banking**	**Corporate banking**	**Spare-Bank 1 Finans Østlandet**	**Eiendoms Megler 1 Hedmark Eiendom**	**Spare-Bank 1 Regnskap shuset Østlandet**	**Other**	**Total**
Gross lending to customers	20,037	14,474	4,827	0	0	598	39,936
-of which internal items	*0*	*0*	*0*	*0*	*39*	*-31*	
Individual loan write-downs	0	0	0	0	0	-129	-129
Collective loan write-downs	0	0	-15	0	0	-101	-116
Other assets	50	-153	51	26	108	10,161	10,243
Total assets per segment	**20,087**	**14,321**	**4,863**	**26**	**108**	**10,529**	**49,934**
Deposits from and liabilities to customers	19,727	10,897	0	0	0	446	31,070
-of which internal items	*0*	*0*	*-2*	*-4*	*-9*	*15*	
Other liabilities and equity	360	3,424	4,863	26	108	10,083	18,864
Total equity capital and liabilities per segment	**20,087**	**14,321**	**4,863**	**26**	**108**	**10,529**	**49,934**

11.10 AUDITOR

The Group's auditor is PricewaterhouseCoopers AS. PricewaterhouseCoopers AS ("**PwC**") with registration number 987 009 713, and business address Dronning Eufemias gate 8, 0191 Oslo, Norway. The partners of PwC are members of Den Norske Revisorforeningen (The Norwegian Institute of Public Accountants). PwC has been the Group's auditor since 2009.

PwC's reports on the Annual Financial Statements are included together with the Annual Financial Statements in Appendices B to the Prospectus. PwC's review report on the unaudited Interim Financial Statements is included together with the unaudited Interim Financial Statements in Appendices C to the Prospectus.

With respect to the unaudited pro forma information included in Section 13"*Unaudited pro forma financial information*" of this Prospectus, PwC has applied assurance in accordance with International Standards on Assurance Engagements 3420, "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", in order to express an opinion as to whether the unaudited pro forma financial information has been properly complied on the basis stated, and that such basis is consistent with the accounting policies of the Group. PwC's report on the pro forma financial information is included in Appendix D to this Prospectus.

PwC has not audited, reviewed or produced any report on any other information provided in this Prospectus.

12 ACQUISITION OF BANK 1 OSLO AKERSHUS

12.1 TRANSACTION INTRODUCTION

On 10 December 2015, the Former Sparebanken Hedmark agreed to acquire the remaining shares of B1OA, buying shares from LO and the other SpareBank 1 banks. Since 2013, the Former Sparebanken Hedmark had owned 40.5% of B1OA. B1OA was also partly owned by the SamSpar-banks (11 local SpareBank 1 banks, 15.2%), SpareBank 1 SR-Bank (4.8%), SpareBank 1 SMN (4.8%) and SpareBank 1 Nord-Norge (4.8%). For some time, the regional banks had expressed a desire to divest their holdings in B1OA due to the geographical distance to their respective home markets and to the importance of B1OA gaining a strong and more concentrated ownership. LO also held a significant ownership stake in B1OA (29.9%) but had concluded that they would also sell their shares.

The basis for the acquisition of B1OA was laid in 2015 when the Former Sparebanken Hedmark converted part of its ownerless capital to equity share capital. This gave the Bank an instrument to use in potential acquisitions, rather than relying on cash for payment.

Following agreement from the Supervisory Board of the Former Sparebanken Hedmark and public authorities, the transaction was completed on 29 June 2016. About 90% of the payment of NOK 1.9 billion for the shares was settled through the issue of new ECCs to LO and the SpareBank 1 banks, which respectively received 15 881 965 and 10 580 575 ECCs in the Former Sparebanken Hedmark in return for their shares in B1OA. The remainder of the settlement was paid in cash to LO and the other SpareBank 1 banks. The private placement meant that LO and the SpareBank 1 banks became owners of ECCs in the Former Sparebanken Hedmark, with ownership shares of 14.95% and (collectively for the banks) 9.96%, respectively. Consequently, LO became the second largest owner of the Bank after the Foundation, which owns 75.08% of the ECCs.

12.2 ABOUT B1OA

On a stand-alone basis, B1OA (a commercial bank) would have been the seventh largest compared to Norwegian savings bank[31] with total adjusted assets in 2016 of NOK 61 billion including loans transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. At the end of 2016, the group had around 410 employees, of which about 280 worked in the parent bank. The head office of B1OA was in Oslo.

B1OA provided a broad range of financial products and services in the region of Oslo and Akershus, including a real estate brokerage subsidiary. The bank was divided into retail (RM), corporate and organizations (CM) and organizations (OM) market, in addition to support and control functions. In all, the bank had 19 local bank branches, with 8 in Oslo and 11 in Akershus. The RM division had about 160 FTEs, while the CM division had about 40 FTEs. LO was the bank's most important customer group in terms of the significant deposits they had placed in the bank.

12.3 STRATEGIC RATIONALE

The Former Sparebanken Hedmark decided to acquire B1OA based on several factors. Overall, the acquisition was an important part in the strategic direction of SpareBank 1 Østlandet towards 2018.

More specifically, the Former Sparebanken Hedmark's home market (counties of Hedmark and Oppland) adjoins the previous home market of B1OA (counties of Oslo and Akershus). These counties are becoming increasingly integrated due to significant infrastructure developments in the region, including highways and high-speed railway lines. The distance from SpareBank 1 Østlandet's home office of Hamar to Oslo is around 110 km. By 2020, the Norwegian railroad authorities plan for a commuting time between the two cities of about one hour[32]. Along the highways and railroads, an integrated region for labour and housing is developing. The Former Sparebanken Hedmark's loan portfolio before the acquisition already reflected this: more than 20% of its mortgage loans were towards customers in Oslo and Akershus. SpareBank 1 Østlandet wishes to take part in the

[31] Source: SpareBank 1 Gruppen analysis (total assets, based on annual reports)
[32] Soruce: Nasjonal transportplan 2018-2029: https://www.regjeringen.no/no/dokumenter/meld.-st.-33-20162017/id2546287/sec1 and Report from Jernbaneverket in 2012: http://www.banenor.no/contentassets/eed79197bc0d4c4ea27d8f3946ae76ad/intercity-brosjyre.pdf

regional development. Moreover, Greater Oslo (including the surrounding areas in Akershus) is among the fastest-growing capitals in Europe in terms of population[33]. The Bank sees a lot of potential for growth in the capital region, based on a market share for B1OA in Oslo and Akershus that was relatively low.

Other factors have also contributed to the decision to acquire B1OA. The branch network of the two banks was also adjoined, with no overlap. Still, the Bank sees the potential for significant cost synergies in the integration process (for more on this, see below). Moreover, a larger bank with locations both in the Inland and capital regions should mean that the Bank becomes a more attractive employer. There should also be room for more specialized functions, both in terms of support staff and for customer-oriented positions – allowing for a more professional organization. The acquisition also gives the Bank a more diversified loan portfolio, spread across more customers and with a more evenly distributed geographical exposure. B1OA had a larger share of mortgages in its loan portfolio than SpareBank 1 Østlandet before the acquisition. It also had very low incurred losses and problem loans. The rating agency Moody's upgraded the baseline credit assessment (BCA) of SpareBank 1 Østlandet on 11 October 2016 based on the beneficial effect from the acquisition of B1OA on the credit profile of the Bank.

12.4 INTEGRATION

B1OA operated as a wholly-owned subsidiary of the Former Sparebanken Hedmark since it was acquired in June 2016. On 1 April 2017, the two banks merged, forming a new bank under the Bank's new name: SpareBank 1 Østlandet. The vision of the merger is "stronger together" and the goal is to become a powerful challenger bank in Eastern Norway.

Through 2016 and into 2017, the banks have planned for the merger. The goal has been to coordinate the best parts from the two banks and extract synergy effects worth at least NOK 75 million annually from 2018. Total synergies were first identified through a top-down analysis made by SpareBank 1 Markets, based on a benchmark consisting of Norwegian and Nordic banking mergers where announced cost synergies ranged from 8% to 69% of total costs (on average 38%). The equivalent numbers for Norwegian mergers were 16% to 37%, with an average of 26%. Adjustments were made to reflect the fact that the two banks did not have an overlapping branch network, so that most synergies would come from efficiency gains in support and administrative functions, including IT systems. The ambition was set so that cost reductions from the merger would be equivalent to 15% of B1OA's cost base in 2016, equivalent to NOK 75 million. After that, the banks have worked bottom-up to identify the targeted synergy effects. The key sources of synergies were identified as purchases (including media and IT contracts), cancellation of duplicate IT-solutions, reduced cost allocation from SpareBank 1 Banksamarbeidet DA when going from two banks to one bank, as well as reduced administrative fees from SpareBank 1 Boligkreditt as a consequence of all transferred loans to the covered bond company originating from one rated bank, instead of one rated and one unrated bank (with B1OA being unrated and hence paying higher administrative fees). Moreover, the number of employees is expected to be reduced through 2017, partly through a new leadership structure, and partly through reduced headcount in central support and administrative functions. So far, 16 FTEs have been reduced due to changes in the leadership structure following the merger. The Bank has been in close contact with selected regional savings banks in order to identify synergies from reduced staffing.

The project is on track to deliver the expected synergies, with full effect in 2018. Integration costs are estimated around NOK 100 million (occurring in 2017 and 2018). The integration project has involved a broad range of people from the two organisations and has been divided into subprojects, covering all relevant areas of operation (such as product offerings, staffing, IT, funding etc.).

[33] Source: Eurostat: Regional population projections for 2015-2050 http://ec.europa.eu/eurostat/statistics-explained/index.php/Statistics_on_regional_population_projections#Further_Eurostat_information

The CEO of the Former Sparebanken Hedmark continued as the CEO of the new, merged bank. The new Group management was announced internally towards the end of 2016 alongside a new organizational structure, taking effect from the time of the legal merger on 1 April 2017. Similarly, middle management positions were filled with effect from 1 April 2017. The next step in the integration is the technical merger of the two banks. The former two banks plan to merge their IT solutions in October 2017. Broadly, the banks have similar IT systems from the same vendors. In addition, the key IT vendor is expected to merge the IT solutions of two other SpareBank 1 banks earlier in 2017, providing a good platform for a successful technical merger for SpareBank 1 Østlandet's core banking systems.

12.5 KEY FINANCIAL INFORMATION

12.5.1 *Statement of Comprehensive Income*

The table below sets out selected data from B1OA's consolidated statement of comprehensive income for the years ended 31 December 2016, 2015 and 2014 and its interim statement of comprehensive income for the three month periods ended 31 March 2017 and 2016.

	Three months ended 31 March		Year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
In NOK millions	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Interest income	289	284	1,154	1,193	1,199
Interest expenses	152	165	643	721	740
Net interest income	**137**	**120**	**511**	**472**	**459**
Commission income	143	132	592	600	613
Commission expenses	-8	-8	-36	-37	-29
Other operating income	2	3	14	10	33
Net commission and other income	**137**	**126**	**570**	**572**	**617**
Dividend	0	1	32	2	11
Income from ownership interests	-11	15	13	71	47
Net change in value of financial investments	24	-6	66	-66	123
Value regulation of investment property	0	0	0	0	-14
Net return on financial investments	**12**	**10**	**111**	**7**	**166**
Total net income	**286**	**256**	**1,192**	**1,051**	**1,241**
Personnel expenses	55	95	395	388	376
Other operating expenses	86	87	357	349	343
Total operating expenses before losses on loans and guarantees	**142**	**181**	**753**	**737**	**719**
Profit before losses on loans and guarantees	**144**	**74**	**439**	**314**	**523**
Losses on loans and guarantees	-7	0	12	-18	-18
Profit/loss before tax	**152**	**74**	**427**	**333**	**541**
Tax charge	41	16	93	79	89
Results for the accounting period	**111**	**57**	**334**	**254**	**452**
Majority interests	111	57	334	254	452
Minority interests	0	0	0	0	0
Statement of other comprehensive income	**111**	**57**	**334**	**254**	**452**
Changes in estimate deviations pensions	0	0	-54	51	-35
Tax on estimate deviations pensions	0	0	14	-14	9

Tax effect of changed tax rate for estimate deviations pensions	0	0	0	1	0
Total items not reclassified through profit or loss	**0**	**0**	**-40**	**38**	**-26**
Change in value of financial assets available for sale	2	0	-18	34	4
Total items reclassified through profit or loss	**2**	**0**	**-18**	**34**	**4**
Total profit and loss items recognised in equity	**2**	**0**	**-59**	**73**	**-21**
Total profit and loss for the accounting period	**112**	**57**	**275**	**327**	**431**
Majority interest of comprehensive income	112	57	275	327	431
Minority interest of comprehensive income	0	0	0	0	0

12.5.2 *Condensed statement of financial position*

The table below sets out selected data from B1OA's statement of financial position as at 31 December 2016, 2015 and 2014 and its interim statement of financial position as at 31 March 2017 and 2016.

	Three months ended 31 March		**Year ended 31 December**		
In NOK millions	**2017**	**2016**	**2016**	**2015**	**2014**
ASSETS	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Cash and deposits with central banks	308	592	389	615	690
Loans and deposits with credit institutions	264	922	694	410	712
Loans to customers	35,277	32,358	34,525	31,718	27,497
Commercial paper and bonds at fair value	3,923	4,063	4,559	3,864	4,497
Financial derivatives	450	744	461	611	633
Shares, participations and other equity interests	72	173	426	72	123
Investments in associated companies	1,391	1,264	1,404	1,249	1,069
Investments in group companies	0	0	0	0	0
Fixed assets	84	228	206	230	216
Assets held for sale	0	7	0	14	0
Goodwill and other intangible assets	27	27	27	27	30
Deferred tax assets	20	0	11	0	0
Other assets	211	313	147	169	108
Total assets	**42,028**	**40,691**	**42,850**	**38,980**	**35,573**
LIABILITIES					
Deposits from credit institutions	779	351	1,141	345	350
Deposits from and liabilities to customers	26,913	24,571	26,838	23,521	21,846
Debt securities issued	9,419	10,860	9,946	10,396	8,773
Financial derivatives	120	223	116	202	206
Tax payable	42	58	95	90	94
Deferred tax liabilities	0	8	0	7	8
Other liabilities	310	326	263	185	264
Subordinated loan capital	701	1,102	701	1,102	1,102
Total liabilities	**38,284**	**37,499**	**39,099**	**35,849**	**32,642**
EQUITY CAPITAL					
Share capital	434	457	457	457	457
Share premium reserve	620	653	653	653	653

Hybrid capital	400	0	400	0	
Other equity	2,291	2,082	2,240	2,021	1,821
Total equity capital	**3,745**	**3,192**	**3,751**	**3,131**	**2,931**
Total equity capital and liabilities	**42,028**	**40,691**	**42,850**	**38,980**	**35,573**

12.5.3 *Condensed statement of cash flows*

The table below sets out selected data from B1OA's statement of cash flows for the years ended 31 December 2016, 2015 and 2014 and its interim statement of cash flows for the three month periods ended 31 March 2017 and 2016.

	Three months ended 31 March		**Year ended 31 December**		
	2017	**2016**	**2016**	**2015**	**2014**
In NOK millions	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Profit before tax	147	74	427	333	541
Recognition on interest related to customer loans	-364	-367	-1,223	-1,269	-1,282
Recognition on interest related to customer deposits	158	156	331	394	461
Interest received from customers	288	284	1,148	1,187	1,211
Interest paid to customers	-73	-76	-299	-365	-426
Net (gain) loss in financial derivatives	-19	6	-56	65	-115
Value regulation of investment property	0	0	0	0	14
Generated by associates	17	-15	-13	-71	-47
Depreciation, amortisation, revaluation, impairment	5	8	40	31	24
Losses on loans and guarantees	-7	0	12	-18	-18
Items classified as investing activities	0	-1	-32	-2	-11
Taxes paid	-53	-47	-95	-94	-98
Generated by the period's operations	**99**	**21**	**239**	**189**	**255**
Decrease/(increase) other receivables	-53	-286	172	-39	332
Increase/(decrease) in other current liabilities	70	163	26	-26	-81
Difference between expensed and paid pensions	-56	0	54	-57	33
Decrease/(increase) in lending	-669	-556	-2,745	-4,174	-2,490
Increase/(decrease) in deposits from customers	-10	971	3,285	1,646	2,789
Increase/(decrease) in deposits from credit institutions	-362	5	796	-4	165
Payments on redeemed bonds and commercial paper	-679	-981	-6,913	-8,055	-13,140
Receipts on issued bonds and commercial paper	1,328	785	6,215	8,676	11,105
A) Net cash flow from operating activities	**-333**	**123**	**1,129**	**-1,844**	**-1,032**
Purchases of tangible fixed assets	-5	-5	-12	-44	-73
Proceeds from sale of tangible fixed assets	0	0	0	0	1
Paid-in capital associates/subsidiaries	0	0	-173	-142	-111
Purchases of other investments	0	0	-350	0	0
Proceeds from sales of other investments	350	0	0	0	342
Dividend received	0	1	32	2	11
B) Net cash flow from investing activities	**345**	**-4**	**-503**	**-184**	**169**
Increase in subordinated loan capital	0	0	0	0	-150
Decrease in subordinated loan capital	0	0	0	0	600
Interest payments on hybrid capital	4	0	-13	0	0
Increase in issued securities	0	586	878	3,369	1,426
Decrease in issued securities	-528	-216	-1,389	-1,718	-1,366
Dividends paid	0	0	-43	0	-68
C) Net cash flow from financing activities	**-524**	**370**	**-567**	**1,650**	**442**
A) + B) + C) Net cash flow during the period	**-512**	**489**	**58**	**-377**	**-420**
Cash and cash equivalents as at 1 January	1,083	1,025	1,025	1,402	1,822

Cash and cash equivalents as at end of the period	572	1,514	1,083	1025	1402
Net cash flow during the period	**-512**	**489**	**58**	**-377**	**-420**
Cash and cash equivalents specified:					
Cash and deposits with central banks	308	592	389	615	690
Loans and deposits with credit institutions	264	922	694	410	712
Cash and cash equivalents at end of the period	**572**	**1,514**	**1,083**	**1,025**	**1,402**

13 UNAUDITED PRO FORMA FINANCIAL INFORMATION

13.1 INTRODUCTION

This pro forma financial information section has been prepared in order to provide information about the Group in connection with the acquisition of B1OA. In December 2015, the Bank signed a separate purchase agreement for the acquisition of the remaining shares in B1OA, which is a regional bank with headquarters in Oslo. The Bank previously owned 40.5% of the shares in B1OA. The Bank entered into separate agreements to acquire the remaining shares of respectively LO, which had an ownership in B1OA of 29.9% of the shares, and from the other SpareBank 1 banks, which had a combined ownership of 29.6% of the shares. The agreements on the purchase of the remaining shares in B1OA presumed approval of the Supervisory Board of the Bank and public authorities.

The agreements were approved by the Supervisory Board of the Bank in the first quarter of 2016 and by public authorities in the second quarter of 2016. The date of acquisition is determined to be the date the Bank acquired control over B1OA, which was 29 June 2016. As from this date, B1OA has been consolidated as a wholly owned subsidiary.

13.2 GENERAL INFORMATION AND PURPOSE OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

In the preparation of the unaudited pro forma financial information, the Group has applied the principle of acquisition accounting, consistent with the anticipated treatment under IFRS as adopted by the EU in the Annual Financial Statements of the Group.

The unaudited pro forma financial information set out below has been prepared by the Group for illustrative purposes only to show how the Acquisition might have affected the Group's consolidated income statement for the year ended 31 December 2016 as if the Acquisition had occurred at 1 January 2016. The unaudited pro forma financial information is based on certain management assumptions and adjustments made to illustrate what the financial results of the Group might have been had the Acquisition occurred at these earlier points in time. Because of its nature, the unaudited pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results if the Acquisition had in fact occurred on those dates, and is not representative of the results of operations for any future periods. The unaudited pro forma financial information does not include all information required for financial statements under IFRS and should be read in connection with the historical information of the Group. Investors are cautioned not to place undue reliance on this unaudited pro forma financial information.

The unaudited pro forma financial information has been prepared in accordance with Annex II of Regulation (EC) 809/2004. It should be noted that the unaudited pro forma financial information is not prepared in connection with an offering registered with the U.S. Securities and Exchange Commission ("**SEC**") under the U.S. Securities Act of 1933 and consequently is not compliant with the SEC's rules on presentation of pro forma financial information ("**SEC Regulation S-X**"). As such, a U.S. investor should not place reliance on the unaudited pro forma financial information included in this Prospectus.

The assumptions underlying the pro forma adjustments, for purpose of deriving the unaudited pro forma financial information, are described in the notes to the unaudited pro forma financial information. Neither these adjustments nor the resulting unaudited pro forma financial information has been audited in accordance with Norwegian, International or United States generally accepted auditing standards. In evaluating the unaudited pro forma financial information, each reader should carefully consider the audited historical Annual Financial Statements and the notes thereto and the notes to the unaudited pro forma financial information. The pro forma

adjustments related to the unaudited consolidated pro forma income statement will all have continuing impact if not mentioned otherwise.

13.3 BASIS FOR PREPARATION

13.3.1 *General*

With respect to the unaudited pro forma financial information included in this Section 13 of this document, PwC has applied assurance procedures in accordance with International Standards on Assurance Engagements 3420, "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", in order to express an opinion as to whether the unaudited pro forma financial information has been properly compiled on the basis stated, and that such basis is consistent with the accounting policies of the Group. PwC's report is included in Appendix D to this Prospectus.

13.3.2 *Basis and source for the unaudited pro forma financial information*

Basis

The unaudited pro forma financial information is prepared on a basis consistent with the IFRS accounting policies of the Group. The accounting policies to be applied for the Group following the completion of the Acquisition will be consistent with those accounting policies outlined in the notes to the consolidated Annual Financial Statements of the Group for the year ended 31 December 2016, included in Appendix B to this Prospectus. The Acquisition is to be accounted for as a business combination in accordance with IFRS 3.

The unaudited pro forma financial information does not include all information required for financial statements under IFRS and should be read in connection with the historical information of the Group. The unaudited pro forma financial information does not represent the actual combination of the financial statements of the Group and B1OA in accordance with IFRS, since certain simplifications and assumptions have been made as discussed in this Section 13. Furthermore, the unaudited pro forma financial information is based on certain assumptions that would not necessarily have been applicable if the Group had ownership of the acquired entity from the beginning of the period presented in the pro forma financial information.

Since the acquisition of B1OA was completed on 29 June 2016, the results and operations of the Acquisition have been reflected in the historical financial information of the Group both in the consolidated statement of comprehensive income for the three months ended 31 March 2017 and in the consolidated statement of financial position as of 31 December 2016, included in Appendices C and B to the Prospectus, the Group has therefore not deemed it necessary to prepare pro forma financial information for the three month period ended 31 March 2017 nor as of 31 December 2016.

Source

The unaudited pro forma financial information for 2016 has been compiled based on the audited annual report of the Group, which were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, together with the audited consolidated annual report of B1OA, which were prepared in accordance with the International Financial Reporting Standard (IFRS) as adopted by the European Union. The consolidated annual report of B1OA for the year ended 31 December 2016 is audited by KPMG AS. The audited consolidated Annual Financial Statements of the Group for the years ended 31 December 2014, 2015 and 2016, and the consolidated financial statement of B1OA for the year ended 31 December 2016, is included in Appendix B and G respectively to this Prospectus.

13.3.3 *Pro forma adjustments*

In order to present the pro forma financial information of the Group's statement of income as if the Acquisition had taken place at an earlier point in time. The main adjustments are related to the presentation of the Acquisition.

13.4 UNAUDITED CONSOLIDATED PRO FORMA INCOME STATEMENT

13.4.1 *Unaudited consolidated pro forma income statement for the twelve months ended 31 December 2016*

The table below sets out the unaudited consolidated pro forma income statement information for the Group for the twelve months ended 31 December 2016, as if the Acquisition had taken place on 1 January 2016.

Unaudited consolidated pro forma income statement			**Pro forma adjustments**			
In NOK millions	**SpareBank 1 Østlandet IFRS** *(audited)*	**B1OA IFRS** *(audited)*	**B1OA Result 1.7 – 31.12 2016** *(unaudited)*	**Other pro forma adjustments** *(unaudited)*		**SpareBank 1 Østlandet Pro forma IFRS** *(unaudited)*
Interest income	2,494	1,154	(582)	[1]		3,066
Interest expense	1,004	643	(320)	[1]	2 [5]	1,329
Net interest income	**1,490**	**511**	**(262)**		**(2)**	**1,739**
Commission income	830	592	(293)	[1]		1,129
Commission expenses	71	36	(18)	[1]		89
Other operating income	180	14	(5)	[1]		189
Net commission and other income	**939**	**570**	**(280)**			**1,229**
Dividends from other than grouop companies	46	32	(1)	[1]		77
Net profit from ownership interests	236	13	7	[1]	(71) [2]	185
Net profit from other financial assets and liabilities	(62)	66	(59)	[1]		(55)
Net income from financial assets and liabilities	**220**	**111**	**(53)**		**(71)**	**207**
Total net income	**2,649**	**1,192**	**(595)**		**(73)**	**3,173**
Personell expenses	573	395	(202)	[1]		766
Depreciation	65				38 [3,4]	103
Other operating expenses	565	357	(180)	[1]	(37) [3]	705
Total operating expenses before losses on loans and guarantees	**1,203**	**753**	**(382)**		**1**	**1,574**
Profit before losses on loans and guarantees	**1,446**	**439**	**(213)**		**(74)**	**1,599**
Losses on loans and guarantees	75	12	(1)	[1]		86
Profit/loss before tax	**1,371**	**427**	**(212)**		**(74)**	**1,514**
Tax charge	271	93	(52)	[1]	(1) [4,5]	311
Results for the accounting period	**1,100**	**334**	**(160)**		**(73)**	**1,202**

13.4.2 *Overview of the adjustments*

Notes to the pro forma adjustments:

1. From 1 July 2016, B1OA has been consolidated as a wholly owned subsidiary. This adjustment reverse the results of B1OA from 1 July 2016 to 31 December 2016 already recognised in the Annual Financial Statements of the Group. The source of this adjustment is the unaudited management accounts of B1OA covering the last six months of 2016
2. Prior to the Acquisition, the investment in B1OA is accounted for in accordance with the equity method (IFRS 10 and IFRS 11). The net results from this investment have historically been presented on one financial statement line in the income statement; Net profit from investments. After the Acquisition, B1OA is a wholly owned, subsidiary of the Bank and is consolidated in accordance with IFRS 10. This adjustment reverses the share of profit from B1OA. The net effect of this adjustment is NOK 71 million.
3. Depreciation expense in B1OA has historically been presented as part of the financial statement line "Other expenses". In order to align the presentation of depreciation expense between the two companies, B1OA's depreciation expense of NOK 37 million has been moved from "Other expenses" to "Deprecation".
4. In connection to the Acquisition, the Group is required to perform a purchase price allocation ("**PPA**") in accordance with IFRS. The PPA has been prepared and has resulted in adjustments to the carrying value of certain assets and liabilities. The effect of these adjustments on the unaudited consolidated pro forma income statement result in an increase of the depreciation of NOK 0.5 million, and a decrease of tax expense of NOK 0.1 million.
5. The consideration of the acquisition of B1OA was partly cash. SpareBank 1 Østlandet financed NOK 225 million with an expected term of approximately 5 years from closing. Had this financing been in place on 1 January 2016 the interest expense for the period is estimated to have been NOK 2 million higher. The tax expense is reduced by NOK 0.5 million.

14 OPERATING AND FINANCIAL REVIEW

14.1 GENERAL STATEMENT

This operating and financial review should be read together with Section 4 "General Information", Section 6 "Presentation of the Group", Section 11 "Financial Information" and the audited Annual Financial Statements and the unaudited Interim Financial Statements and related notes included in Appendix B and Appendix C, respectively, of this Prospectus. The Annual Financial Statements as of, and for the years ended, 31 December 2016, 2015 and 2014 have been prepared in accordance with IFRS, as adopted by the European Union, as well as Norwegian reporting requirements pursuant to the Norwegian Accounting Act of 17 July 1998 no. 56, and the unaudited Interim Financial Statements as of, and for the three months ended, 31 March 2017 and 2016 have been prepared in accordance with IAS 34. The unaudited Interim Financial Statements do not include all of the information required for the audited financial statements of the Group and should therefore be read in conjunction with the Annual Financial Statements. The Annual Financial Statements have been audited PwC, as set forth in their auditor's reports included in Appendix B. PwC has also issued a review report on the interim financial information in the unaudited Interim Financial Statements, as set forth in their report included in Appendix D.

This operating and financial review contains forward-looking statements. These forward-looking statements are not historical facts, but are rather based on the Group's current expectations, estimates, assumptions and projections about the Group's industry, business, strategy and future financial results. Actual results could differ materially from the results contemplated by these forward-looking statements because of a number of factors, including those discussed in Section 2 "Risk Factors" and Section 4.3 "Forward-looking statements" of this Prospectus, as well as other Sections of this Prospectus.

Please refer to chapter 11.3 for details regarding the treatment of Bank 1 Oslo Akershus in the Bank's consolidated financial statements.

14.2 OVERVIEW

Sparebank 1 Østlandet can trace its history back to 1845, when funds from local granaries, forest commons, local authorities and private individuals were pooled to found the first savings bank. The Group has since evolved to become Norway's fourth largest savings bank[34] and Hedmark's largest source of capital through a series of mergers between formerly independent savings banks in the County. The Group operates in the eastern part of Norway and focuses on its core market areas Hedmark, Oppland, Oslo and Akershus counties. In 2016, the Group acquired B1OA which represents an attractive footprint in the greater Oslo region. The Group has a strong market position in its core market areas, with good and stable profitability and low credit losses.

From 31 December 2014 to 31 March 2017, the Group increased its gross loans to and receivables from customers by 112.6%, from NOK 39.9 billion to NOK 84.9 billion. Including loans transferred to covered bond companies, the gross loans increased by 117.6%, from NOK 55.9 billion to NOK 121.7 billion. Results after tax for the three month period ended 31 March 2017 increased by 62%, from NOK 169 million to NOK 274 million, compared to the three month period ended 31 March 2016. From 31 December 2014 to 31 December 2016, the results after tax for the accounting year increased by 5.8% from NOK 1,040 million to NOK 1,100. Return on equity after tax has decreased from 14.4% in 2014 to 11.4% in 2015and 10.5% in 2016. This movement is attributable to the gradual build-up of equity capital because the result after tax has been fairly stable. Adjusted for selected one-offs the underlying return on equity was 9.1% for 2015 and 9.6% for 2016. In 2015, one-offs related to changes in the market value of debt issued including derivatives (with an effect of 2.3%-points). In 2016, one-offs related to a combination of changes in the market value of debt issued including derivatives (with an effect of minus 1%-points) and the closure of the Bank's defined benefit scheme (with an effect of 1.9%-points).

The Group has a long-term goal of achieving 10% return on equity.

[34] Source: SpareBank 1 Gruppen analysis (total assets, based on annual reports)

The Group is the most solid regional savings bank in Norway measured by Common Equity Tier 1 capital[35], and is one of very few sizeable banks that did not need support during the banking crisis in Norway in the early 1990s[36]. The overall aim is to remain the most solid regional savings bank as measured by a CET 1 target of 16%. As at 31 March 2017, the Group had a strong capital base, with total capital ratio of 19.3%, Tier 1 Capital ratio of 17.6% and CET 1 capital ratio of 16.7%. This is well above all regulatory requirements. Refer to Section 14.8 for more information about the Group's capital base and capital adequacy.

The Group's loan portfolio has low credit risk, with a high share of loans to the retail market (approximately 74% as of 31 December 2016, including loans transferred to covered bonds companies) and less than 0.1% exposure to the oil sector. This is underpinned by the Group's long history of low and stable credit losses as well as the very low share of defaulted and other doubtful commitments, reflecting conservative lending and a cyclically stable home-region. Refer to Section 14.5.1.1 for further information about the Group's loan portfolio.

The Group has diversified and stable funding, with three main sources of funding in addition to equity. Deposits is the largest and most important source of funding, and the Group aims to keep the gross deposit ratio above 70%, while net deposit ratio (including loans transferred to covered bond companies) should be above 50%. The Group's deposit ratio has decreased slightly from 31 December 2014 to 31 March 2017, and is now closer to the aforementioned target levels. Senior funding is mainly issued in the Norwegian market, but the Group also established an EMTN program in 2016 that enables funding in foreign currency. Additionally, the Group has ownership interests in SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. These companies enable attractive financing by utilizing the covered bond market. Please refer to Section 14.7.1 for more information about the Group's funding.

14.3 KEY RATIOS

The following financial measures and ratios are provided in order to give a deeper understanding of the Group's underlying operational performance. Reference is made to Section 4.2.2 and 4.2.4 for definitions of the relevant terms included herein.

14.3.1 *Financial performance*

14.3.1.1 Key interest margins

In NOK millions (unless stated otherwise)	Three months ended 31 March		Year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
Interest income *					
Interest on loans to and receivables from credit institutions	11	15	65	68	70
Interest on loans to and receivables from customers	719	428	2,259	1,796	1,902
Interest on certificates and bonds	53	24	152	88	104
Interest income from write-down loans charged to income	4	5	18	20	25
Total interest income	787	472	2,494	1,972	2,101
Interest expenses *					
Interest on debt to credit institutions	8	7	43	31	36
Interest on deposits from and liabilities to customers	163	97	526	564	759
Interest on securities issued	131	61	379	232	220
Interest on subordinated loan capital	9	4	25	15	18
Fees to the Bank's Guarantee Fund	10	6	31	25	21
Other interest expenses and similar expenses	1	1	0	0	5
Total interest expenses	322	176	1,004	867	1,058
Total net interest income	**464**	**297**	**1,490**	**1,105**	**1,043**

[35] Measured by CET 1 ratio and leverage ratio as of Q4-16, compared with the regional savings banks: SpareBank 1 Nord-Norge, SpareBank 1 SMN, SpareBank 1 SR-Bank, Sparebanken Vest and Sparebanken Sør. Source: annual / quarterly reports.
[36] Source: Norges Bank, The Norwegian Banking Crisis, page 187-198, link: http://www.norges-bank.no/globalassets/upload/import/publikasjoner/skriftserie/33/hele_heftet.pdf

Key average figures *					
Average lending to customers	83,923	44,043	66,331	41,817	38,298
Average deposits from customers	62,826	33,566	50,989	32,368	30,947
Average total assets	101,552	56,563	83,074	53,014	48,830

The Bank's margins (bps) *					
Lending to customers margin	237	270	243	290	318
Deposit to customers margin	10	17	16	-24	-54
Net interest spread	247	287	259	266	264
Net interest income in percent of average assets	185	211	179	208	214

Key rates (%)					
Average nominal 3 month Norwegian Interbank Offer Rate	1.02%	1.09%	1.07%	1.29%	1.70%
Average key policy rate	0.50%	0.72%	0.55%	1.05%	1.49%

* The figures are not directly comparable due to the fact that the key average figures have been calculated based on average quarterly closing balances, while the key margins have been calculated based on average weighted daily closing balances. Please see Section 4.2.4 for further details.

The Bank's key interest margins are ratios that measure the profitability of the Bank's lending operation relative to the 3 months Norwegian Interbank Offer Rate ("**NIBOR**"). The Bank believes that these are useful measures because they provide an intuitive understanding of the main profit and cost drivers of the Bank's core income stream, namely its lending operation.

For the three month's period ended 31 March 2017, the Bank's net interest spread was 2.47%.

The Bank has for some time experienced both a decreasing lending margin and increasing deposit margin. The lending margin measured 318 bps for the year ended 31 December 2014, 290 bps for the year ended 31 December 2015 and 243 bps for the year ended 31 December 2016, while the deposit margin measured -54 bps for the year ended 31 December 2014, -24 bps for the year ended 31 December 2015 and 16 bps for the year ended 31 December 2016. The main reason for both of the movements highlighted above has been the underlying low interest rate environment in general. The 3 month NIBOR has fallen from 1.70% for the year ended 31 December 2014 to a record low of 1.07% for the year ended 31 December 2016. Increased competition has also played a role with regards to the lending margin. Because both the lending margin and deposit margin has been decreasing in conjunction with each other the net interest spread has remained fairly stable at around 265 bps.

Historically, the Bank has been able to achieve best-in-class lending margins and deposit margins compared to immediate peers[37]. This has changed somewhat after the acquisition of B1OA during the year ended 31 December 2016. The dip in net interest spread in the year ended 31 December 2016 is mainly attributable to the latter.

[37] Measured by net interest spread over time - compared with the regional savings banks: SpareBank 1 Nord-Norge, SpareBank 1 SMN, SpareBank 1 SR-Bank, Sparebanken Vest and Sparebanken Sør. Source: annual / quarterly reports.

14.3.1.2 Income ratios

In NOK millions (unless stated otherwise)	Three months ended 31 March		Year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
Income					
Net interest income	464	297	1,490	1,105	1,043
Net commission and other income	308	160	939	651	663
Net income from financial assets and liabilities	0	7	220	514	572
Total net income	772	464	2,649	2,270	2,279
Income ratios (%)					
Net interest income ratio	60.1%	64.0%	56.2%	48.7%	45.8%
Net commission and other income ratio	39.9%	34.5%	35.4%	28.7%	29.1%
Net income from financial assets and liabilities ratio	0.0%	1.5%	8.3%	22.6%	25.1%

Income ratios are key ratios that measure the diversification of revenue streams. The Group believes these are useful measures since it illustrates that the Group has significant revenue streams arising from other sources than the lending business, including commissions and income from ownership interests.

For the 3 month period ended 31 March 2017, the Group's net interest income ratio was 60.1%, while the net commission and other income ratio was 39.9% and the net income from financial assets and liabilities ratio was 0.0%.

Although a relatively large share of the Group's income over the previous years is from net interest income, there is evidently substantial income deriving from other sources, including commission from loans transferred to covered bond companies, insurance, real estate brokerage and sale of accounting services. These additional income streams are part of the net commission and other income ratio. As a result of the additional income streams arising from commission income, it is worth mentioning that the full consolidation of results from inter alia the real estate, financing and accounting businesses also contributes to an increase in the Group's operating costs which affects the cost-to-income ratio negatively. The cost-to-income ratio is further described in Section 14.3.1.3 below.

Net income from financial assets and liabilities ratio consists of the net income from ownership interests in the Sparebank 1 Group companies, which has historically been an important part of the Group's total net income. Additionally, it includes net income from equity instruments available for sale and net income from other financial assets and liabilities. The latter is influenced by changes in debt and derivatives measured at fair value through profit of loss since they are included under this item.

14.3.1.3 Cost-to-Income ratio

In NOK millions (unless stated otherwise)	Three months ended 31 March		Year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
Operating income (ex. net income from financial investments)	773	457	2 429	1 756	1 707
Operating expenses	437	253	1 203	1 052	981
Cost / Income ratio (%)	56.5%	55.4%	49.5%	59.8%	57.5%

The cost-to-income ratio measures the Bank's operating efficiency. The Group believes this ratio is useful because it demonstrates the Group's cost efficiency and ability to increase earnings at a higher rate than costs. Still, the Group also believes that different business models across banking groups in terms of income composition makes the measure imperfect for comparative analysis across peers.

For the three month period ended 31 March 2017, the Group's cost-to-income ratio was 56.5%.

The cost-to-income ratio for the years ended 31 December 2016, 2015 and 2014 was 49.5%, 59.9% and 57.5%, respectively. The extraordinarily low cost-to-income ratio for the year ended 31 December 2016 was caused by the winding up of the defined benefit pension scheme in the Bank, which reduced the operating costs by NOK

271 million. Adjusted for the effect of the winding up of the defined benefit pension scheme, the cost-to-income ratio for the year ended 31 December 2016 would have been 60.7%.

The Group has a relatively high cost-income compared with peers[38], but as noted in Section 14.3.1.2, the figure is negatively impacted by the additional costs related to the consolidation of results from the real estate, financing and accounting businesses. Another important factor is the Group's core strategy and values which favours local presence and banking. Hence, the Group has focused on maintaining branch offices in its core region in contrast to many of its competitors that has substantially scaled down in terms of the number of branch offices.[39]

The Group expects significant synergies from the integration B1OA, which all else held equal should result in a lower cost-to-income from 2018. See Section 12.4 for more details on the synergy effects.

14.3.1.4 Return on Equity

In NOK millions (unless stated otherwise)	Three months ended 31 March		Year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
Result					
Result before tax	361	202	1,371	1,164	1,232
Result after tax	274	169	1,100	930	1,040
Equity					
Total equity capital	12,370	8,995	12,107	8,718	7,624
Average equity capital*	11,839	8,858	10,350	8,161	7,214
*Excludes hybrid capital					
Return on equity (%)					
Return on equity capital before tax	12.2%*	9.2%*	13.1%	14.3%	17.1%
Return on equity capital after tax	9.3%*	7.7%*	10.5%	11.4%	14.4%

* Annualized (the quarterly result before and after tax are multiplied by four to determine annualized figures).

Return on equity measures the annualized profit, both before and after tax, relative to the Bank's average equity during the same period. The Bank believes this ratio is useful because it demonstrates the profitability of equity capital invested in the Bank.

For the three months' period ended 31 March 2017, the Bank's return on equity after tax was 9.3%.

The Bank's return on equity after tax has decreased from 14.4% for the year ended 31 December 2014 to 11.4% for the year ended 31 December 2015 to 10.5% for the year ended 31 December 2016. Adjusted for selected one-offs the underlying return on equity was 9.1% for the year ended 31 December 2015 and 9.6% for the year ended 31 December 2016. See Section 14.2 for a description of the one-off adjustments.

The Bank prides itself on being Norway's most solid regional savings bank measured by Common Equity Tier 1 capital[40]. It was one of very few sizeable banks that did not need support during the banking crisis in Norway in the early 1990s[41]. The Bank has thus always been well capitalized with regards to regulatory capital, however, the latter puts pressure on the underlying return on equity.

The Bank has a long-term goal of achieving 10% return on equity which is broadly in line with immediate peers.

[38] Measured by cost / income ratio over time - compared with the regional savings banks: SpareBank 1 Nord-Norge, SpareBank 1 SMN, SpareBank 1 SR-Bank, Sparebanken Vest and Sparebanken Sør. Source: annual / quarterly reports

[39] For example Nordea and DNB, - http://www.dagbladet.no/nyheter/disse-59-dnb-filialene-forsvinner/60395814, https://www.retten.no/nyheter/naringsliv/bank/nordea-stenger-dorene/s/5-44-75758

[40] Measured by CET 1 ratio and leverage ratio as of Q4-16, compared with the regional savings banks: SpareBank 1 Nord-Norge, SpareBank 1 SMN, SpareBank 1 SR-Bank, Sparebanken Vest and Sparebanken Sør. Source: annual / quarterly reports.

[41] Source: Norges Bank, The Norwegian Banking Crisis, page 187-198, link: http://www.norges-bank.no/globalassets/upload/import/publikasjoner/skriftserie/33/hele_heftet.pdf

14.3.2 *Balance sheet*

14.3.2.1 Lending growth

In NOK millions (unless stated otherwise)	Three months ended 31 March		Year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
Gross loans to and receivables from customers	84,901	44,308	82,945	43,779	39,936
Growth (%)	91.6%	9.4%	89.5%	9.6%	7.4%

Lending growth measures the annual growth in the Bank's gross outstanding loan book. The Bank believes this is a useful measure because it provides an indication of the Bank's activity level over time.

The Bank's lending growth for the year ended 31 December 2016 (89.5%) and for the three months ended 31 march 2017 (91.6%) were significantly impacted by the consolidation of B1OA's balance sheet from the second quarter of 2016. It is necessary to look at the numbers for lending growth for the Former Sparebanken Hedmark Group and B1OA in order to gauge underlying lending growth.

For the Former Sparebanken Hedmark, lending grew by 10.3% for the year ended 31 December 2016, excluding loans originated by B1OA. For the three months ended 31 March 2017, lending grew by 11.7% on an annual basis in the Former Sparebanken Hedmark, again excluding lending by B1OA. Including loans transferred to the covered bond companies, lending growth in 2016 and the first quarter of 2017 was 9.2% and 9.4%, respectively.

In B1OA, lending growth for the year ended 31 December 2016 and for the three months ended 31 March 2017 was 8.9% and 9.0%, respectively. Including loans transferred to the covered bond companies, lending growth for the year ended 31 December 2016 and for the three months ended 31 March 2017 was 10.1% and 9.7%, respectively.

Growth in lending has been due to both existing customers increasing their loan balance and through originating new loans. The Bank has originated new loans by attracting new customers or through existing customers taking up new loans or moving loans from other banks. Growth in retail lending for the year ended 31 December 2016 was larger than growth in corporate lending, reflecting a combination of significant activity in mortgage markets and rising house prices in the Bank's market area, and relatively subdued growth in business investments.

The Bank's strategy for 2015 to 2018 has been to increase its lending market share in its markets outside of Hedmark, while maintaining the market share in Hedmark county. This will likely be the strategy also beyond 2018 (please also see Section 14.4.4). Lending growth in the Bank (based on numbers for lending growth in the Former Sparebanken Hedmark and B1OA) has been higher than credit growth for Norway as a whole during the year ended 31 December 2016 and the three months ended 31 March 2017.[42] Regional variations within the national figures for credit growth are likely to be significant, based partly on regional numbers for economic activity. However, regional figures for credit growth are not available for the same period. Hence, it is not possible to state conclusively that lending growth for the Bank has been higher than lending growth in its market area.

[42] Source: Statistics Norway, Indicator for credit (C2), table 06714.

14.3.2.2 Deposit ratio

In NOK millions (unless stated otherwise)	Three months ended 31 March		Year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
Gross loans to and receivables from customers	84,901	44,308	82,945	43,779	39,936
Loans transferred to covered bonds companies	36,800	17,848	36,505	17,361	15,994
Deposits from and liabilities to customers	62,782	33,675	63,070	33,458	31,070
Deposit ratio ex. loan transfers (%)	73.9%	76.0%	76.0%	76.4%	77.8%
Deposit ratio incl. loan transfers (%)	51.6%	54.2%	52.8%	54.7%	55.6%

Deposit ratio measures the share of funding covered by deposits from customers. The Group's deposit ratio is considered a key figure, since deposits from customers represent a stable and important source of funding.

Overall, the Group aims to keep the deposit ratio (excluding loans transferred to covered bond companies) above 70%, while the deposit ratio including loans transferred to covered bond companies should be above 50%.

The deposit ratio, excluding loans transferred to covered bond companies, was 73.9% as of 31 March 2017. Including loans transferred to covered bond companies, the deposit ratio was 51.6% as of 31 March 2017. The Group's deposit ratios have decreased slightly in recent years, and are now closer to the target levels described above.

14.3.2.3 CET1 ratio

In NOK millions (unless stated otherwise)	Three months ended 31 March		Year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
Common equity tier 1 capital	10,960	6,514	10,530	6,468	5,434
Risk-weighted assets	65,554	38,443	62,201	37,677	36,705
CET1 ratio (%)	16.7%	16.9%	16.9%	17.2%	14.8%

Common Equity Tier 1 (CET 1) ratio is a measurement of the Group's common equity capital compared with its total risk-weighted assets that signifies a bank's financial strength. Both investors and regulators have kept a close eye on banks' CET 1 ratio over recent years, especially with the Basel committee prescribing stricter capital requirement norms for financial institutions such as banks. CET 1 ratio is an important measure of capital adequacy, and the Group will be required to hold CET 1 capital of 13.7% by year-end 2017. Please refer to Section 14.4.3 for a more detailed description of the regulatory requirements that the Group faces.

The Group has set a long-term target for the CET 1 ratio of 16.0%, well above the current requirement and expectation of the Norwegian FSA, and continues to be the best capitalised regional savings bank measured by Common Equity Tier 1 capital[43]. It was one of only a few sizeable banks that did not need support during the banking crisis in Norway in the early 1990s[44], and its conservative approach has enabled the Group to build up a strong capital base which helps secure dividend flexibility, growth capacity and optionality in terms of raising additional equity capital.

As of 31 March 2017, the Group's CET 1 ratio was 16.7%. The significant increase from the year ended 31 December 2014 to the year ended 31 December 2015 is explained by the fact that the Group accrued results which are accounted for as part of the CET 1 capital. Thus, the CET 1 Capital increased by approximately 19%, compared with the total risk-weighted assets which increased by merely 2.6%, over the latter mentioned period. This is consistent with the Group's long-term strategy and an important part of the foundation which aims to enable a targeted pay-out ratio of 50% of annual profit after tax while still at the same time retain a stable and solid capitalization.

[43] Measured by CET 1 ratio and leverage ratio as of Q4-16, compared with the regional savings banks: SpareBank 1 Nord-Norge, SpareBank 1 SMN, SpareBank 1 SR-Bank, Sparebanken Vest and Sparebanken Sør. Source: annual / quarterly reports.
[44] Source: Norges Bank, The Norwegian Banking Crisis, page 187-198, link: http://www.norges-bank.no/globalassets/upload/import/publikasjoner/skriftserie/33/hele_heftet.pdf

14.3.3 *Loan portfolio*

14.3.3.1 Loan loss ratio and non-performing-loans ratio

In NOK millions (unless stated otherwise)	Three months ended 31 March		Year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
Losses on loans and guarantees	-26	9	75	56	66
Gross loans to and receivables from customers	84,901	44,308	82,945	43,779	39,936
Loan loss ratio (%)	-0.12% *	0.08% *	0.09%	0.13%	0.17%

In NOK millions (unless stated otherwise)	Three months ended 31 March		Year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
Defaulted commitments	222	260	233	234	339
Other doubtful commitments	257	219	272	257	209
Gross total commitments	94,401	50,418	92,437	49,525	44,939
Defaulted commitments ratio (%)	0.24%	0.52%	0.25%	0.47%	0.75%
Other doubtful commitments ratio (%)	0.27%	0.43%	0.29%	0.52%	0.47%
Total non-performing loans ratio (%)	0.51%	0.95%	0.55%	0.99%	1.22%

* Annualized (the quarterly losses on loans and guarantees are multiplied by four to determine annualized figures).

The loan loss ratio and non performing-loans ratio measures the quality of the Group's lending operations. The Group believes that these ratios are useful measures because they show the quality of the Group's credit portfolio and can indicate the Group's skill in evaluating credit risk over time.

As of 31 March 2017, the Group's annualized Loan Loss Ratio was negative 0.12% and total non-performing loans ratio was 0.51%.

The Group's loan loss ratio has been low over time. It has fluctuated around 0.1% historically which is in line with immediate peers[45], however, considerably more stable than the peer average over time.

The amount of defaulted and other doubtful commitments in the Group is negligible. The non-performing-loans ratio has been gradually coming down from 1.22% for the year ended 31 December 2014 to 0.99% for the year ended 31 December 2015 to 0.55% for the year ended 31 December 2016. The improvement in credit quality has occurred due to both the acquisition of B1OA as well as underlying positive development of the loan portfolio.

14.3.3.2 Provision ratio

In NOK millions (unless stated otherwise)	Three months ended 31 March		Year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
Individual write-downs on commitments	153	151	156	147	143
Collective write-downs on commitments	235	121	262	120	116
Defaulted and other doubtful commitments	479	479	505	491	548
Individual provision ratio (%)	31.9%	31.5%	30.8%	29.9%	26.1%
Collective provision ratio (%)	49.1%	25.2%	52.0%	24.5%	21.3%
Total provision ratio (%)	81.0%	56.8%	82.8%	54.5%	47.4%

The provision ratio measures the presumed level of risk in the Group's credit portfolio. It can be viewed as the Group's insurance policy for future potential loan losses. The Group believes that the provision ratio is a useful measure because it indicates the Group's loan loss absorption capabilities.

As of 31 March 2017, the Group's total provision ratio was 81.0%.

[45] Measured by loan loss ratio over time - compared with the regional savings banks: SpareBank 1 Nord-Norge, SpareBank 1 SMN, SpareBank 1 SR-Bank, Sparebanken Vest and Sparebanken Sør. Source: annual / quarterly reports..

The provision ratio has been steadily rising from 47.4% for the year ended 31 December 2014 to 54.5% for the year ended 31 December 2015 to 82.8% for the year ended 31 December 2016. The movement has materialized because the amount of defaulted and other doubtful commitments has been kept fairly stable at approximately NOK 500 million while the individual and collective provisions have been increased. The big jump for the year ended 31 December 2016 was attributable to the acquisition of B1OA and can be explained by the fact that the majority of its provisions were collective of nature.

14.4 SIGNIFICANT FACTORS AFFECTING BUSINESS PERFORMANCE

The Group's results of operations have been, and will continue to be, affected by a range of factors, many of which are beyond the Group's control. The key factors that management believes have had a material effect on the Group's results of operations during the periods under review, as well as those considered likely to have a material effect on its results of operations in the future, are described below.

14.4.1 *Macroeconomic environment*

% change y/y (unless stated otherwise)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017E**	**2018E**	**2019E**	**2020E**
Macroeconomic indicators											
GDP	0.6%	1.0%	2.7%	1.0%	1.9%	1.6%	1.0%	1.5%	1.9%	1.8%	2.0%
GDP Mainland	1.8%	1.9%	3.8%	2.3%	2.2%	1.1%	0.8%	1.8%	2.4%	2.2%	2.1%
Unemployment (level, %)	3.6%	3.3%	3.2%	3.5%	3.5%	4.4%	4.7%	4.4%	4.2%	4.1%	4.1%
Housing prices	8.3%	8.0%	6.7%	4.0%	2.7%	6.1%	7.1%	6.5%	0.6%	-1.5%	-2.1%
Brent spot (level, USD)	80.1	110.6	111.5	108.5	99.7	53.7	45.1	n.a.	n.a.	n.a.	n.a.
Headline inflation	2.5%	1.2%	0.8%	2.1%	2.0%	2.2%	3.6%	2.0%	2.1%	2.2%	2.3%
Core Inflation	1.4%	0.9%	1.2%	1.6%	2.4%	2.7%	3.0%	1.7%	2.0%	2.0%	2.0%
Interest rates and currency											
Key Policy Rate (level, %)	1.9%	2.1%	1.6%	1.5%	1.5%	1.1%	0.6%	n.a.	n.a.	n.a.	n.a.
Average 3month NIBOR (level, %)	2.5%	2.9%	2.2%	1.8%	1.7%	1.3%	1.1%	1.0%	1.0%	1.1%	1.4%
NOK/EUR (level)	8.7	8.0	7.8	7.5	7.8	8.4	9.0	9.3	8.9	8.9	8.9
Income and population indicators											
Household real income	2.3%	4.2%	4.5%	3.8%	2.8%	5.3%	-1.6%	2.0%	2.1%	1.9%	2.0%
Household consumption	3.8%	2.3%	3.5%	2.7%	1.9%	2.1%	1.6%	2.2%	2.6%	2.3%	2.1%
Population growth, Norway	1.3%	1.3%	1.3%	1.1%	1.1%	0.9%	0.9%	n.a.	n.a.	n.a.	n.a.
Population growth, Akershus	*1.7%*	*1.9%*	*1.8%*	*1.7%*	*1.6%*	*1.6%*	*1.7%*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Population growth, Oslo	*2.1%*	*2.3%*	*1.7%*	*1.7%*	*2.1%*	*1.7%*	*1.3%*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Population growth, Hedmark	*0.5%*	*0.6%*	*0.5%*	*0.4%*	*0.4%*	*0.1%*	*0.4%*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Population growth, Oppland	*0.5%*	*0.6%*	*0.1%*	*0.3%*	*0.5%*	*0.1%*	*0.3%*	*n.a.*	*n.a.*	*n.a.*	*n.a.*

Source: Statistics Norway (SSB), "Økonomisk Utsyn" 1/2017, SSB Table: 0745, Infront (Brent Spot Indicator)

The Group focuses on the core market areas Hedmark, Oppland, Oslo and Akershus County. The inland region stands for 6% of Norway's GDP and consists of Hedmark and Oppland. The region was historically the Group's primary market area and has traditionally been less cyclically sensitive than other regions, in part due to the industry in the region not being particularly exposed to the oil and gas industry. The eastern/capital region, consisting of Oslo and Akershus, stands for a third of Norway's GDP[46], and is regarded as the decision centre of Norway. The acquisition of B1OA has made this region an important part of the Group's market area. The region is more similar to the country as a whole due to its size and diversified business sector. Even though the primary

[46] Statistics Norway (SSB)

market area have limited oil exposure and is thus less affected by cyclical variations, the general macroeconomic conditions that affect Norwegian households have an impact on the Group's result from operations.

Norway has suffered from a mild economic downturn during the last two and a half years. As a small country, highly dependent on petroleum related industries, one of the main drivers of this has been oil prices dropping from USD 110/barrel in June 2014 to the bottom at USD 30/barrel in January 2016. However, there are several signs suggesting that growth is picking up. Among others, OPEC announced a production cut in November 2016 and since then oil prices have been hovering around USD 55/barrel. Further, Norway's key trading partners have long suffered from low inflation, and capital utilization has been below normal levels. Recent macroeconomic data indicates that the aggressive monetary policy easing abroad has finally resulted in inflation, and economic growth is picking up. However, political uncertainty related to, among others, Donald Trump's actions as the new U.S. president and UK exiting the European Union, contribute with a great deal of uncertainty related to global prospects.

In 2016, Norwegian mainland GDP grew at an annual pace of 0.8%, down from 1.1% the previous year. This was the slowest pace since the financial crisis in 2009. Low activity in the economy further resulted in accelerating unemployment. According to the Labour Force Survey, unemployment increased significantly throughout 2015 and peaked during the summer of 2016 at 4.9%, 1.7%-points above pre-recession levels. However, there are regional differences between the Group's core market areas. The Oslo County has historically experienced higher unemployment than Norway as a whole, while Hedmark has been either lower or at the same level as the average. Akershus has been below the country as a whole. Please refer to Section 8.2.5 for more information about the unemployment figures.

The economic downturn was met by heavy fiscal- and monetary policy easing. The key policy rate, which was already lowered substantially during the financial crisis, was lowered further. In March 2016, the key policy rate was reduced to a record low of 0.5%, and has been held unchanged at this level since. The money market rates have largely followed the key policy rate, but to a somewhat lesser extent during 2016. Low rates, together with low oil prices, contributed to a weakening of NOK until 2015 year-end. Oil prices have, since the bottom at USD 30/barrel in January 2016, increased this winter and was hovering around USD 55/barrel during the first quarter of 2017. Consequently, NOK has strengthened somewhat, but still remains at historically low levels. In the last few years, the inland region has therefore benefited from a weak NOK trough becoming more export-competitive as well as more import substitution in general. The gradually strengthening of the NOK throughout 2016 had a negative effect on local business, all else held equal, but a stronger NOK is also positive for easier access to labour and more public spending.

The low rates further contributed with a boost in the housing market, and housing prices have been accelerating during the last couple of years despite the economic downturn. On average, Norwegian housing prices increased by 7.1% in 2016, after almost as high growth the previous year. As a result, housing investment has significantly increased the last two years, and on average investments increased by almost 10% in 2016[47].

The housing market in Oslo has been particularly strong in recent years, and prices increased 23.3%[48] in 2016 according to numbers from Eiendom Norge. The Group has significant activities in the housing market in the capital region with origin from the former B1OA, but the Group's careful lending practices have significantly reduced its vulnerability in the event of any correction in the housing market. The Norwegian authorities are concerned about the development of financial imbalances in light of strong growth in house prices, and the government introduced new home mortgage regulations from 1 January 2017. The Group is also operating well within the framework of the new regulations which further reduce the overall risk.

The inland region holds approximately 8% of Norway's population, and the population grew by 0.43% and 0.28%, respectively, in 2016. The eastern/capital region holds approximately 25% of Norway's population and both areas grew by 1.65% from 2015 to 2016. In Norway as a whole, the population grew by 0.93%. Hence, the population growth in Hedmark and Oppland is lower than the country average while the population growth is higher than average in Oslo and Akershus. Looking at the historical data, there is a similar trend and accordingly the gap between the population in the inland and capital region is increasing.

[47] Statistics Norway (SSB), "Økonomisk Utsyn" 1/2017
[48] Eiendom Norge, Årsrapport 2016

14.4.2 *Competitive environment*

Market shares of banks and mortgage companies in Norway as of 30 June 2016[49]	Active Companies	Gross lending to: Retail Market	Gross lending to: Corporate Market	Deposits from: Retail Market	Deposits from: Corporate Market
SpareBank 1 Alliance (%)	20 #	20.1%	16.0%	18.7%	14.5%
Eika Alliance (%)	79 #	10.0%	6.1%	12.2%	7.7%
DNB Bank (%)	3 #	28.6%	31.0%	30.3%	36.5%
Other savings banks (%)	27 #	13.1%	8.7%	13.6%	9.1%
Subsidiaries of foreign banks in Norway (%)	3 #	12.2%	14.3%	9.3%	13.8%
Branches of foreign banks in Norway (%)	12 #	8.9%	21.1%	5.2%	16.4%
Other commercial banks (%)	20 #	7.1%	2.7%	10.6%	2.0%
Total market (NOKbn)	**164 #**	**2,399**	**1,307**	**1,107**	**623**

The Banks' competitive environment consists of all the active banks and mortgage companies in Norway. As of 30 June 2016, approximately 164 such companies had NOK 3,706bn assets outstanding in the Norwegian retail and corporate markets. However, the sector has a relatively high degree of concentration despite the fairly large number of active banks and mortgage companies. The three major players, DNB Bank, the Alliance and Eika Alliance, control 58.7% of the retail market and 53.1% of the corporate market. Moreover, some Nordic banks – such as Danske Bank, Nordea and Handelsbanken - are also significant competitors.

DNB has been and continues to be the Bank's main competitor in all of the four counties that SpareBank 1 Østlandet operates in, both in the retail and corporate market. In the retail market, Skandiabanken has probably gained market shares in the past few years, particularly in the Oslo/Akershus-region and along with other internet-based banks. Still, Skandiabanken and other internet-based banks remain small in terms of market shares. Since 2014, Danske Bank has been affiliated with the labour union Akademikerne. As a consequence, Danske Bank has become a more significant competitor in the retail market, gaining market shares mostly from DNB (until 2014, Akademikerne had co-operated with DNB). In the past few years, competition in the corporate market has been more benign than in the retail market. For instance, the Nordic banks have been less aggressive in the corporate lending market. This holds throughout the four counties that the Bank operates in.

14.4.3 *Regulatory environment*

The Bank operates in a strongly regulated industry and faces regulation from both Norwegian authorities as well as regulation instigated by international bodies such as the Bank of International Settlements and the European Union that may be implemented in Norwegian law.

The Bank's key regulatory requirements relate to quantitative requirements such as capital adequacy and liquidity ratios, and compliance requirements such as anti money laundering and consumer protection. Both CRD IV and CRR are implemented in Norwegian law. In some cases, such as is the case for transitions for liquidity requirements, the Norwegian regulators introduced higher standards than is required under the applicable EU legislation. The purpose of this regulation has been to strengthen the industry and increase the robustness of financial enterprises.

The capital adequacy framework is based on three pillars. Pillar 1 relates to a minimum required level of capital. Pillar 2 is an assessment of the bank's total capital needs and individual supervisory follow-up. Pillar 3 relates to the publication of information and instilling market discipline on banks. The Bank publishes annual Pillar 3-reports.

The Bank faces a minimum requirement for own funds of 8%. In addition, combined buffer requirements of Common Equity Tier 1 capital added up to 7% by year-end 2016. The Bank must meet a capital conservation buffer, a system buffer and a countercyclical buffer. The purpose of the countercyclical buffer is that it will be built up gradually during good times so that it is available to absorb losses in crises. The Norwegian Ministry of Finance makes an evaluation every quarter whether to increase the level of the buffer. The buffer was last

[49] Source: Norges Bank – Financial Stability Report (2016)

increased from 1.5% to 2.0% on 15 December 2016. The increase comes into effect on 31 December 2017, meaning that the Bank's total buffer requirements increase to 7.5%. The buffer was kept at 2% at the latest evaluation on 16 March 2017 after a recommendation by Norges Bank. By the end of 2016, the Bank is required to hold CET 1 capital of 11.5% from Pillar 1, increasing to 12% by year-end 2017 due to the increase in the countercyclical buffer. Moreover, the Bank faces a minimum requirement for total capital of 15%, increasing to 15.5% by year-end 2017, in line with the increase in CET 1 requirements.

In addition to minimum capital requirements and capital buffers, banks are required to evaluate their own capital needs not covered by so-called Pillar 1 requirements. These requirements will vary from bank to bank and are called Pillar 2 requirements. The Bank produces annual ICAAP-reports. Combined with assessments from the Norwegian FSA, these reports provide the basis for the Pillar 2 requirement that the Bank faces. The Bank currently faces a Pillar 2 requirement of 1.7% from the Norwegian FSA, also consisting of CET 1 capital.

The Bank has set a target for CET 1 of 16%, well within the current requirement and expectation of the NFSA. At the end of 2016, the Bank's CET 1 ratio was 16.9% while the total capital ratio was 20.3%.

In addition to the weighted capital adequacy ratios, the Bank will face a minimum requirement from the Norwegian FSA on its leverage ratio of 3% from 30 June 2017. In addition, the Bank is required to hold a leverage ratio buffer of 2%. Consequently, leverage ratio requirements for Norwegian banks have been implemented in advance of the recommendations of the Basel Committee and the European Commission. European regulatory authorities have yet to finalise the leverage ratio requirements that are expected to be introduced in the European Economic Area from 2018. The Bank's leverage ratio per 31 March 2017 of 7.5% is well above the requirements from the Norwegian FSA.

The Bank also needs to meet liquidity requirements, specifically with the Liquidity Coverage Ratio (LCR). In 2017, the Bank faces an LCR requirement of 80%. This will increase to 100% from 31 December 2017. This means that Norwegian banks face an earlier introduction of the LCR requirement than most other European banks. At year-end 2016, the LCR ratio of SpareBank 1 Østlandet was 116.6%. In addition, the Bank reports its Additional Monitoring Metrics (AMM) to the NFSA. Moreover, the Bank will in future face new liquidity regulations with the Net Stable Funding Ratio (NSFR). Currently, the Bank expects the NSFA to introduce an NSFR requirement of 100% in 2018. The Bank already operates with an internal requirement for NSFR of 105%. Stricter liquidity requirements will mean that the Bank must hold a higher amount of liquid assets or switch to assets with higher quality. This could increase the cost of holding a liquidity buffer.

The Bank Resolution and Recovery Directive (BRRD) is in the process of being implemented in Norwegian law. This directive sets out the rules for the solution of banks in all EU Member States. Banks will be required to prepare recovery plans to overcome financial distress. Authorities are also granted a set of powers to intervene in the operations of banks to avoid them failing. If they do face failure, authorities are equipped with comprehensive powers and tools to restructure them, allocating losses to shareholders/ECC holders and creditors following a clearly defined hierarchy. Among other things, this directive can lead to investors facing increased risk of loss on debt securities issued by banks, increasing the cost of market funding. The Norwegian implementation of the crisis resolution and recovery framework has not yet been finalised.

Finally, it should be emphasized that while stricter bank regulations may increase costs, it also has a beneficial effect on the robustness of the Bank itself and on the sector as a whole. A strong and robust financial sector allows the Bank to operate in a stable environment which benefits both business opportunities and funding costs

14.4.4 *Loan portfolio growth*

Loan growth can significantly impact the Bank's operational results. Loan growth comes either through customers increasing their loan balance or through originating new loans. The Bank originates new loans by attracting new customers or through existing customers taking up new loans or moving loans from other banks. Around three quarters of the Bank's outstanding loans are to retail customers, of which most are home mortgages – including loans transferred to the covered bond company SpareBank 1 Boligkreditt AS. The remainder of outstanding loans are to corporate customers, of which most are SMEs. The Bank does not intend to make significant changes to this mix in the loan book going forward.

SpareBank 1 Østlandet has a market share in Hedmark of around 50% both for retail and SME customers (see chapter 6.6.1 for more details about the Bank's market shares). The market shares in Oppland, Akershus and Oslo are considerably lower. The Bank's strategy for loan growth in the period 2015-2018 has been to maintain its loan market share in Hedmark while being the Bank with the strongest growth in new market areas, defined as Oslo, Akershus and Oppland. This will likely be the strategy also beyond 2018. Given the Bank's market share in Hedmark, there should be limited loan growth from attracting more customers. Instead, growth should come mainly through higher total loan balances for existing customers. Thus, economic activity together with developments in house prices and commercial real estate prices will be important factors for the Bank's loan growth in Hedmark. In Oslo, Akershus and Oppland, the Bank aims to grow its loan book also through gaining new customers. The Bank's ability to grow according to its strategy is likely to affect its operational results.

A range of factors will determine whether or not the Bank will be able to succeed with its growth strategy. SpareBank 1 Østlandet has enjoyed high customer loyalty and satisfaction in Hedmark compared to its largest competitor, DNB[50]. This probably relates both to the Bank's actual banking operations and to the Bank's activities in the local community. Gifts, donations and sponsorships in the local community are important to the Bank and to people living in Hedmark. SpareBank 1 Østlandet believes that the continuation of these activities will benefit the Bank when it comes to customer loyalty in Hedmark. Similarly, SpareBank 1 is a strong brand nationally and in the region of Oslo and Akershus, despite the fact that the combined market shares of SpareBank 1-banks in the capital region is relatively small. The Bank believes that brand awareness will be a significant advantage when trying to gain market shares in the region. Moreover, the Bank does not plan to make large changes to its branch network, unlike some of its main competitors in Eastern Norway. The Bank emphasises a combination of digital and relational banking, with local presence, and believes that this helps the Bank to stand apart from some key competitors. Local presence will be an important part of the Bank's growth strategy going forward. Lastly, SpareBank 1 Østlandet believes that the customer dividend will be an important factor when the Bank aims to gain market shares, especially in the mortgage market (see chapter 6.5.1 for a description of the customer dividend). SpareBank 1 Østlandet is the only bank that currently offers customer dividends. Moreover, the capital structure of some of its key competitors in Eastern Norway does not allow for a customer dividend

14.4.5 *Revenue and margin development*

Net interest income is the largest source of income for the Bank. The Bank sets its lending and deposit rates at its own discretion. However, NIBOR is indirectly linked to these rates as the Bank closely monitors market rates as well as the pricing set by competitors and adjusts the Banks' lending and deposit rates accordingly. NIBOR is directly related to the Bank's external funding as well as interest bearing securities, which is part of the Bank's liquidity portfolio. See chapter 14.3.1.1 and 6.6.4 for more details on developments in the Bank's interest margins.

The lending and deposit interest margins of Sparebanken Hedmark before the merger with B1OA and B1OA have differed somewhat over time. Margins on retail loans that were retained on the Former Sparebanken Hedmark's balance sheet towards the end of 2016 were about 30 basis points higher than margins on retail loans on B1OA's balance sheet. Loans that had been transferred from the two banks to SpareBank 1 Boligkreditt AS had similar margins, reflecting that these loans were quite similar in risk characteristics. Margins on corporate loans in the Former Sparebanken Hedmark were about 20 basis points higher than corporate loans in B1OA, at end-2016. Retail deposit margins in the Former Sparebanken Hedmark were around 35 basis points higher than in Bank 1 in Q4 2016, while corporate deposit margins were similar.

The differences in margins reflect a combination of several factors, including the fact that the two banks have operated in different markets with a different competitive environment and with different loan book characteristics, but also different pricing policies in the banks. Going forward, the Bank will strive to ensure that the merged product portfolio does not lead to a negative impact on the combined Bank's total interest rate margins. In the period up until the merger with B1OA, staff from the Former Sparebanken Hedmark and B1OA has worked jointly with an aim to avoid such an impact when deciding on the terms and conditions of the joint product portfolio.

[50] Kantar TNS, Posisjonsundersøkelse, 2015

Overall, competition in the Norwegian market for mortgage loans remains strong. Still, there are indications of somewhat easier conditions. Towards the end of 2016, most banks raised interest rates as a consequence of an increase in NIBOR. Despite the fact that the NIBOR has since fallen, banks have so far refrained from reducing mortgage rates. Some banks have reported in the media that they have become more restrictive in their mortgage lending policies.[51] Competition in the SME segment has been less intense over the past years, which has been reflected in more stable corporate lending margins for Norwegian banks. So far in 2017, there are limited signals of any changes to the competitive environment for corporate lending. Competition for deposit products has been relatively benign, with many banks – including the Bank – being able to offset some of the fall in mortgage margins with higher deposit margins, both from retail and corporate customers.

B1OA has historically operated with lower interest margins than the Former Sparebanken Hedmark. Still, B1OA was able to achieve similar profits compared to equity invested in the company (return on equity). An important reason for this comes from the fact that a larger part of B1OA's income has been due to commission income than has been the case for the Former Sparebanken Hedmark. Commission income has typically emanated from selling insurance products, mutual funds and real estate brokerage services. Going forward, SpareBank 1 Østlandet aims to increase commission income as a share of total income for the combined bank.

14.4.6 *Development in operating expenses*

Developments in operating expenses will affect the operating profits of SpareBank 1 Østlandet.

The cost-to-income ratio of SpareBank 1 Østlandet was 49.5% in 2016, compared to 59.8% in 2015. Excluding a one-off effect from a change to the pension scheme, the cost-to-income ratio would have been 60.7% in 2016. On a pro forma basis for 2016 – including B1OA through the entire year – the cost-to-income ratio would have been 62.1%. The main operating expenses relate to staffing and IT. See Section 14.3.1.3 and 14.6 for more details on operating expenses.

The Bank's cost-to-income ratio is relatively high compared to peers[52]. This holds particularly for the old B1OA. Although the Bank believes that the ratio can be a useful measure of cost efficiency, the Bank does not target a particular level for cost-to-income. An important reason for this relates to the income composition for the Bank. A significant share of the Bank's earnings is from real estate brokerage and accounting services, through its subsidiaries. Both of these services are cost intensive, with high cost-to-income ratios. At the same time, they demand limited capital, meaning that they can be profitable despite high cost-to-income ratios.

Moreover, the Bank's branch network is relatively large compared to many of its competitors. The branch office structure is likely to be somewhat more cost-intensive compared to a business model whereby the Bank had more people in centralised customer call centres (the Bank operates customer call centres for retail and corporate customers). SpareBank 1 Østlandet does not plan to reduce significantly the number of branch offices. Being a local business partner is a key part of the Bank's strategy, see also chapter 14.4.5. This does not mean that the Bank may choose to close down some branch offices, from time to time.

Despite a higher cost base relative to income, developments in operating expenses are a key financial factor for the Bank. Staffing and IT will remain key cost drivers. The focus going forward will primarily be on cost efficiency in the parent bank. The merger of the Former Sparebanken Hedmark and B1OA is likely to add synergy effects of a minimum of NOK 75 million, with full effect from 2018. See Section 12.4 for more details on the synergy effects. Beyond that, the Bank is considering the inclusion of a target for cost developments in the strategic plan that expected to be developed in the autumn of 2017.

14.4.7 *Loan losses and portfolio quality*

The Bank's biggest financial risk exposure is credit risk in its lending portfolio. Credit risk is the risk of loss relating to customers or other counterparties not being able or willing to meet their obligations to the Bank. Each year, the Board of Directors reviews the Bank's governing documents and credit regulations. The governing documents define the Bank's credit policy and overall targets for exposure relating to portfolios, sectors and

[51] Dagens Næringsliv, 27 March 2017.

[52] E.g. SpareBank 1 Nord-Norge, Sparebanken Vest, SpareBank 1 SMN, SpareBank 1 SR-Bank and Sparebanken Sør.

individual customers. Together they provide the basis for determining the desired risk profile. The Bank uses statistical models in its calculation of risk and categorisation of the credit portfolio. The Bank makes efforts to price credit risk correctly and has established price matrices and price models based on the risk classification system. The Board of Directors considers the credit risk in the Bank to be moderate per year-end 2016.

In terms of geography, the Bank's lending is concentrated in the counties of Hedmark, Oslo, Akershus and Oppland. The first three of these counties make up a significant portion of the lending portfolio (around 87%).

In terms of sector exposure, around three quarters of the Bank's lending is towards retail customers, of which most are home mortgage loans. The average LTV-ratio for mortgages on the balance sheet of SpareBank 1 Østlandet was approximately 63% at year-end 2016. Including mortgages transferred to SpareBank 1 Boligkreditt, the average LTV was 57%. In December 2016, Norwegian authorities introduced new mortgage market regulations. These included stricter limits on LTVs and total debt to income ratios. Banks were given a quota of flexibility, whereby 10% of new loans granted could deviate from the new regulations (8% for home mortgages in Oslo). SpareBank 1 Østlandet currently operates well within these limits in its mortgage lending. Historically, Norwegian banks have experienced very low losses on mortgage lending. Among other things, this relates to the fact that borrowers are personally liable for their debt. Moreover, unemployment benefits are relatively high, making it easier for borrowers to service their mortgages even when losing their jobs.

Out of approximately 25% in loans to corporate customers, half are towards commercial real estate (CRE). The weighted LTV for CRE-loans was approximately 57% per 23 January 2017.[53] Around 37% of CRE-lending was in Oslo, 29% in Hedmark and 17% in Akershus, with the remaining exposure spread over different counties in Norway. The average size of CRE-loans was NOK 22 million. The portfolio was spread across different types of real estate, with around 37% classified as offices, 27% as retail buildings and 22% as industrial/ warehouse/ logistics buildings. The remainder were hotels (10%) and rental property (4%). For the CRE portfolio, underlying rental income is an important factor in explaining what the Bank is exposed towards. The tenant base is spread across a wide range of sectors. Around 20% of rental income is from tenants in the retail sector, 14% in hotels and restaurants, and 21% in public & social services and the public sector. The remainder are spread across a broad range of sectors, with no single sector accounting for more than 5% of the rental income. The remaining time to maturity of rental contracts are also an important factor when judging the total exposure. More than 50% of the rental contracts underlying the Bank's CRE-exposure have a remaining time to maturity of more than 5 years.

The second largest corporate exposure is towards primary industries (around 14% of the corporate loan book). These loans are primarily loans to farmers, with collateral in real estate and machinery. The Bank has historically experienced low losses on loans to the primary industries, in line with losses on mortgage loans. This relates to the fact that Norwegian agriculture is heavily subsidised and protected by significant import toll barriers, making farmers less exposed to global agricultural prices. Norwegian agricultural policies have been relatively stable over time, regardless of which political parties that have been in government.

Over the past years, SpareBank 1 Østlandet has experienced low losses, both in the Former Sparebanken Hedmark and B1OA. Problem loans have also been low. Chapter 14.3.3 gives more detail about losses and non-performing loans for the Bank. Going forward, the Bank does not expect significant changes to loan loss ratios. However, significant changes in the macro and/or market environment could affect the Bank's loan loss ratios.

14.4.8 *Technological advances*

The global banking industry is heavily impacted by technological changes. More day-to-day banking is done online through internet or mobile banking. Relatedly, the banking industry faces competition from companies outside of the industry. The Norwegian banking industry was among the first in the world to adopt digital solutions.[54] The Bank was the first bank in Europe to launch an internet bank, in 1996[55]. Today, nine out of ten retail customers in SpareBank 1 Østlandet relies on internet or retail banking for their banking transactions.

[53] Source: Center for credit analysis, Stavanger. Some loans classified as CRE in the bank's own statistics may not be classified as such in the CfC's analysis, although the difference is likely to be small.
[54] Norges Bank, speech by Deputy Governor Jon Nicolaisen on 9 June 2016, "Digital challenges for the payment system".
[55] http://e24.no/naeringsliv/europas-mest-fremsynte-mann/1477438and Hamar Arbeiderblad, 1 October 1996.

Around 23% of retail customers rely only on mobile banking, rather than internet banking.[56] These numbers are in line with Norwegian banks in general[57]. The Bank relies on IT development in the SpareBank 1 Alliance to remain in the forefront in terms of digital banking.

In 2018, the Revised Payment Systems Directive (PSD2) is expected implemented. This is a key challenge for all banks, including SpareBank 1 Østlandet. PSD2 opens up the European market for payment systems. Several foreign competitors are expected to want to take advantage of the Directive in the Norwegian market. It is worth noting that companies outside of the banking industry that want to use PSD2 to access customer information from the banks, are expected to also need to adhere to Norwegian financial regulation.

As a direct consequence of this challenge, 106 Norwegian banks recently joined forces to form a new mobile payment system, based on DNB's Vipps. This means that mCash – which is the mobile payment solution of the SpareBank 1 banks – will cease to exist. The Alliance becomes the second largest owner of the new company, with an ownership stake of 25% (DNB will own 52% of the new company, other non-alliance banks will own 12%, the Eika Alliance will own 10% while Sparebanken Møre will own 1%). The new Vipps will be well equipped to deal with competition on mobile payment systems from large Nordic and international market participants. The company plans to develop and deliver simple and secure services at a lowest possible cost. The distribution of new Vipps has started based on an approval from the Norwegian FSA; however, there is still an approval pending from the Norwegian Ministry of Finance in order for Vipps to be considered as a cooperative group pursuant to the Norwegian law on Financial Institutions (*Nw: Finansforetaksloven*) 9-1 (4).

14.4.9 *Integration of Bank 1 Oslo Akershus*

B1OA has operated as a wholly-owned subsidiary of the Former Sparebanken Hedmark since the remaining shares were acquired in June 2016. On 1 April 2017, the two banks merged, forming a new bank under the name of SpareBank 1 Østlandet. The vision of the merger is "stronger together" and the goal is to become a powerful challenger bank in Eastern Norway.

Through 2016 and into 2017, the banks have planned for the merger. The goal has been to coordinate the best parts from the two banks and extract synergy effects worth at least NOK 75 million annually, primarily from staffing, purchase agreements and IT solutions. See Section 12.4 for more details on the synergy effects. The project is on track to deliver the expected synergies, with full effect in 2018. Integration costs are estimated around NOK 100 million (occurring in 2017 and 2018). The integration project has involved a broad range of people from the two organisations and has been divided into subprojects, covering all relevant areas of operation (such as product offerings, staffing, IT, funding etc.).

The CEO of the Former Sparebanken Hedmark continued as the CEO of the new, combined bank. The new Group management was announced internally towards the end of 2016 alongside a new organisational structure, taking effect from the time of the legal merger on 1 April 2017. Similarly, middle management positions were filled with effect from 1 April 2017. The next step in the integration is the technical merger of the two banks. The Bank plans to merge the IT solutions in October 2017. Broadly, the two former banks have similar IT systems from the same vendors. In addition, the key IT vendor is expected to merge the IT solutions of two other SpareBank 1 banks earlier in 2017, providing a good platform for a successful technical merger for the Former Sparebanken Hedmark and B1OA.

14.5 SELECTED BALANCE SHEET ITEMS AS AT 31 MARCH 2017 AND 2016 AND 31 DECEMBER 2016, 2015 AND 2014

	Three months ended 31 March		Year ended 31 December		
In NOK millions	**2017**	**2016**	**2016**	**2015**	**2014**
ASSETS	(unaudited)	(unaudited)	(audited)	(audited)	(audited)

[56] Internal numbers for end-March 2017.
[57] TNS Gallup, Dagligbankundersøkelsen, 2016https://www.finansnorge.no/aktuelt/sporreundersokelser/dagligbankundersokelsen1/dagligbankundersokelsen-2016/resultatene-fra-dagligbankundersokelsen-2016/

Cash and deposits with central banks	430	544	759	264	748
Loans to and receivables from credit institutions	1,462	888	1,335	864	675
Loans to and receivables from customers	84,523	44,050	82,537	43,526	39,691
Certificates and bonds	8,425	6,261	9,776	6,133	4,017
Financial derivatives	786	507	810	455	531
Shares, units and other equity interests	419	303	747	294	239
Investments in associates and joint ventures	3,617	3,538	3,618	3,386	3,073
Assets held for sale	5	0	5	0	0
Property, plant and equipment	586	345	587	341	336
Goodwill and other intangible assets	368	210	371	211	185
Deferred tax asset	0	0	0	0	33
Other assets	1,240	538	695	497	406
Total assets	**101,861**	**57,185**	**101,240**	**55,971**	**49,934**

LIABILITIES					
Deposits from and liabilities to credit institutions	1,558	1,250	1,654	660	665
Deposits from and liabilities to customers	62,782	33,675	63,070	33,458	31,070
Liabilities arising from issuance of securities	22,754	11,743	21,937	11,576	8,951
Financial derivatives	307	312	349	320	330
Current tax liabilities	117	135	247	167	150
Deferred tax liabilities	106	48	118	65	0
Other debt and liabilities recognised in the balance sheet	662	538	554	510	639
Subordinated loan capital	1,206	491	1,203	496	505
Total liabilities	**89,491**	**48,190**	**89,132**	**47,253**	**42,310**

EQUITY CAPITAL					
Equity capital certificates	5,310	3,987	5,310	3,987	0
Premium fund	520	0	520	0	0
Dividend equalisation fund	974	503	974	503	0
Primary capital	3,307	3,015	3,313	3,019	6,644
Provision for gifts	29	46	33	50	42
Fund for unrealised gains	135	151	134	135	109
Hybrid capital	400	0	400	0	0
Dividends	148	0	148	0	0
Other equity	1,498	1,253	1,228	1,023	827
Minority interests	49	40	47	0	0
Total equity capital	**12,370**	**8,995**	**12,107**	**8,718**	**7,624**

Total equity capital and liabilities	**101,861**	**57,185**	**101,240**	**55,971**	**49,934**

14.5.1 *Selected assets*

14.5.1.1 Loans to and receivables from customers

	Three months ended 31 March		Year ended 31 December		
In NOK millions (unless stated otherwise)	**2017**	**2016**	**2016**	**2015**	**2014**
Gross loans to and receivables from customers	84,901	44,308	82,945	43,779	39,936
Growth (%)	91.6%	9.4%	89.5%	9.6%	7.4%
Loans by type of receivable					
Financial leasing	2,943	2,579	2,854	2,490	2,114
Overdraft facilities and operating credits	12,199	10,197	13,417	10,940	10,868
Building loans	2,020	840	1,491	847	1,450
Repayment loans	67,575	30,601	65,017	29,412	25,406
Accrued interest	164	91	165	90	98
Financial leasing (%)	*3.5%*	*5.8%*	*3.4%*	*5.7%*	*5.3%*
Overdraft facilities and operating credits (%)	*14.4%*	*23.0%*	*16.2%*	*25.0%*	*27.2%*
Building loans (%)	*2.4%*	*1.9%*	*1.8%*	*1.9%*	*3.6%*
Repayment loans (%)	*79.6%*	*69.1%*	*78.4%*	*67.2%*	*63.6%*
Accrued interest (%)	*0.2%*	*0.2%*	*0.2%*	*0.2%*	*0.2%*
Loans by type of market					
Private customers	54,244	24,527	53,421	24,289	22,797
Corporate	30,441	19,583	29,331	19,287	16,958
Public sector	216	198	193	203	181
Private customers (%)	*63.9%*	*55.4%*	*64.4%*	*55.5%*	*57.1%*
Corporate (%)	*35.9%*	*44.2%*	*35.4%*	*44.1%*	*42.5%*
Public sector (%)	*0.3%*	*0.4%*	*0.2%*	*0.5%*	*0.5%*
Gross loans by risk group					
Low risk	n.a.	n.a.	63,046	26,901	24,565
Medium risk	n.a.	n.a.	16,282	13,957	12,500
High risk	n.a.	n.a.	3,068	2,398	2,408
Defaults	n.a.	n.a.	549	522	463
Low risk (%)	*n.a.*	*n.a.*	*76.0%*	*61.4%*	*61.5%*
Medium risk (%)	*n.a.*	*n.a.*	*19.6%*	*31.9%*	*31.3%*
High risk (%)	*n.a.*	*n.a.*	*3.7%*	*5.5%*	*6.0%*
Defaults (%)	*n.a.*	*n.a.*	*0.7%*	*1.2%*	*1.2%*
Total gross loans by sector and industry					
Private customers	54,244	24,527	53,421	24,289	22,797
Public sector	216	198	193	203	181
Primary industries	4,412	3,929	4,428	3,970	3,557
Paper and pulp industries	17	313	218	292	262
Other industry	1,129	819	801	777	739
Building and construction	3,038	1,437	1,684	1,417	1,317
Power and water supply	404	383	407	374	299
Wholesale and retail trade	1,388	1,171	1,332	1,128	1,010
Hotel and restaurants	462	180	476	181	172
Real estate	14,275	8,035	14,157	7,722	7,033
Commercial services	3,404	2,193	4,356	2,365	1,659
Transport and communications	1,442	1,098	1,287	1,041	880
Other	469	25	187	21	30
Private customers (%)	*63.9%*	*55.4%*	*64.4%*	*55.5%*	*57.1%*
Public sector (%)	*0.3%*	*0.4%*	*0.2%*	*0.5%*	*0.5%*
Primary industries (%)	*5.2%*	*8.9%*	*5.3%*	*9.1%*	*8.9%*
Paper and pulp industries (%)	*0.0%*	*0.7%*	*0.3%*	*0.7%*	*0.7%*
Other industry (%)	*1.3%*	*1.8%*	*1.0%*	*1.8%*	*1.9%*

Building and construction (%)	*3.6%*	*3.2%*	*2.0%*	*3.2%*	*3.3%*
Power and water supply (%)	*0.5%*	*0.9%*	*0.5%*	*0.9%*	*0.7%*
Wholesale and retail trade (%)	*1.6%*	*2.6%*	*1.6%*	*2.6%*	*2.5%*
Hotel and restaurants (%)	*0.5%*	*0.4%*	*0.6%*	*0.4%*	*0.4%*
Real estate (%)	*16.8%*	*18.1%*	*17.1%*	*17.6%*	*17.6%*
Commercial services (%)	*4.0%*	*4.9%*	*5.3%*	*5.4%*	*4.2%*
Transport and communications (%)	*1.7%*	*2.5%*	*1.6%*	*2.4%*	*2.2%*
Other (%)	*0.6%*	*0.1%*	*0.2%*	*0.0%*	*0.1%*

Gross loans by geographic area					
Hedmark County	n.a.	n.a.	30,167	27,479	26,201
Oppland County	n.a.	n.a.	4,980	4,361	3,346
Akershus County	n.a.	n.a.	16,867	4,111	3,386
Oslo County	n.a.	n.a.	25,982	3,563	3,534
Rest of Norway	n.a.	n.a.	4,709	4,108	3,294
Abroad	n.a.	n.a.	159	69	86
Accrued interest, undistributed	n.a.	n.a.	81	88	89
Hedmark County (%)	*n.a.*	*n.a.*	*36.4%*	*62.8%*	*65.6%*
Oppland County (%)	*n.a.*	*n.a.*	*6.0%*	*10.0%*	*8.4%*
Akershus County (%)	*n.a.*	*n.a.*	*20.3%*	*9.4%*	*8.5%*
Oslo County (%)	*n.a.*	*n.a.*	*31.3%*	*8.1%*	*8.8%*
Rest of Norway (%)	*n.a.*	*n.a.*	*5.7%*	*9.4%*	*8.2%*
Abroad (%)	*n.a.*	*n.a.*	*0.2%*	*0.2%*	*0.2%*
Accrued interest, undistributed (%)	*n.a.*	*n.a.*	*0.1%*	*0.2%*	*0.2%*

In NOK millions (unless stated otherwise)	**Three months ended 31 March**		**Year ended 31 December**		
	2017	**2016**	**2016**	**2015**	**2014**
Total commitments to customers	**94,401**	**50,418**	**92,437**	**49,525**	**44,939**
Guarantee ceilings and unused credit facilities	9,500	6,110	9,492	5,746	5,003
Gross loans to and receivables from customers	**84,901**	**44,308**	**82,945**	**43,779**	**39,936**
Total write-downs	379	257	408	253	245
Loans to and receivables from customers	**84,523**	**44,051**	**82,537**	**43,527**	**39,691**
Loans transferred to covered bonds companies	**36,800**	**17,849**	**36,505**	**17,361**	**15,991**

Gross loans and receivables from customers is the Group's outstanding interest bearing loan portfolio. The portfolio is a mix of different types of loans such as financial leasing, overdraft facilities, operating credits, building loans and repayment loan to the Group's customers comprising of private customers, corporates and the public sector.

Total gross loans amounted to NOK 84,901 million as per 31 March 2017, of which NOK 54,244 million were loans to private customers and NOK 30,441 million were loans to corporates. The three largest corporate lending exposures per 31 March 2017 in terms of sectors were commercial real estate (16.8% of total gross loans), primary industries (5.2%), and commercial services (4.0%). The majority of the loan book (79.6%) comprised of repayment loans.

To reflect the risk in the outstanding loan portfolio, the Group has as at 31 March 2017 made total write-downs of NOK 379 million resulting in net loans to and receivables from customers of NOK 84,523 million. In addition to the outstanding loan portfolio the Group has granted guarantee ceilings and unused credit facilities of NOK 9,500 million as at 31 March 2017 resulting in total commitments to customers of NOK 94,401 million.

Gross loans to and receivables from customers, exclusive loans transferred to the covered bond companies, for the years ended 31 December 2016, 2015, 2014 increased by 89.5%, 9.6% and 7.4%, respectively. This corresponded to an increase of NOK 39,166 million, NOK 3,843 million and NOK 2,755 million for the same periods, respectively. Figures for lending were significantly impacted by the consolidation of B1OA's balance sheet from the second quarter of 2016, distorting comparisons with previous periods. It is necessary to look at

the numbers for lending growth for the former SBHE and B1OA in order to gauge underlying lending growth. See Section 14.3.2.1 for more details on overall loan growth.

Loans to private customers increased by more than loans to corporate customers in the period from the first quarter of 2016 to the first quarter of 2017. In this period, the Group's lending to private and corporate customers rose by 121.2% and 55.4%, respectively. Again, the consolidation of B1OA distorts figures for twelve-month lending growth. For the Former Sparebanken Hedmark during the same time period, lending to private and corporate customers rose by 12.9% and 9.8%, respectively. Similarly, lending to private and corporate customers in B1OA rose by 12.8% and minus 1.0%, respectively.

Significant differences in exposures across sectors within the corporate sector segment make it more relevant to look at absolute rather than relative (percentage) changes in loan growth. For the Former Sparebanken Hedmark, the lending to the commercial real estate sector increased from to NOK 8,035 million to NOK 8,199 million (up 2.04%) from the first quarter of 2016 to the first quarter of 2017. Lending to primary industries increased from NOK 3,929 million to NOK 4,391 million (up 11.75%). Lending to the third largest sector, commercial services, fell in the same period, from NOK 2,193 million in the first quarter of 2016 to NOK 1,888 million in the first quarter of 2017. The two largest corporate sector exposures in B1OA in the first quarter of 2017 were commercial real estate and commercial services (other sector exposures were small, with no sector accounting for more than 0.7% of total lending). Lending to the commercial services sector increased from NOK 1,382 million to NOK 1,516 million (up 9,70%) from the first quarter of 2016 to the first quarter of 2017. Lending to the commercial real estate sector fell from NOK 6,411 million to NOK 6,076 million (-5,23%) for the same period.

Due to the consolidation of B1OA into the balance sheet from the second quarter of 2016, the Groups's loan portfolio exposure to Oslo and Akershus counties has risen significantly compared to 2015. At the end of 2015, the Group's gross loans to customers in Hedmark, Oslo and Akershus accounted for 62.8%, 8.1%, and 9.4% of total lending, respectively. In comparison, gross loans to customers in Hedmark, Oslo and Akershus accounted for 36.4%, 31.3%, and 20.3% of total lending per 31 December 2016, respectively. In the Former Sparebanken Hedmark (which was equivalent to the Group per 31 December 2015), gross loans to customers in Hedmark, Oslo and Akershus accounted for 62.4%, 13.9%, and 9.5% of total lending per 31 December 2016, respectively.

The Group partly funds its loan growth by transferring parts of its outstanding loan portfolio to covered bond companies. The outstanding loan portfolio on the Group's balance sheet as of 31 March 2017 has thus been reduced by NOK 36,800 million. Adjusted for the latter, the Group's actual outstanding loan portfolio (including loans transferred to covered bond companies) was NOK 121,701 million as of 31 March 2017. The aforementioned funding mechanism is explained in detail in Section 14.7.1.4. Including loans transferred to the covered bond companies, loans to private customers accounted for 73.8% of total loans per 31 March 2017.

14.5.1.2 Liquid assets

Liquid assets are financial assets such as certificates and bonds, cash and deposits placed with central banks and credit institutions or liquid equity interests. They form part of the Group's liquidity portfolio which is an important tool used in the Group's liquidity management strategy. The aforementioned portfolio comprise of a regulatory liquidity buffer as well as funds not yet deployed. This is explained in further detail in Section 14.7.2.

Certificates and bonds

In NOK millions (unless stated otherwise)	**Three months ended 31 March**		**Year ended 31 December**		
Fair value through profit	**2017**	**2016**	**2016**	**2015**	**2014**
Total certificates and bonds	8,425	6,261	9,776	6,133	4,017
Growth (%)	34.6%	32.5%	59.2%	52.7%	-18.5%
Distribution by sector of issuers					
Government	n.a.	n.a.	57	159	160
Other public sector issuers	n.a.	n.a.	2,356	1,080	527
Financial institutions	n.a.	n.a.	7,245	4,686	3,161
Non-financial institutions	n.a.	n.a.	118	207	169

Government (%)	*n.a.*	*n.a.*	*0.6%*	*2.6%*	*4.0%*
Other public sector issuers (%)	*n.a.*	*n.a.*	*24.1%*	*17.6%*	*13.1%*
Financial institutions (%)	*n.a.*	*n.a.*	*74.1%*	*76.4%*	*78.7%*
Non-financial institutions (%)	*n.a.*	*n.a.*	*1.2%*	*3.4%*	*4.2%*

Certificates and bonds amounted to NOK 8,425 million as per 31 March 2017, and comprised mainly of investments in high-quality counterparties such as governments and solid financial.

Holdings of certificates and bonds totalled NOK 9,776 million in 2016 compared to NOK 6,133 million and NOK 4,017 million in 2015 and 2014, respectively. The increase in 2016 was mainly due to the consolidation of B1OA in the balance sheet. For the former Sparebanken Hedmark in isolation, holdings of certificates and bonds fell from NOK 6,133 million at year-end 2015 to NOK 5,630 million at year-end 2016. For B1OA, holdings of certificates and bonds rose from NOK 3,864 million to NOK 4,559 million in the same period (note that the combined numbers for the former Sparebanken Hedmark and B1OA for 2016 do not add up to 9,776 due to an intra-group loan).

The significant increase in the Group's holdings of certificates and bonds from 2014 to 2015 (of NOK 2,116 million) largely reflected adjustments in the portfolio due to a potential change in liquidity regulations from the Norwegian FSA. On 1 June 2015, the Norwegian FSA advised the Ministry of Finance that Norwegian banks should meet a requirement for the Liquidity Coverage Ratio (LCR) of 100% from 1 January 2016. On 25 November 2015, the Ministry of Finance decided that the requirement should instead be 70% in the year following the 31 December 2015.

Other liquid assets

In NOK millions (unless stated otherwise)	**Three months ended 31 March**		**Year ended 31 December**		
	2017	**2016**	**2016**	**2015**	**2014**
Total other liquid assets	2,311	1,735	2,841	1,422	1,662
Growth (%)	33.2%	22.8%	99.8%	-14.4%	2.1%
Distribution by type					
Cash and deposits with central banks	430	544	759	264	748
Loans to and receivables from credit institutions	1,462	888	1,335	864	675
Shares, units and other equity interests	419	303	747	294	239
Cash and deposits with central banks (%)	*18.6%*	*31.4%*	*26.7%*	*18.6%*	*45.0%*
Loans to and receivables from credit institutions (%)	*63.3%*	*51.2%*	*47.0%*	*60.8%*	*40.6%*
Shares, units and other equity interests (%)	*18.1%*	*17.5%*	*26.3%*	*20.7%*	*14.4%*

Other liquid assets amounted to NOK 2,311 as per 31 March 2017, of which approximately 18.6% consisted of cash and deposits with central banks, 63.3% consisted of loans to and receivables from credit institutions and the remaining consisted of other equity interests. Loans to and receivables from credit institutions largely consist of loans to joint ventures and associated companies in the Alliance.

Total other liquid assets increased by 75.2% and 2.1% for the years ended 31 December 2016 and 2014, respectively – corresponding to an increase of NOK 1,069 million and NOK 34 million, respectively. Total other liquid assets fell by 14.4% from 2014 to 2015 – equivalent to NOK 240 million. The majority of the increase in 2016 was due to the consolidation of B1OA in the balance sheet.

14.5.1.3 Investments in subsidiaries, associates, joint ventures and other companies

Investments in subsidiaries, associates, joint ventures and other companies mainly consists of the Group's minority ownership interests in Sparebank 1 Gruppen AS related joint ventures, as well as wholly-owned subsidiaries within real estate brokerage, financial leasing and accounting. For further details regarding the Group's ownership interests, please refer to Section 6.2.

Investments in subsidiaries, associates, joint ventures and other companies increased by 6.8%, 10.2% and 19.8% for the years ended 31 December 2016, 2015, and 2014, respectively. This corresponded to an increase of NOK 232 million, NOK 313 million and NOK 508 million, respectively. B1OA was reclassified from associated company to subsidiary during 2016. SpareBank 1 Markets was reclassified for accounting purposes from associated company to a share available for sale in 2015. For a description of the Bank's material investments in 1Q17 and the financial years ending 2014, 2015 and 2016, please see Section 6.8.

14.5.2 *Selected liabilities and equity*

14.5.2.1 Deposits from and liabilities to customers

In NOK millions (unless stated otherwise)	**Three months ended 31 March**		**Year ended 31 December**		
	2017	**2016**	**2016**	**2015**	**2014**
Deposit ratio					
Deposits from and liabilities to customers	62,782	33,675	63,070	33,458	31,070
Growth (%)	86.4%	8.4%	88.5%	7.7%	3.2%
Sector and industry					
Private customers	36,260	20,598	38,443	20,396	19,047
Public sector	4,363	3,832	4,699	4,126	3,666
Primary industries	1,036	1,051	950	921	927
Paper and pulp industries	5	93	107	104	101
Other industries	801	504	782	503	514
Building and construction	1,177	726	1,092	806	671
Power and water supply	124	277	262	124	118
Wholesale and retail trade	1,270	754	1,417	882	665
Hotel and restaurants	266	144	247	131	95
Real estate	4,554	1,769	3,794	1,487	1,565
Commercial services	11,242	3,648	10,071	3,706	3,437
Transport and communications	597	272	422	268	258
Other operations	1,086	8	784	4	6
Private customers (%)	*57.8%*	*61.2%*	*61.0%*	*61.0%*	*61.3%*
Public sector (%)	*6.9%*	*11.4%*	*7.5%*	*12.3%*	*11.8%*
Primary industries (%)	*1.7%*	*3.1%*	*1.5%*	*2.8%*	*3.0%*
Paper and pulp industries (%)	*0.0%*	*0.3%*	*0.2%*	*0.3%*	*0.3%*
Other industries (%)	*1.3%*	*1.5%*	*1.2%*	*1.5%*	*1.7%*
Building and construction (%)	*1.9%*	*2.2%*	*1.7%*	*2.4%*	*2.2%*
Power and water supply (%)	*0.2%*	*0.8%*	*0.4%*	*0.4%*	*0.4%*
Wholesale and retail trade (%)	*2.0%*	*2.2%*	*2.3%*	*2.6%*	*2.1%*
Hotel and restaurants (%)	*0.4%*	*0.4%*	*0.4%*	*0.4%*	*0.3%*
Real estate (%)	*7.3%*	*5.3%*	*6.0%*	*4.4%*	*5.0%*
Commercial services (%)	*17.9%*	*10.8%*	*16.0%*	*11.1%*	*11.1%*
Transport and communications (%)	*1.0%*	*0.8%*	*0.7%*	*0.8%*	*0.8%*
Other operations (%)	*1.7%*	*0.0%*	*1.2%*	*0.0%*	*0.0%*
Geographic area					
Hedmark County	n.a.	n.a.	30,265	27,635	25,997
Oppland County	n.a.	n.a.	1,043	1,002	691
Akershus County	n.a.	n.a.	7,477	1,393	1,259
Oslo County	n.a.	n.a.	19,047	1,818	n.a.
Rest of Norway	n.a.	n.a.	4,690	1,177	2,748
Abroad	n.a.	n.a.	515	433	375
Accrued interest	n.a.	n.a.	34	0	0
Hedmark County (%)	*n.a.*	*n.a.*	*48.0%*	*82.6%*	*83.7%*
Oppland County (%)	*n.a.*	*n.a.*	*1.7%*	*3.0%*	*2.2%*
Akershus County (%)	*n.a.*	*n.a.*	*11.9%*	*4.2%*	*4.1%*
Oslo County (%)	*n.a.*	*n.a.*	*30.2%*	*5.4%*	*n.a.*
Rest of Norway (%)	*n.a.*	*n.a.*	*7.4%*	*3.5%*	*8.8%*
Abroad (%)	*n.a.*	*n.a.*	*0.8%*	*1.3%*	*1.2%*

Deposits from and liabilities to customers generally comprise of cash balances deposited in current, savings and other accounts held by the Group on behalf of its customers. It is an integral part of the Group's funding which is described in detail in Section 14.7.1.

Total deposits amounted to NOK 62,782 million as per 31 March 2017, of which 57.8%were deposits from private customers and 42.2% were deposits from corporates. The three largest sectors within corporate deposits were commercial services (17.9% of total deposits), the public sector (6.9%) and commercial real estate (7.3%). More than half of the deposits from the commercial services are deposits from the labour unions, an important funding source for the Group.

Deposits from and liabilities to customers increased by 88.5%, 7.7% and 3.2% on an annual basis in 2016, 2015, and 2014, respectively, corresponding to an increase of NOK 29,612 million, NOK 2,388 million and NOK 973 million, respectively. As with figures for lending, the consolidation of B1OA's balance sheet from the second quarter of 2016 distorts comparisons with previous periods. In order to gauge deposit developments in 2016 and the first quarter of 2017 compared to periods in the year before, it is necessary to look at how deposits have evolved in the former SBHE and B1OA, separately.

In Former Sparebanken Hedmark, deposits rose by 8.2% in 2016 compared to 2015. Retail deposits rose by 47.9% while corporate deposits rose by 8.8%. In the first quarter of 2017, deposits rose by 6.5% compared to the first quarter of 2016. In the same period, retail deposits rose by 7.1% while corporate deposits rose by 5.5%.

In former B1OA, deposits rose by 14.1% from 2015 to 2016. In the same period, deposits from retail customers rose by 25.1%, while corporate deposits increased 12.5%. Deposits from customers in the OM division (largely the trade unions) fell by 2.0%. In the first quarter of 2017, deposits rose by 9.5% compared to the first quarter of 2016. In the same period, retail deposits rose by 21.6% corporate deposits fell by 5.0%, while OM deposits rose by 0.4%.

The majority of the deposits per 31 December 2016 were sourced from customers located in Hedmark and Oslo County (48.0% and 30.2%, respectively). The geographical composition of the Group's deposits changed significantly with the consolidation of B1OA's balance sheet in the second quarter of 2016. At year-end 2015, 82.6% of the Group's deposits were from customers located in Hedmark County. At year-end 2016, around 83.0% of deposits in the Former Sparebanken Hedmark were from customers in Hedmark County. In B1OA, around 63.0% of deposits per 31 December 2016 were from customers located in Oslo County, compared to 67.8% at 31 December 2015.

14.5.2.2 Other liabilities

In NOK millions (unless stated otherwise)	**Three months ended 31 March**		**Year ended 31 December**		
	2017	**2016**	**2016**	**2015**	**2014**
Other liabilities	25,518	13,484	24,794	12,733	10,120
Growth (%)	89.2%	22.3%	94.7%	25.8%	6.2%
Securities type					
Deposits from and liabilities to credit institutions	1,558	1,250	1,654	660	665
Certificate-based debt	0	503	0	501	0
Bond debt	22,754	11,240	21,937	11,076	8,951
Subordinated loan capital	1,206	491	1,203	496	505
Deposits from and liabilities to credit institutions (%)	*6.1%*	*9.3%*	*6.7%*	*5.2%*	*6.6%*
Certificate-based debt (%)	*0.0%*	*3.7%*	*0.0%*	*3.9%*	*0.0%*
Bond debt (%)	*89.2%*	*83.4%*	*88.5%*	*87.0%*	*88.4%*
Subordinated loan capital (%)	*4.7%*	*3.6%*	*4.9%*	*3.9%*	*5.0%*

Other liabilities consist of deposits from and liabilities to credit institutions, and liabilities arising from issuance of securities such as certificate-based debt, bond debt and subordinated loan capital. Together with deposits

from customers, other liabilities represent an important part of the Group's funding which is described in detail in Section 14.7.1.

Other liabilities amounted to NOK 25,518 million as per 31 March 2017, of which the majority were bond debt (89.2%). It is also worth mentioning that the Group had NOK 1,206 million of subordinated loan capital which counts as regulatory capital. The latter is further explained in Section 17.

Deposits from and liabilities to credit institutions rose from NOK 660 million from end-2015 to NOK 1,250 million to the first quarter of 2016. The increase was largely due to a loan of NOK 600 million with a 5.5 year tenor from the Nordic Investment Group.[58] The increase in deposits from and liabilities to credit institutions of NOK 308 million from the first quarter of 2016 to the first quarter of 2017 was largely due to the consolidation of B1OA's balance sheet in the second quarter of 2016.

Certificate-based debt rose by NOK 501 million in 2015 compared to 2014. The increase was due to an issued debt certificate of NOK 500 million with a 6-month tenor. The certificate has since matured.

Issuance of senior unsecured bond debt rose by NOK 2,125 million from 2014 to 2015. The increase in issued debt was in large parts due to a possible increase in the Group's LCR requirements. The rise in debt issuance mirrored an increase in the Group's holdings of certificates and bonds of NOK 2,116 million. For more details, see Section 14.5.1.2. The increase in senior unsecured bond debt from 2015 to 2016 of NOK 10,861 million was due to the consolidation in the second quarter of 2016 of senior unsecured debt issued by B1OA. Through 2016, the Group issued debt of NOK 3,877 million while NOK 3,345 million of debt outstanding matured. In the first half of 2016, B1OA issued debt of NOK 973 million while NOK 1,295 million of debt outstanding matured. In the first quarter of 2017, the Group issued senior unsecured debt of NOK 2,200 million. In the same period, the Group bought back its own senior unsecured debt of NOK 1,301 million.

The increase in subordinated loan capital from NOK 500 million in the first quarter of 2016 to NOK 1,203 million at the end of 2016 was in large parts due to the inclusion of subordinated loan capital issued by B1OA. The nominal value of subordinated loan capital issued by the former Sparebanken Hedmark and B1OA was NOK 500 million and NOK 700 million, respectively.

14.5.2.3 Equity

In NOK millions (unless stated otherwise)	**Three months ended 31 March**		**Year ended 31 December**		
	2017	**2016**	**2016**	**2015**	**2014**
Equity capital	12,370	8,995	12,107	8,718	7,624
Growth (%)	37.5%	14.0%	38.9%	14.3%	13.5%
Equity type					
Equity capital certificates	5,310	3,987	5,310	3,987	0
Premium funds	520	0	520	0	0
Dividend equalisation fund	974	503	974	503	0
Primary capital	3,307	3,015	3,313	3,019	6,644
Provision for gifts	29	46	33	50	42
Fund for unrealised gains	135	151	134	135	109
Hybrid capital	400	0	400	0	0
Dividends	148	0	148	0	0
Other equity	1,498	1,253	1,228	1,023	827
Minority interests	49	40	47	0	0

Total equity consists of the equity capital certificates owner's capital, the savings bank's reserve and hybrid capital. This structure is unique for savings banks. The amount of equity kept on the balance sheet is highly important because of the Group's underlying regulatory requirements set out by Norwegian authorities and

[58] For more details, see http://www.nib.int/news_publications/1820.

other international bodies. The equity structure and related capital requirements are described further in Section 17.

Equity partly finances the Group's assets. Up until the acquisition of B1OA on 29 June 2016, changes in the Group's equity had largely been due to retained earnings. Out of the increase in equity from 2015 to 2016 of NOK 3,389 million, NOK 1,843 million was due to new equity issued to the old owners of B1OA in relation to the acquisition of the remaining shares of B1OA. A further NOK 1,100 was due to the results for the accounting year 2016. Also, equity increased by NOK 400 million from 2015 to 2016 as a result of the reclassification of hybrid capital in B1OA from debt to equity, due to accounting rules.

The Group had not paid any dividends until April 2017 (NOK 148 million, based on the profits after taxes for 2016). Rather than dividends, the Group has traditionally donated parts of its annual profits as gifts to the local community.

Total equity amounted to NOK 12,370 million as per 31 March 2017, and comprised of NOK 8,051 million equity capital certificates owner's capital, NOK 3,871 million of the savings bank's reserve, NOK 400 million in hybrid capital and NOK 49 million in minority interests. It is important to note that hybrid capital is a form of liability arising from the issuance of securities which counts as equity and thus also regulatory capital. The latter is further explained in Section 17.

14.6 RESULTS OF OPERATIONS

14.6.1 *Definitions of selected line items from the statement of comprehensive income*

Net interest income:
Net interest income is the difference between the total interest income generated by the Bank's interest-bearing assets and the total interest expense generated by the Bank's interest-bearing liabilities.

Net commission and other income:
Net commission and other income is the difference between non-interest income and expenses generated through additional services provided by the Bank such as securities trading, payment transmissions, real estate brokering, guarantee services, insurance services, accounting services and leasing services. It is also worth noting that the sales commission from loans transferred to covered bond companies is classified as net commission and other income.

Net income from financial assets and liabilities:
Net income from financial assets and liabilities consist of "change in value of interest rate instruments", "change in value of derivatives", "total net income from equity instruments available for sale", "net income from currency trading" and "net income from ownership interests". It is worth noting that the latter represents income from associates and joint ventures, such as B1OA and several SpareBank 1 Gruppen companies, which are accounted for in accordance with the equity method (IFRS 10 and IFRS 11).

Personnel expenses:
Personnel expenses are all expenditures relating to the Bank's personnel including payroll, employers' national insurance, pension cost, social security expenses, training and other benefits.

Depreciation:
Depreciation is the monetary value of the underlying erosion of the Bank's "buildings, land and other property", "fixtures, fittings and vehicles" and "intangible assets".

Other operating expenses:
Other operating expenses is an umbrella term for other expenses generated by the Bank's ordinary course of business such as external services, data processing, marketing, IT hardware, IT software and rent.

Losses on loans and guarantees:
Losses on loans and guarantees consist of loan write-downs (realized losses), recoveries on previous loan write-downs, reversal of collective and individual provisions as well as new collective and individual provisions.

Tax charge:
Tax charge is the Bank's profit before tax multiplied by the appropriate efficient tax rate.

14.6.2 *Three month period ended 31 March 2017 compared with three month period ended 31 March 2016*

In NOK millions	Three months ended 31 March			
	2017 (unaudited)	**2016** (unaudited)	**Δ** (unaudited)	**% change** (unaudited)
Interest income	787	472	315	66.7%
Interest expenses	322	176	146	83.0%
Net interest income	**464**	**297**	**167**	**56.2%**
Commission income	277	123	154	125.2%
Commission expenses	22	13	9	69.2%
Other operating income	53	50	3	6.0%
Net commission and other income	**308**	**160**	**148**	**92.5%**
Dividends	9	0	9	n.a.
Net profit from ownership interests	6	70	-64	-91.4%
Net profit from other financial assets and liabilities	-14	-63	-77	n.a
Net income from financial assets and liabilities	**0**	**7**	**-7**	**n.a.**
Total net income	**773**	**464**	**309**	**66.6%**
Personnel expenses	232	148	84	56.8%
Depreciation	21	11	10	90.9%
Other operating expenses	184	94	90	95.7%
Total operating expenses before losses on loans and guarantees	**437**	**253**	**184**	**72.7%**
Profit before losses on loans and guarantees	**335**	**211**	**124**	**58.8%**
Losses on loans and guarantees	-26	9	-35	-388.9%
Profit/loss before tax	**361**	**202**	**159**	**78.7%**
Tax charge	88	33	55	166.7%
Results for the accounting period	**274**	**169**	**105**	**62.1%**

The table below specifies the contribution from subsidiaries, associated companies and joint ventures to the consolidated result after tax as at, and for the three months ended, 31 March 2017 and 2016:

In NOK millions	Three months ended 31 March			
	2017 (unaudited)	**2016** (unaudited)	**Δ** (unaudited)	**% change** (unaudited)
Parent Bank's profit after tax	190	158	32	20.3%
Dividends received from subsidiaries/associated companies	-84	-80	-4	n.a.
Share of the result from:				
SpareBank 1 Gruppen AS	42	34	8	23.5%
Bank 1 Oslo Akershus AS	119	23	96	417.4%
SpareBank 1 Boligkreditt og Næringskreditt AS	-25	12	-37	-308.3%
EiendomsMegler 1 Hedmark Eiendom AS	2	1	1	100.0%
SpareBank 1 Finans Østlandet AS	28	18	10	55.6%
SpareBank 1 Regnskapshuset Østlandet AS	2	1	1	100.0%
SpareBank 1 Kredittkort AS	2	3	-1	-33.3%
SpareBank 1 Mobilbetaling AS	-14	-3	-11	n.a.

Other associated companies/joint ventures	11	1	-23	-67.6%
Consolidated profit after tax	274	169	105	62.1%

14.6.2.1 Net interest income

In NOK millions	Three months ended 31 March			
	2017	**2016**	**Δ**	**% change**
Interest income				
Interest on loans to and receivables from credit institutions	11	15	-4	-28.2%
Interest on loans to and receivables from customers	718	430	288	66.9%
Interest on certificates and bonds	53	24	29	121.1%
Interest income from write-down loans charged to income	5	7	2	49.3%
Total interest income	787	472	314	66.6%
Interest expenses				
Interest on debt to credit institutions	8	7	1	13.8%
Interest on deposits from and liabilities to customers	163	97	66	68.1%
Interest on securities issued	131	61	70	114.5%
Interest on subordinated loan capital	9	4	6	158.0%
Fees to the Bank's Guarantee Fund	10	6	4	68.8%
Other interest expenses and similar expenses	0	1	0	-30.6%
Total interest expenses	322	176	147	83.4%
Total net interest income	**464**	**297**	**168**	**56.6%**

Net interest income amounted to NOK 464 million in the three month period ended 31 March 2017, compared with NOK 297 million in the same period in 2016. Total net interest income amounted to NOK 540 million, inclusive of commissions from loans and credit transferred to the partly-owned covered bond companies (recognised as commissions) totalling NOK 76 million. This compared to NOK 336 million and NOK 40 million, respectively, in the period that ended 31 March 2016.

The lending margin in the three month period ended 31 March 2017, inclusive of mortgages in the covered bond company, amounted to 2.17%, compared to 2.44% in the same period in 2016. The deposit margin and the net interest margin in the three month period ended 31 March 2017 was 0.11% and 2.29%, respectively. In the same period in 2016, the deposit margin and the net interest margin was 0.19% and 2.63%, respectively.

The increase in net interest income was due primarily to the consolidation of the results of B1OA. Moreover, high lending growth and improvements in deposit and corporate lending margins contributed positively to the net interest income compared with three month period ended 31 March 2016. Over the same time period, retail lending margins contributed negatively to the change in net interest income.

14.6.2.2 Net commission and other income

In NOK millions	Three months ended 31 March			
	2017	**2016**	**Δ**	**% change**
Commission income				
Guarantee commissions	4	4	0	10.7%
Securities trading	5	2	3	122.6%
Payment transmission	73	41	42	134.4%
Insurance services	43	22	22	100.0%
Commission from loans transferred to covered bond companies	76	40	36	91.4%
Commission from real estate brokerage	71	20	51	259.4%
Other commission income	5	5	0	1.0%
Total commission income	277	123	154	125.2%
Commission expenses				
Payment transmission	12	5	7	132.6%

Other commission expenses	11	7	3	41.1%
Total commission expenses	22	13	10	77.8%
Other operating income				
Operating income from real estate	1	1	0	5.3%
Income from accounting	46	45	1	1.5%
Rental income	0	0	0	n.a.
Income payroll	0	0	0	n.a.
Gains on fixed assets	1	0	1	n.a.
Other operating income	5	4	1	29.8%
Total other operating income	53	50	3	7.0%
Total net commission income and other operating income	**308**	**160**	**148**	**92.2%**

Net commissions amounted to NOK 255 million in the first three months of 2017, compared to NOK 110 million in the same period in 2016. The increase in commission was primarily due to the inclusion of B1OA, which has tended to have a larger share of total income as commission income. Commission income from real estate brokerage rose from NOK 20 million in the first quarter of 2016 to NOK 71 million in the same quarter in 2017. Commission income from insurance and products rose from NOK 24 million to NOK 48 million over the same time period. Commission income from payment transmission services rose from NOK 13 million in the first quarter of 20166 to NOK 36 million in the first quarter of 2017. In addition, commission from loans transferred to covered bond companies rose from NOK 40 million to NOK 76 million, of which the inclusion of B1OA contributed to an increase of NOK 38 million.

Other operating income was NOK 53 million in the first quarter of 2017, compared to NOK 50 million in the same quarter in 2016. Other operating income consisted primarily of income from accounting.

14.6.2.3 Net income from financial assets and liabilities

In NOK millions	**Three months ended 31 March**			
	2017	**2016**	**Δ**	**% change**
Change in value of interest rate instruments	-6	-78	73	n.a.
Change in value of derivatives	-23	13	-36	-281.9%
Total net income from equity instruments available for sale	11	0	11	n.a.
Net income from ownership interests	6	70	-64	-91.4%
Net income from currency trading	10	3	7	233.3%
Total net income from financial assets and liabilities	**0**	**7**	**-7**	**n.a.**

The net profit from financial assets and liabilities was NOK 0 million in the first quarter of 2017, compared to NOK 7 million in the same period in 2016. Of this, the result from ownership interests, primarily SpareBank 1 Gruppen AS and other alliance companies, amounted to NOK 6 million (compared to NOK 70 million in the same period in 2016). Dividends of NOK 9 million consisted primarily of dividends from Toten Sparebank of NOK 9 million in the first quarter of 2017, compared to NOK 0 million in the first quarter of 2016.

The net investment result from other financial assets and liabilities was NOK -14 million in the first quarter of 2017, compared to NOK -63 million in the same period in 2016.

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

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

The net effect for the Bank of price changes for all fixed-income securities, inclusive of hedging transactions, was NOK -34 million in the first quarter of 2017, almost all of which are unrealised losses. This compared to NOK -72 million in the same period in 2016. The change in value for securities issued, inclusive of hedging, was NOK -66 million, compared to NOK -71 million in the first quarter of 2016.

14.6.2.4 Personnel expenses

In NOK millions	Three months ended 31 March			
	2017	**2016**	**Δ**	**% change**
Personnel expenses				
Payroll	209	116	93	79.9%
Employers' National Insurance	35	16	19	117.1%
Pension costs	-26	8	-34	-426.4%
Social security expenses	15	8	7	89.5%
Total personnel expenses	**232**	**148**	**84**	**57.0%**
Number of employees				
Average number of employees	1,176	747	429	57.4%
Number of fulltime equivalents at 31 December	1,134	739	395	53.5%
Number of employees at 31 December	1,179	765	414	54.1%

Personnel expenses rose from NOK 148 million in the first three months of 2016 to NOK 232 million in the first three months of 2017. The main driver for an increase in personnel costs was the consolidation of B1OA in the accounts. Wages rose from NOK 116 million in the first quarter of 2016 to NOK 209 million in the first quarter of 2017. Social costs rose from NOK 24 million to NOK 50 million over the same period. Pension costs were minus NOK 26 million in the first quarter of 2017, compared to NOK 8 million in the first quarter of 2016.

B1OA closed its defined benefit pension scheme on 1 January 2017 and this resulted in a gain that reduced operating costs by NOK 53 million in the first quarter of 2017. A recalculation of the pension costs for 2016 resulted in a cost of NOK 12 million in the Former Sparebanken Hedmark. Furthermore, a total of NOK 22 million accrued in merger costs in the first quarter, NOK 11 million of which was linked to severance pay.

14.6.2.5 Depreciation

Depreciation increased by NOK 10 million (81.9%), from NOK 11 million for the quarter ended 31 March 2016 to NOK 21 million for the quarter ended 31 march 2017. NOK 7 million of the increase is attributable to the inclusion of B1OA, while the rest was due fixed asset investments. The depreciation in Q1 2017 consisted mainly of depreciation of buildings, land and other property as well as fixtures, fittings and vehicles in line with the underlying depreciation schedule.

14.6.2.6 Other operating expenses

Other operating costs increased by NOK 90 million (96.6%), from NOK 94 million for the quarter ended 31 March 2016 to NOK 184 million for the quarter ended 31 march 2017. NOK 84 million is attributable to the consolidation of B1OA. The remaining increase was due primarily to costs related to the merger. The operating expenses consisted primarily of IT-related costs, external services, rent and marketing.

14.6.2.7 Losses on loans and guarantees

In the first quarter of 2017, the Group booked net reversals on loan losses of NOK 26 million. This compared to costs on loan losses of NOK 9 million in the same period in 2016. The reversals were primarily due to a NOK 27 million reduction in group write-downs (compared to no changes in the same quarter in 2016).

For the Former Sparebanken Hedmark bank in isolation, net loan loss provisions amounted to NOK -26 million, compared to NOK 4 million in the first quarter of 2016. Of these, NOK 1 million of the losses occurred in the retail market, compared to NOK 3 million in the first quarter of 2016. In the corporate market, loan losses were

negative, at NOK -27 million, compared to loss costs of NOK 5 million in the first quarter of 2016. In the first quarter of 2016, NOK 4 million was recognised as income in connection with the sale of a portfolio of loans with recorded losses. In B1OA, net loan loss provisions were also negative in the first quarter of 2017, with net receipts on losses of NOK 7 million.

14.6.2.8 Tax charge

The tax charge was NOK 88 million for the quarter ended 31 March 2017, up from NOK 33 million for the quarter ended 31 March 2016, representing an increase of NOK 55 million. NOK 41 million is attributable to the consolidation of B1OA. The remaining increase was primarily due to an elevated profit before tax for the quarter ended 31 March 2017.

14.6.3 *Year ended 31 December 2016 compared with year ended 31 December 2015*

In NOK millions	**Year ended 31 December**			
	2016 (audited)	**2015** (audited)	**Δ** (unaudited)	**% change** (unaudited)
Interest income	2,494	1,972	522	26.5%
Interest expenses	1,004	867	137	15.8%
Net interest income	**1,490**	**1,105**	**385**	**34.80%**
Commission income	830	514	316	61.5%
Commission expenses	71	53	18	34.0%
Other operating income	180	190	-10	-5.3%
Net commission and other income	**939**	**651**	**288**	**44.2%**
Dividends	46	9	37	411.1%
Net profit from ownership interests	236	301	-65	-21.6%
Net profit from other financial assets and liabilities	-62	205	-267	-130.2%
Net income from financial assets and liabilities	**220**	**514**	**-294**	**-57.2%**
Total net income	**2,649**	**2,270**	**379**	**16.7%**
Personnel expenses	573	590	-17	-2.9%
Depreciation	65	46	19	41.3%
Other operating expenses	565	416	149	35.8%
Total operating expenses before losses on loans and guarantees	**1,203**	**1,052**	**151**	**14.4%**
Profit before losses on loans and guarantees	1,446	1,220	226	18.5%
Losses on loans and guarantees	75	56	19	33.9%
Profit/loss before tax	**1,371**	**1,164**	**207**	**17.8%**
Tax charge	271	234	37	15.8%
Results for the accounting period	**1,100**	**930**	**170**	**18.3%**

The table below specifies the contribution from subsidiaries, associated companies and joint ventures to the consolidated result after tax as at, and for the years ended, 31 December 2016 and 2015:

In NOK millions	Year ended 31 December 2016 (audited)	2015 (audited)	Δ (unaudited)	% change (unaudited)
Parent Bank's profit after tax	964	796	168	21.1%
Dividends received from subsidiaries/associated companies	-389	-259	-130	n.a
Share of the result from:				
SpareBank 1 Gruppen AS	192	142	50	35.2%
Bank 1 Oslo Akershus AS	250	100	150	150.0%
SpareBank 1 Boligkreditt og Næringskreditt AS	-23	46	-69	-150.0%
EiendomsMegler 1 Hedmark Eiendom AS	14	5	9	180.0%
SpareBank 1 Finans Østlandet AS	86	74	12	16.2%
SpareBank 1 Regnskapshuset Østlandet AS	2	11	-9	-81.8%
SpareBank 1 Kredittkort AS	17	10	7	70.0%
SpareBank 1 Mobilbetaling AS	-25	0	-25	n.a.
Other associated companies/joint ventures	12	5	7	140.0%
Consolidated profit after tax	1,100	930	170	18.3%

14.6.3.1 Net interest income

In NOK millions	Year ended 31 December 2016	2015	Δ	% change
Interest income				
Interest on loans to and receivables from credit institutions	65	68	-3	-4.4%
Interest on loans to and receivables from customers	2,287	1,796	491	27.3%
Interest on certificates and bonds	124	88	36	40.9%
Interest income from write-down loans charged to income	18	20	-2	-10.0%
Total interest income	2,494	1,972	522	26.5%
Interest expenses				
Interest on debt to credit institutions	43	31	12	38.7%
Interest on deposits from and liabilities to customers	526	564	-38	-6.7%
Interest on securities issued	379	232	147	63.4%
Interest on subordinated loan capital	25	15	10	66.7%
Fees to the Bank's Guarantee Fund	31	25	6	24.0%
Other interest expenses and similar expenses	0	0	0	n.a.
Total interest expenses	1,004	867	137	15.8%
Total net interest income	**1,490**	**1,105**	385	34.8%

Net interest income amounted to NOK 1,490 million for the year ended 31 December 2016 which corresponds to an increase of 34.8% compared to the year ended 31 December 2015. The large increase in net interest income for the year ended 31 December 2016 was mainly driven by a higher lending volume. The latter was, among others, materially affected by the inclusion of B1OA's outstanding loan book.

It is also worth noting that the Bank's net interest income as a percentage of average total assets was 1.8% for the year ended 31 December 2016 compared to 2.1% for the year ended 31 December 2015. The downward shift materialized due to lower lending margins despite of somewhat higher deposit margins. The falling lending margin was mainly driven by the inclusion of B1OA which operates with lower interest rates both due to the fact that its outstanding loan book is skewed towards private customers with mortgage loans and the fact that the market in Oslo and Akershus are characterized by high competition.

14.6.3.2 Net commission and other income

In NOK millions	Year ended 31 December			
	2016	**2015**	**Δ**	**% change**
Commission income				
Guarantee commissions	18	16	2	12.5%
Securities trading	11	7	4	57.1%
Payment transmission	238	132	106	80.3%
Insurance services	129	81	48	59.3%
Commission from loans transferred to covered bond companies	225	188	37	19.7%
Commission from real estate brokerage	198	80	118	147.5%
Other commission income	12	10	2	20.0%
Total commission income	830	514	316	61.5%
Commission expenses				
Payment transmission	36	21	15	71.4%
Other commission expenses	34	32	2	6.3%
Total commission expenses	71	53	18	34.0%
Net commissions	**759**	**461**	**298**	**64.6%**
Other operating income				
Operating income from real estate	6	5	1	20.0%
Income from accounting	159	164	-5	-3.0%
Rental income	0	1	-1	n.a.
Income payroll	4	7	-3	-42.9%
Gains on fixed assets	0	10	-10	n.a.
Other operating income	10	5	5	100.0%
Total other operating income	180	190	-10	-5.3%
Total net commission income and other operating income	**939**	**651**	**288**	**44.2%**

Net commissions amounted to NOK 759 million for the year ended 31 December 2016, an increase of 64.6% compared to the year ended 31 December 2015. The increase primarily comes from the inclusion of B1OA. Net commissions was driven by payment transmissions, insurance services commission from loans transferred to covered bond companies as well as commission from real estate brokerage. It is worth noting that commission from loans transferred to covered bonds companies amounted to 27.1% of total commission income for the year ended 31 December.

Other operating income was NOK 180 for the year ended 31 December 2016 which represented a decrease by NOK 10 million compared to the year ended 31 December 2015. Total other operating income consisted primarily of income from accounting (88.3%).

14.6.3.3 Net income from financial assets and liabilities

In NOK millions	Year ended 31 December			
	2016	**2015**	**Δ**	**% change**
Change in value of interest rate instruments	57	234	-177	-75.6%
Change in value of derivatives	-171	-41	-130	n.a.
Total net income from equity instruments available for sale	75	8	67	837.5%
Net income from ownership interests	236	301	-65	-21.6%
Net income from currency trading	24	12	12	100.0%
Total net income from financial assets and liabilities	**220**	**514**	**-294**	**-57.2%**

The Bank's total net income from financial assets and liabilities decreased by NOK 294 million, or -75.6%, from NOK 514 million for the year ended 31 December 2015 to NOK 220 million for the year ended 31 December 2016. The decrease can be attributed to fluctuations in various market forces such as bond spreads, credit spreads, swap rates and fixed-rates, to fluctuations in the profit contributions from ownership interests, to a

one-off payment from VISA Norge FLI, to a provisional settlement in arrears from the sale of Nets Holding ASA in connection with this company's sale of its shares in VISA Europe Ltd, as well as to the acquisition of B1OA.

14.6.3.4 Personnel expenses

In NOK millions	Year ended 31 December			
	2016	**2015**	**Δ**	**% change**
Personnel expenses				
Payroll	646	440	206	46.8%
Employers' National Insurance	110	67	43	64.2%
Pension costs	-215	54	-269	n.a.
Social security expenses	32	30	2	6.7%
Total personnel expenses	573	590	-17	-2.9%
Number of employees				
Average number of employees	986	735	251	34.1%
Number of fulltime equivalents at 31 December	1,173	728	445	61.1%
Number of employees at 31 December	1,209	762	447	58.7%

Personnel expenses for the year ended 31 December 2016 amounted to NOK 573 million. The main reason for the reduction in personnel expenses was the winding up of the Bank's defined benefit pension scheme with effect from 1 July 2016, which resulted in non-recurring income recognition of NOK 271 million.

The increase in payroll is attributable to the inclusion of B1OA. By 31 December 2016, after the consolidation, the Bank employed 1,173 full-time equivalents, which is an increase of 445 compared to the 2015 level of 728.

14.6.3.5 Depreciation

Depreciation increased by NOK 19 million (41.3%), from NOK 46 million for the year ended 31 December 2015 to NOK 65 million for the year ended 31 December 2016. The increase is primary attributable to the inclusion of B1OA. The depreciation in 2016 mainly comprised of depreciation of buildings, land and other property as well as fixtures, fittings and vehicles in line with the underlying depreciation schedule.

14.6.3.6 Other operating expenses

Other operating costs increased by 36% and amounted to NOK 565 million for the year ended 31 December 2016. The increase is mainly attributable to the consolidation of B1OA. The operating expenses consisted primarily of IT related cost, external services, rent and marketing.

14.6.3.7 Losses on loans and guarantees

Losses remained low for the year ended 31 December 2016 and amounted to a comfortable level of NOK 75 million. Compared to the year ended 31 December 2015 it increased by NOK 19 million, however, the increase represents a natural consequence of the higher lending volume in 2016 due to the inclusion of B1OA's outstanding loan book.

For the year ended 31 December 2016 the losses comprised of NOK 29 million in new write-downs, NOK 78 million in realized losses and NOK 33 million in recoveries on previously written down loans.

14.6.3.8 Tax charge

The Bank paid NOK 271 million in taxes in the year ended 31 December 2016, which is up from NOK 234 million in the year ended 31 December 2015, representing a change of NOK 37 million. This increase was primarily due to an elevated profit before tax for the year ended 31 December 2016 (17.8%) which is attributable to the inclusion of B1OA.

The Bank's applied company tax rate has been 25% since 2015, however, its effective tax rate has been around 20% in the same period. The effective tax rate has been lower than the applied tax rate mainly due to the fact

that some line items are treated with a significantly lower tax rate. For example, a tax rate of 0.75% is applied on received dividends and gains on sale of shares.

14.6.4 *Year ended 31 December 2015 compared with year ended 31 December 2014*

In NOK millions	Year ended 31 December 2015 (audited)	2014 (audited)	Δ (unaudited)	% change (unaudited)
Interest income	1,972	2,101	-129	-6.1%
Interest expenses	867	1,058	-191	-18.1%
Net interest income	**1,105**	**1,043**	**62**	**5.9%**
Commission income	514	575	-61	-10.6%
Commission expenses	53	50	3	6.0%
Other operating income	190	138	52	37.7%
Net commission and other income	**651**	**663**	**-12**	**-1.8%**
Dividends	9	13	-4	-30.8%
Net profit from ownership interests	301	394	-93	-23.6%
Net profit from other financial assets and liabilities	205	166	39	23.5%
Net income from financial assets and liabilities	**514**	**572**	**-58**	**-10.1%**
Total net income	**2,270**	**2,279**	**-9**	**-0.4%**
Personnel expenses	590	543	47	8.7%
Depreciation	46	41	5	12.2%
Other operating expenses	416	397	19	4.8%
Total operating expenses before losses on loans and guarantees	**1,052**	**981**	**71**	**7.2%**
Profit before losses on loans and guarantees	1,218	1,298	-80	-6.2%
Losses on loans and guarantees	56	66	-10	-15.2%
Profit/loss before tax	**1,162**	**1,232**	**-70**	**-5.7%**
Tax charge	233	192	41	21.4%
Results for the accounting period	**930**	**1,040**	**-110**	**-10.6%**

The table below specifies the contribution from subsidiaries, associated companies and joint ventures to the consolidated result after tax as at, and for the years ended, 31 December 2015 and 2014:

In NOK millions	Year ended 31 December 2015 (audited)	2014 (audited)	Δ (unaudited)	% change (unaudited)
Parent Bank's profit after tax	796	676	120	17.8%
Dividends received from subsidiaries/associated companies	-259	-135	-124	91.9%
Share of the result from:				
SpareBank 1 Gruppen AS	142	202	-60	-29.7%
Bank 1 Oslo Akershus AS	100	183	-83	-45.4%
SpareBank 1 Boligkreditt og Næringskreditt AS	46	24	22	91.7%
EiendomsMegler 1 Hedmark Eiendom AS	5	8	-3	-37.5%
SpareBank 1 Finans Østlandet AS	74	73	1	1.4%
SpareBank 1 Regnskapshuset Østlandet AS	11	4	7	175.0%
SpareBank 1 Kredittkort AS	10	0	10	n.a.
SpareBank 1 Mobilbetaling AS	0	0	0	n.a.
Other associated companies/joint ventures	5	5	0	0.0%
Consolidated profit after tax	930	1,040	-110	-10.6%

14.6.4.1 Net interest income

In NOK millions	Year ended 31 December 2015	2014	Δ	% change
Interest income				
Interest on loans to and receivables from credit institutions	68	70	-2	-2.9%
Interest on loans to and receivables from customers	1,796	1,902	-106	-5.6%
Interest on certificates and bonds	88	104	-16	-15.4%
Interest income from write-down loans charged to income	20	25	-5	-20.0%
Total interest income	1,972	2,101	-129	-6.1%
Interest expenses				
Interest on debt to credit institutions	31	36	-5	-13.9%
Interest on deposits from and liabilities to customers	564	759	-195	-25.7%
Interest on securities issued	232	220	12	5.5%
Interest on subordinated loan capital	15	18	-3	-16.7%
Fees to the Bank's Guarantee Fund	25	21	4	19.0%
Other interest expenses and similar expenses	0	5	-5	n.a.
Total interest expenses	867	1,058	-191	-18.1%
Total net interest income	**1,105**	**1,043**	62	5.9%

Total net interest income amounted to NOK 1,105 million for the year ended 31 December 2015. This represents an increase of 5.9% compared to the year ended 31 December 2014. The movement was primarily caused by an inflated outstanding loan book together with a deflated net interest income as a percentage of average total assets. The Bank's average lending to customers grew by 9.2% in the year ended 31 December 2015 and its net interest income as a percentage of average total assets was 2.08% compared to 2.14% in the year ended 31 December 2014. The Bank experienced margin pressure within its lending operation, however, this was partly offset by higher margins within it deposit operation.

14.6.4.2 Net commission and other income

In NOK millions	Year ended 31 December 2015	2014	Δ	% change
Commission income				
Guarantee commissions	16	13	3	23.1%
Securities trading	7	6	1	16.7%
Payment transmission	132	163	-31	-19.0%
Insurance services	81	75	6	8.0%
Commission from loans transferred to covered bond companies	188	228	-40	-17.5%
Commission from real estate brokerage	80	79	1	1.3%
Other commission income	10	11	-1	-9.1%
Total commission income	514	575	-61	-10.6%
Commission expenses				
Payment transmission	21	23	-2	-8.7%
Other commission expenses	32	27	5	18.5%
Total commission expenses	53	50	3	6.0%
Net commissions	**461**	**525**	**-64**	**-12.2%**
Other operating income				
Operating income from real estate	5	2	3	150.0%
Income from accounting	164	127	37	29.1%
Rental income	1	1	0	0.0%
Income payroll	7	5	2	40.0%
Gains on fixed assets	10	0	10	n.a.
Other operating income	5	3	2	66.7%

Total other operating income	190	138	52	37.7%
Total net commission income and other operating income	**651**	**663**	**-12**	**-1.8%**

Net commissions decreased by NOK 64 million, from NOK 525 million for the year ended 31 December 2014 to NOK 461 million for the year ended 31 December 2015. This was primarily attributable to a NOK 40 million drop in commissions from loans transferred to the covered bond companies due to reduced margins as well as a NOK 31 million drop in payment transmissions due to the recognition of extraordinary income items within SpareBank 1 Kredittkort AS.

Other operating income increased by NOK 52 million for the year ended 31 December 2015 with an outgoing balance of NOK 190 million. This was largely due to a 29.1% increase in income from accounting attributable to higher turnover in SpareBank 1 Regnskapshuset AS.

14.6.4.3 Net income from financial assets and liabilities

In NOK millions	Year ended 31 December			
	2015	**2014**	**Δ**	**% change**
Change in value of interest rate instruments	234	-132	366	n.a.
Change in value of derivatives	-41	130	-171	-131.5%
Total net income from equity instruments available for sale	8	170	-162	-95.3%
Net income from ownership interests	301	394	-93	-23.6%
Net income from currency trading	12	10	2	20.0%
Total net income from financial assets and liabilities	**514**	**572**	**-58**	**-10.1%**

The Bank's total net income from financial assets and liabilities decreased by NOK 58 million, or -10.1%, from NOK 572 million for the year ended 31 December 2014 to NOK 514 million for the year ended 31 December 2015. The decrease can be attributed to fluctuations in various market forces such as bond spreads, credit spreads, swap rates and fixed-rates, to fluctuations in the profit contributions from ownership interests, to a reversal of previously recognized unrealized changes, as well as to a one-off sale of shares in the payment systems company Nets Holding ASA.

14.6.4.4 Personnel expenses

In NOK millions	Year ended 31 December			
	2015	**2014**	**Δ**	**% change**
Personnel expenses				
Payroll	440	397	43	10.8%
Employers' National Insurance	67	58	9	15.5%
Pension costs (note 24)	54	54	0	0.0%
Social security expenses	30	34	-4	-11.8%
Total personnel expenses	590	543	47	8.7%
Number of employees				
Average number of employees	735	715	20	2.8%
Number of fulltime equivalents at 31 December	728	673	55	8.2%
Number of employees at 31 December	762	707	55	7.8%

The Group's total personnel expenses were NOK 590 million for the year ended 31 December 2015, which represents an increase of 8.7% compared to the year ended 31 December 2014. This is primarily attributable to increased staffing levels in subsidiaries and ordinary wage growth. The number of full-time equivalents (FTEs) in the Group increased by 55, from 673 FTEs at 31 December 2014 to 728 FTEs at 31 December 2015.

14.6.4.5 Depreciation

Depreciation amounted to NOK 41 million for the year ended 31 December 2014 and NOK 46 million for the year ended 31 December 2015, an increase of 12.2%. The depreciation for the year ended 31 December 2015 mainly comprised of depreciation of buildings, land and other property as well as fixtures, fittings and vehicles in line with the underlying depreciation schedule.

14.6.4.6 Other operating expenses

Other operating costs increased by 4.8% for the year ended 31 December 2016 and amounted to NOK 416 million at year-end. The operating expenses consisted primarily of IT related cost, external services, rent and marketing.

14.6.4.7 Losses on loans and guarantees

Total loan losses amounted to NOK 56 million for the year ended 31 December 2015, representing a reduction of NOK 10 million compared to the year ended 31 December 2014. The reduction can be explained by lower new write-downs together with lower realized losses.

For the year ended 31 December 2015 the losses comprised of NOK 9 million in new write-downs, NOK 57 million in realized losses and NOK 9 million in recoveries on previously written down loans.

14.6.4.8 Tax charge

The Bank paid NOK 233 million in taxes for the year ended 31 December 2015, which is up from NOK 192 million for the year ended 31 December 2014, representing a change of NOK 41 million. The change occurred primarily due to the fact that the Bank had different effective tax rates across the two periods compared.

The Bank's applied company tax rate was 27% for the year ended 31 December 2014 and 25% for the year ended 31 December 2015; however, its effective tax rate was 16% for the year ended 31 December 2014 and 20% for the year ended 31 December 2015. The effective tax rate for the year ended 31 December 2014 was significantly influenced by a gain on the sale of shares in Nets Holding ASA of NOK 158 million, which is subject to a taxation of only approximately 0.75%.

14.7 LIQUIDITY AND CAPITAL RESOURCES

14.7.1 *Funding*

The Group is concerned about maintaining a diversified and stable funding, and has three main sources of funding in addition to equity.

1. The largest and most important source of funding is deposits.
2. Another important source of funding is market funding held on the Group's own balance sheet, which has largely been comprised senior funding issued in the Norwegian market, but the Group also established an EMTN program in 2016 that enables funding in foreign currency.
3. Additionally, the Group has ownership interests in SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. These companies enable affordable financing by utilizing the Covered Bond market through the issuance of covered bonds (OMF).

14.7.1.1 Deposit funding

The following table shows the Group's deposits (including breakdown by maturity type, interest rate type and size), deposit ratio and average deposit margin:

In NOK millions (unless stated otherwise)	Three months ended 31 March		Year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
Deposits from and liabilities to customers	62,782	33,675	63,070	33,458	31,070
Growth (%)	86.4%	8.4%	88.5%	7.7%	3.2%
Maturity type					
At call	53,123	30,975	53,396	31,570	31,021
Agreed maturity dates	9,659	2,700	9,674	1,888	49
At call (%)	*84.6%*	*92.0%*	*84.7%*	*94.4%*	*99.8%*
Agreed maturity dates (%)	*15.4%*	*8.0%*	*15.3%*	*5.6%*	*0.2%*
Interest rate type					
Floating rate	59,393	33,445	59,785	33,316	31,033
Fixed rate	3,389	230	3,285	142	37
Floating rate (%)	94.6%	*99.3%*	*94.8%*	*99.6%*	*99.9%*
Fixed rate (%)	*5.4%*	*0.68%*	*5.21%*	*0.42%*	*0.12%*
Size					
NOK 0 - 2m	40,189	24,169	39,669	24,091	22,388
NOK 2 - 8m	4,367	2,284	4,075	2,263	1,962
> NOK 8m	18,227	7,221	19,325	7,104	6,720
NOK 0 - 2m (%)	*64.0%*	*71.8%*	*62.9%*	*72.0%*	*72.1%*
NOK 2 - 8m (%)	7.0%	*6.8%*	*6.5%*	*6.8%*	*6.3%*
> NOK 8m (%)	*29.0%*	*21.4%*	*30.6%*	*21.2%*	*21.6%*
Deposit ratio					
Ex. loans transferred to covered bonds companies (%)	73.9%	76.0%	76.0%	76.4%	77.8%
Incl. loans transferred to covered bonds companies (%)	51.6%	54.2%	52.8%	54.7%	57.5%
Average rates					
Average key policy rate (%)	0.50%	0.72%	0.55%	1.05%	1.49%
Average nominal 3 month NIBOR (%)	1.02%	1.09%	1.07%	1.29%	1.70%
Deposit to customers margin (bps)	10	17	16	-24	-54

The deposits are the Group's main source of funding, as these are considered stable and long-term funding. Small deposits from individuals and SMEs have historically been the most stable deposits, and the Group has had an ambition that these deposits shall constitute the bulk of its total deposits. Small deposit share of total deposits has remained at roughly 80% in recent years. Through the acquisition of B1OA, the Group has gained access to deposits from LO. These deposits are relatively large, but a high proportion of these deposits has agreed maturity dates, and thus also represents stable deposits for the Group. The inflow of these deposit have resulted in a situation where the proportion of small deposits has decreased to about 70% of total deposits.

Overall, the Group aims to keep the gross deposit ratio above 70%, while net deposit ratio (including loans transferred to covered bond companies) should be above 50%. The Group's deposit ratio has decreased slightly in recent years, and is now closer to the aforementioned target levels.

14.7.1.2 Market funding and subordinated loan capital

The Group's market funding held on its own balance sheet has largely been comprised of senior bonds issued in the Norwegian market. In this market, the Group is aims to use various investor groups to create a diversified and stable funding source. Various investor groups have different needs for maturity profiles, and the Group can therefore utilize the entire yield curve.

Through the establishment of the EMTM (Euro Medium Term Note) program in 2016, the Group has gained access to the European bond market for issuance of Private Placement loans. The Group issued its first loans in this market in November 2016, and the goal is that about 20% of the Group's market funding over time will be in foreign currency. The main reason for this is to create further diversification in the loan portfolio.

In order to achieve stability and maintain a long-term perspective for the market funding, the Group has established certain limits that underpin this strategy. According to this, the Group has set a lower limit of three years for the average remaining maturity of all loans. The Group has also set limits which restrict the proportion of total outstanding debt maturing within a 12 months period.

The following table shows the Group's total market funding, including breakdown by type, average maturity and average rates:

In NOK millions (unless stated otherwise)	**Three months ended 31 March**		**Year ended 31 December**		
	2017	**2016**	**2016**	**2015**	**2014**
Total market funding	25,104	13,093	24,017	12,429	9,524
Growth (%)	91.7%	25.1%	93.2%	30.5%	4.3%
By type					
Loans from financial institutions	1,150	1,215	1,215	615	615
Senior bond EUR	458	0	458	0	0
Senior bond NOK	21,897	11,378	20,747	11,314	8,410
Subordinated loan capital	1,200	500	1,200	500	500
Hybrid capital	400	0	400	0	0
Loans from financial institutions (%)	*4.6%*	*9.3%*	*5.1%*	*4.9%*	*6.5%*
Senior bond EUR (%)	*1.8%*	*0.0%*	*1.9%*	*0.0%*	*0.0%*
Senior bond NOK (%)	*87.2%*	*86.9%*	*86.4%*	*91.0%*	*88.3%*
Subordinated loan capital (%)	*4.8%*	*3.8%*	*5.0%*	*4.0%*	*5.2%*
Hybrid capital (%)	*1.6%*	*0.0%*	*1.7%*	*0.0%*	*0.0%*
Average maturity	3.2	3.3	3.1	3.3	3.6
Average rates					
Average key policy rate (%)	0.50%	0.72%	0.55%	1.05%	1.49%
Average nominal 3 month NIBOR (%)	1.02%	1.09%	1.07%	1.29%	1.70%
Spread on loans from financial institutions (bps)	62	53	60	24	24
Spread on senior bond EUR (bps)	92	n.a.	92	n.a.	n.a.
Spread on senior bond NOK (bps)	91	80	92	80	80
Spread on subordinated loan capital bps)	195	175	195	175	175
Spread on hybrid capital (bps)	328	n.a.	328	n.a.	n.a.

The table below sets out the maturity profile of the Group's market funding:

In NOK millions *Total market funding as of 31.03.2017*	**Loans from banks**	**Bond issues NOK**	**Bond issues EUR**	**Subordinated loan capital**	**Hybrid capital**	**Total**
2017		1,812				1,812
2018		4,103		1,000		5,103
2019		3,962		200	400	4,562
2020		4,450				4,450
2021	600	4,000	458			5,058
2022		2,400				2,400
2023		900				900
2024						
2025						
2026	550	270				820
Total	1,150	21,897	458	1,200	400	25,104

The following gives an overview of the Group's market funding, including amount at issuance, amount own holding, amount outstanding and maturity date:

ISIN	Amount at issuance	Amount own holding	Amount outstanding	Maturity date
Loans from financial institutions as of 31.03.2017				
Loan facility from Nordic Investment Bank (NIB)	600	0	600	10/09/2021
Loan from undisclosed financial institution	550	0	550	30/08/2026
Total	**1,150**	**0**	**1,150**	
Senior bonds NOK as of 31.03.2017				
NO0010626005	520	80	600	18/04/2017
NO0010709363	339	161	500	15/06/2017
NO0010746811	101	0	101	29/09/2017
NO0010642135	286	214	500	16/10/2017
NO0010561574	566	0	566	18/12/2017
NO0010636582	408	92	500	20/02/2018
NO0010669765	750	0	750	05/03/2018
NO0010712854	500	0	500	11/04/2018
NO0010441553	204	96	300	20/06/2018
NO0010741614	500	0	500	02/07/2018
NO0010656598	650	0	650	29/08/2018
NO0010584725	550	0	550	07/09/2018
NO0010703572	541	110	650	04/12/2018
NO0010678642	262	188	450	04/02/2019
NO0010670136	750	0	750	13/02/2019
NO0010692957	400	0	400	05/04/2019
NO0010743073	750	0	750	14/06/2019
NO0010722598	650	0	650	30/10/2019
NO0010679723	750	0	750	22/11/2019
NO0010698046	400	0	400	13/12/2019
NO0010755606	350	0	350	14/02/2020
NO0010255730	300	0	300	02/03/2020
NO0010732274	900	0	900	16/04/2020
NO0010575897	750	0	750	11/06/2020
NO0010741937	600	0	600	05/08/2020
NO0010735723	200	0	200	01/09/2020
NO0010716194	600	0	600	01/10/2020
NO0010747611	750	0	750	21/10/2020
NO0010730427	500	0	500	05/02/2021
NO0010731136	1,000	0	1,000	19/02/2021
NO0010767833	750	0	750	16/04/2021
NO0010737000	750	0	750	28/06/2021
NO0010740004	1,000	0	1,000	17/08/2021
NO0010674450	350	0	350	04/04/2022
NO0010782063	1,200	0	1,200	16/06/2022
NO0010778913	600	0	600	03/11/2022
NO0010694466	250	0	250	18/11/2022
NO0010790298	500	0	500	04/04/2023
NO0010695067	400	0	400	25/10/2023
NO0010758105	270	0	270	26/02/2026
Total	**21,897**	**941**	**22,837**	
Senior bond EUR as of 31.03.2017				
XS1511807015	458	0	458	03/11/2021
Total	**458**	**0**	**458**	

Subordinated loan capital as of 31.03.2017				
NO0010673957	200	0	200	22/03/2018
NO0010682230	500	0	500	13/06/2018
NO0010687445	300	0	300	12/09/2018
Total	**1,000**	**0**	**1,000**	
Hybrid capital as of 31.03.2017				
NO0010705585	200	0	200	18/03/2019
NO0010724826	400	0	400	10/12/2019
Total	**600**	**0**	**600**	
Sum total	**25,104**	**941**	**26,045**	

At 31 March 2017, the Group's market funding totalled NOK 25.1 billion (nominal amounts). The average time to maturity as of 31 March 2017 was 3.1 years. All outstanding loans and bonds shall be repaid at the agreed maturity date in exchange for the payment of an amount at par value.

The Group is one of the regional savings banks that get the most competitive pricing (meaning the lowest interest rates) on their funding in the Norwegian market due to its long history of strong solidity and low loan losses. The Group's volume of outstanding debt in the Norwegian market has also, until the acquisition of B1OA, been relatively low. Following the acquisition, the Group is now amongst the largest issuers in the Norwegian market.

On 30 March 2017, the supervisory board granted the board of directors an authorisation to increase the Bank's subordinated capital by up to NOK 1,000,000,000. The authorisation is valid for one year until 30 March 2018.

14.7.1.3 Covered bonds

In NOK millions (unless stated otherwise)	**Three months ended 31 March**		**Year ended 31 December**		
	2017	**2016**	**2016**	**2015**	**2014**
Loans transferred to covered bonds companies	36,800	17,849	36,505	17,360	15,994
Share of outstanding gross loan book transferred (%)	30.2%	28.7%	30.6%	28.4%	28.6%

In addition to senior funding, the Group uses SpareBank 1 Boligkreditt AS ("**SPABOL**") and SpareBank 1 Næringskreditt AS ("**SPACOM**") to get access to the covered bond market. As at 31 March 2017, the Group had transferred NOK 36.8 billion to the covered bond companies. Use of covered bonds ensures better diversification and access to cheaper funding for the Group.

The Group, together with the other banks in the Alliance, is a co-owner in SPABOL. SPABOL issues covered bonds primarily in NOK, EUR and USD. The covered bonds are secured by a cover pool consisting of high quality Norwegian residential mortgages, as well as liquid assets. As at 31 December 2016, the Group's ownership interest in SPABOL was 20.25%. The Group is also a co-owner in SPACOM which issues covered bonds secured by a cover pool consisting of mortgages on commercial properties (offices, hotels, logistical facilities and retail) as well as some types of residential mortgages. As at 31 December, the Group's ownership interest in SPACOM was 5.05%.

All residential mortgage loans with a loan-to-value (LTV) below 75% can be used as collateral for the issuance of covered bonds. The same rule applies for loans to corporates (mortgages on commercial properties such as offices, hotels, logistical facilities and retail), but with an upper LTV limit of 60%. Loans that meet the criteria for transfer are added in a so called Web-client where the Group's treasury can pick loans for transfer to the credit institutions. When eligible loans are transferred to the covered bond companies, the settlement of the loans is then transferred back to Group the next business day. The covered bonds companies pay the nominal value of the loans.

Once the loan is transferred is the covered bond company that owns the risk of the loan, but the ownership of the customer is still left with the Group. The covered bond company receives interest of the customer, which is then offset against its financing costs. The Group receives monthly commission from the covered bond company.

The Group's balance of loans transferred to the covered bond companies shall be limited by considerations of both its own credit rating and general risk considerations. In general, the Group follows a conservative policy and shall not stand out noticeably compared with other banks' use of covered bonds companies as a financing source. In terms of the share of residential mortgages that can be transferred to the SPABOL, the Group has set an upper limit of 45%. As at 31 December 2016, the share of residential mortgage loans transferred to the mortgage company was 40.0%. The volume of mortgages on commercial properties that is transferred to SPACOM is so small that here there is not set any upper limit.

A fall in house prices will result in an increase in the loan to value ratio of residential mortgages. That means the Group's backlog of residential mortgages on its balance sheet that meets the requirements for transfer to the SPABOL will decrease. Additionally, some loans used as collateral in outstanding covered bonds may no longer satisfy the requirements. To ensure that the mortgage company always has access to additional collateral in the form of mortgages, even in a market with falling house prices, the Group has set a lower limit for the backlog of residential mortgages that meets the requirements for transfer to SPABOL. The backlog reserve should always be large enough for the Group to withstand a 30% drop in house prices without SPABOL.

14.7.1.4 Equity

In NOK millions (unless stated otherwise)	**Three months ended 31 March**		**Year ended 31 December**		
	2017	**2016**	**2016**	**2015**	**2014**
Equity capital	12,370	8,995	12,107	8,718	7,624
Growth (%)	37.5%	14.0%	38.9%	14.3%	13.5%
Equity certificate ratio (%)	**67.3%**	**59.8%**	**67.3%**	**59.8%**	**n.a.**

In addition to deposits and debt, the Group's assets are also financed by equity. Up until the conversion of 60% of the Group's primary capital to equity certificate capital, the equity financing of the Group's assets had in theory been constrained by the Group's ability to grow its earnings.

The conversion of part of the Group's equity meant that the Group could gain access to equity capital from external sources. If needed, the Offering could enable the Group to gain access to equity capital from a larger set of equity investors. In practice, the Group has always been and continues to be well capitalised (see Section 14.9 for more on the Group's capital base).

Section 14.5.2.3 describes recent changes in the Group's equity capital.

14.7.2 *Liquidity*

The Group aims to have a low liquidity risk. The Group has a portfolio of liquid securities to ensure that liquidity risk at all times is within the limits and targets set out by the Board. Additionally, the Group constantly works with the balance to make sure that liquidity risk is reduced. Liquidity risk arises if the customers wish to withdraw their deposits and/or unused credit is drawn up, and can also occur due to refinancing risk as a result of the Group's borrowings.

The limits for liquidity management have been relatively stable in recent years, and the applicable limits in the Former Sparebanken Hedmark and B1OA have also been fairly similar. Hence, the acquisition of B1OA has therefore not impacted the Group's liquidity management substantially.

14.7.2.1 Liquidity management

The Board of Directors has approved a strategy and policy for liquidity risk which give the Chief Executive Officer the necessary constraints, limits and authorities regarding management of liquidity risk. The CEO delegates these on the basis of areas of responsibility. In order to ensure a satisfying sharing of responsibilities between the departments and people who take positions on the Group's behalf, and the departments and persons responsible for the settlement, control and reporting, the Group has established the following sharing of responsibility:

- The Chief Financial Officer has the overall responsibility for the Group's liquidity management
- The operational responsibility for liquidity management is allocated to the finance director

In order to manage liquidity risk in a satisfactory manner, such that all on- and off-balance sheet items that cause the Group's liquidity risk are taken into account, the Group has set limits which:

- Ensures that the Group always has sufficient liquid reserves
- Ensures that the Group always has a funding which is both diversified and long-term

The Group analyses its liquidity situation in different scenarios using forecasts and stress tests. The scenarios which are defined describe company specific and market-related events, and a combination thereof.

14.7.2.2 Liquidity policy

The Group targets holding both short and long term liquidity risk at a low level. To ensure low liquidity risk the Group has set targets to the size of the liquidity portfolio as well as targets regarding diversification and stability on the liability side.

Targets for diversification and stability of the Group's funding:

NSFR:
The Net Stable Funding Ratio (NSFR) is one of the Basel Committee's (Basel III) key reforms to promote a more resilient banking sector. NSFR seeks to calculate the proportion of long-term assets which are funded by long-term, stable funding. The ratio is reported quarterly to the Norwegian FSA, and it is expected that a minimum requirement for NSFR will be introduced in 2018.

To ensure that the Group's activity is long termed financed, the NSFR shall be above 105%. At 31 December 2016, the Group had a net stable funding ratio at 118.9%.

LCR:
The Liquidity Coverage Ratio (LCR) is one of the Basel Committee's (Basel III) key reforms to promote a more resilient banking sector. LCR is a generic stress test that aims to anticipate market-wide shock, and requires banks to hold high quality liquid assets (HQLA) sufficient to cover potential net cash outflows over 30 days. The Group measures LCR on a daily basis and reports the figures monthly to the Norwegian FSA. The statutory requirement given by the Norwegian FSA is shown in the table below:

The Group's LCR target is minimum 10 percentage points above the legislation which is shown in the table below:

	Legislation LCR
From 31.12.16	80%
From 31.12.17	100%

The Group shall, according to its internal target, at all times have a minimum LCR 10 percentage points above the statutory requirement shown in the table above. At 31 December 2016, the Group had a liquidity ratio of 116.6%.

Internal limits for funding:
The Group has also set internal limits for funding that will ensure an adequate diversification of funding:

- The Group's market financing shall, on the average, have more than three years left to maturity.
- Of total market financing, no more than 20% shall mature within the next 12 months.
- For the subsequent 12 months periods no more than 30% of total marked financing shall mature.
- Gross deposit to lending ratio (includes loans transferred to the covered bond companies), shall be above 50%.
- Net deposit to lending ratio shall be above 70%.
- Gross deposit ratio shall be above 50%.
- Share of financing from the market as share of total assets shall not exceed 25%.

- Share of mortgages in the covered bond company shall not exceed 45% of total mortgages in the bank and the covered bond company.

Strategic targets

Targets for survival period:
To ensure low liquidity risk the Group has set targets for survival periods in a normal situation and a self-defined stress scenario, in addition to the LCR, NSFR and the internal limits for funding.

Normal situation:
In a scenario defined as a "Normal situation", the Group shall be able to continue normal business in 12 months without access to external market financing. At 31 December 2016, the Group had an estimated survival period of 14 months in the "normal situation".

Stress scenario:
In a stress scenario defined as "Crisis in the bank and in the market", the Bank shall be able to continue normal business in three months without access to external market financing.

In the self-defined scenario the Group assumes that the market for senior funding will be closed, and net growth will continue according to prognosis. In the stress scenario, a substantial amount of deposits will be withdrawn and customers will start using their drawing right facilities. In addition, the value of the liquidity portfolio will decrease. At 31 December 2016, the Group had an estimated survival period of eight months in the "stress scenario".

Targets for the liquidity reserves:

The size of the liquidity reserves shall at any time be sufficient to ensure that the estimated survival targets are fulfilled. The liquidity reserve shall consist of liquid assets of high quality, free of encumbrances.

The liquid reserves can consist of:
- Deposit in the Central Bank
- LCR compliant assets
- Assets accepted as collateral in the Central Bank
- Short term bonds with less than six months to maturity
- Mortgages prepared for securitisation

14.7.2.3 Liquidity portfolio

The Groups liquidity portfolio consists of cash and bonds, mainly issues in Norwegian market.

Certificates and bonds

In NOK millions (unless stated otherwise)	**Three months ended 31 March**		**Year ended 31 December**		
	2017	**2016**	**2016**	**2015**	**2014**
Total certificates and bonds, nominal value	8,394	6,223	10,060	6,094	3,911
Value adjustment and accrued interest	31	38	284	39	106
Total certificates and bonds	8,425	6,261	9,776	6,133	4,017
Growth (%)	34.6%	32.5%	59.4%	52.7%	-18.5%

By exposure, by nominal values					
Covered bonds highly liquid > NOK 4bn	4,323	2,873	4,466	2,549	1,930
Covered bonds rated issuers > NOK 2bn	925	496	1,000	746	550
Municipalities 0% risk weight	653	453	653	453	0
Municipalities 20% risk weight	151	843	1,144	629	251
Government and government guaranteed	1,418	1,038	1,416	1,081	404
Other	924	521	1,381	636	776
Covered bonds highly liquid > NOK 4bn (%)	*51.5%*	46.2%	44.4%	41.8%	49.3%
Covered bonds rated issuers > NOK 2bn (%)	*11.0%*	8.0%	9.9%	12.2%	14.1%
Municipalities 0% risk weight (%)	*7.8%*	7.3%	6.5%	7.4%	0.0%
Municipalities 20% risk weight (%)	*1.8%*	13.5%	11.4%	10.3%	6.4%
Government and government guaranteed (%)	*16.9%*	16.7%	14.1%	17.7%	10.3%
Other (%)	*11.0%*	8.4%	13.7%	10.4%	19.8%

Other liquid assets

In addition to the bond portfolio, the Group holds cash and deposits in the Central Bank, deposits in other credit institutions and shares and other equity interest.

In NOK millions (unless stated otherwise)	Three months ended 31 March		Year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
Total other liquid assets	2,311	1,735	2,841	1,422	1,662
Growth (%)	33.2%	22.8%	75.2%	-14.4%	2.1%

By type					
Cash and deposits with central banks	430	544	759	264	748
Loans to credit institutions	1,462	888	1,335	864	675
Shares, units and other equity interests	419	303	747	294	239
Cash and deposits with central banks (%)	18.6%	31.4%	*26.7%*	18.6%	45.0%
Loans to credit institutions (%)	63.3%	51.2%	*47.0%*	60.8%	40.6%
Shares, units and other equity interests (%)	18.1%	17.5%	*26.3%*	20.7%	14.4%

The Group's cash balance is held in NOK.

The Group also considers mortgages facilitated for sale to the covered bond company as liquid reserves. As at 31 December 2016, the Group's portfolio of mortgages ready for sale was NOK 13,500 million, after taken into account that house prices could decrease by 30%.

14.7.3 *Hedging*

The Group uses hedging instruments on funding and the liquidity portfolio in addition to managing the Group's interest rate risk in general (for example as a consequence of customer activities, typically loans with fixed interest rates). The hedging instruments are mainly used to hedge from NOK fixed rate funding to NOK floating rate (3 months NIBOR), as well as cross currency basis swaps to hedge both exchange rate and fixed interest rate (again hedging back to 3 months NIBOR), either on funding in EUR or bond investments in EUR.

14.7.4 *Investments*

As at the date of this Prospectus, the Group has no principal investments in progress or has made no firm commitments to make any new principal investments. Furthermore, should there be any investments, the Group will perform appropriate evaluation as to how such investments will be recognised in the financial statements.

14.7.5 *Cash flow*

In NOK millions	Three months ended 31 March		Year ended 31 December		
	2017 (unaudited)	**2016** (unaudited)	**2016** (audited)	**2015** (audited)	**2014** (audited)
Cash flows					
Cash flow from operations	-1,243	-400	-762	-3,062	-46
Cash flow from financing activities	431	621	644	2,651	211
Cash flow from investments	323	26	280	-35	61
Liquidity effect from acquisition of remaining shares in B1OA	0	0	-225	0	0
Cash and cash equivalents taken over from B1OA	0	0	843	0	0
Liquidity effect of acquisition and sale of other subsidiaries	0	0	-13	-28	-43
Payments arising from placements in subsidiaries	1	0	5	0	0
Cash and cash equivalents					
Cash and cash equivalents at the beginning of the reporting period	1,082	309	309	783	599
Change in cash and cash equivalents	-488	246	772	-474	184
Cash and cash equivalents at the end of the reporting period	594	555	1,082	309	783

1) On 08 May 2017, an updated version of the annual report for 2016 was published on the Bank's website with some insignificant changes to the cash flow statement: The two lines "Purchase of long-term securities" and "Sale of long term securities" were merged and changed to "Net cash flow from purchase and sale of equity interests". Furthermore, the purchase of bonds for NOK 566 million was reclassified from "Cash flow from investments" to "Cash flow from operations". **A revised annual report for 2016 is expected to be published on Newsweb separately in the week starting with 29 May 2017.**

2) The cash flow effect from the cash and cash equivalents taken over from B1OA is in the annual report taken into account by correcting the cash balance at 1 January 2017. In the cash flow statement above, this is corrected according to IAS 7 and presented on a separate line. Furthermore, the liquidity effect from the acquisition of the remaining shares in B1OA has been separated from "Liquidity effect of acquisition and sale of subsidiaries" and presented on a separate line.

14.7.5.1 Operating activities

The cash flow from operating activities mainly comprises of cash flows from lending operations, deposit operations, investment in securities and deposits in credit institutions. In other words, it measures the amount of cash generated by the Group's normal business operations.

The cash flows from operations for the quarter ended 31 March 2017 amounted to an outflow of NOK 1,243 million. There was an outflow of NOK 1,235 million from lending operations in the first quarter of 2017, while lower deposit volumes contributed to an outflow from deposit operations of NOK 503 million. The cash flow from investments in securities was positive, at NOK 1,361 million due to high redemptions on existing bonds.

The cash flow from operations for the quarter ended 31 March 2016 amounted to an outflow of NOK 400 million. There was an outflow of NOK 100 million from lending operations, while deposit operations contributed to an inflow of NOK 106 million. Purchases of securities contributed to a cash outflow from investments in securities of NOK 148 million.

The cash flows from operations for the year ended 31 December 2016 amounted to an outflow of NOK 762 million. It is worth noting that the cash flow from investments in securities was influenced by the actions of the Group in 2015. The Group anticipated a revised LCR requirement of 100%, and adjusted accordingly by inter alia acquiring bonds, however the requirement was finally set at 80% and the Group had thus over-adjusted. The Group did therefore not have to increase the portfolio in parallel with growth in the balance sheet in 2016, and this resulted in an inflow of NOK 532 million. It is also worth noting that the Group's acquisition of B1OA impacted the cash flow from operations. It mainly impacted the level of the cash flow from lending operations and deposit operations; however, on a relative net cash flow basis the impact was moderate. The cash flow from other investments was positive, at NOK 280 million. A significant part of the cash inflows was due to relatively large dividend payments, especially from SpareBank 1 Gruppen.

The cash flows from operations for the year ended 31 December 2015 amounted to a net outflow of NOK 3,062 million. The main driver was the cash flow from investments in securities which had an outflow of NOK 2,053 million due to the fact that the Group acquired bonds to adjust to a LCR of 100% in anticipation of new

regulations. The cash flow from other investments was negative, at NOK 35 million. Of this, an outflow of NOK 174 million was mainly due to capital increases in SpareBank 1 Boligkreditt, SpareBank 1 Kredittkort and SpareBank 1 Mobilbetaling. There was an inflow of dividends of NOK 187 million, primarily from SpareBank 1 Gruppen, B1OA and SpareBank 1 Boligkreditt.

The cash flows from operations for the year ended 31 December 2014 amounted to an outflow of NOK 46 million. All underlying movements have been fairly moderate and they stem from the Group's normal course of business.

14.7.5.2 Investing activities

The cash flow from investing activities is comprised of investment in and sale of fixed assets and intangible assets as well as purchase of, sale of and dividends from long-term securities.

The cash flow from investing activities for the quarter ended 31 March 2017 was NOK 323 million, due primarily to sales of money market funds held as liquidity reserve.

The cash flow from investing activities for the quarter ended 31 March 2016 was NOK 26, due primarily to a cash inflow from the sale of 5% of the Bank's share in SpareBank 1 Finans Østlandet (of NOK 38 million).

The cash flow from investing activities for the year ended 31 December 2016 was positive, at NOK 280 million. A significant part of the cash inflows was due to relatively large dividend payments, especially from SpareBank 1 Gruppen.

The cash flow from investing activities for the year ended 31 December 2015 was negative, at NOK 35 million. Of this, an outflow of NOK 174 million was mainly due to capital increases in SpareBank 1 Boligkreditt, SpareBank 1 Kredittkort and SpareBank 1 Mobilbetaling. There was an inflow of dividends of NOK 187 million, primarily from SpareBank 1 Gruppen, B1OA and SpareBank 1 Boligkreditt.

The Group's cash flow from investing activities for the year ended 2014 were NOK 61 million There was an outflow of NOK 83 million related to investments in fixed assets, and inflows of NOK 85 million from dividend payments. There was also a net inflow of NOK 58 million from the purchase and sale of long-term securities

14.7.5.3 Financing activities

The cash flow from financing activities comprises of in and outflows arising from deposits from credit institutions and the issuance of securities (down-payments, new issuances, buy-backs and interest payments).

The level of cash flow from financing activities is highly dependent on the Group's funding needs.

The cash flow from financing activities was NOK 431 million for the quarter ended 31 March 2017, due to net issuance of debt securities.

The cash flow from financing activities for the quarter ended 31 March 2016 was, NOK 621 million due primarily to an increase in deposits from credit institutions, namely a loan granted from the Nordic Investment Bank of NOK 600 million

For the year ended 31 December 2016, 2015 and 2014 the Group had a net inflow of NOK 644, 2,651 and 211 million, respectively. The extraordinarily high cash flow from financing activities in 2015 was mainly due to relatively large inflows from new issuances of securities as well as lower outflow from down-payments on already issued securities. The high inflow was used to fund the 2015 liquidity adjustment described in Section 14.7.5.1.

14.8 CAPITAL BASE AND CAPITAL ADEQUACY

The Group's regulatory capital ratios are calculated by dividing its different capital bases by its risk-weighted assets.

According to regulatory requirements, the Group has three main capital bases:

1. Common Equity Tier 1 (CET 1) Capital consists of the Group's total equity base.
2. Tier 1 Capital consists of the CET 1 Capital in addition to eligible hybrid instruments issued.
3. Total Capital consists of Tier 1 Capital in addition to eligible subordinated loans issued.

The risk of the Group's assets is measured by assessing the underlying (i) credit risk, (ii) market risk and (iii) operational risk, in accordance with applicable regulatory requirements. The Group's risk-weighted assets consist of both balance sheet and off-balance sheet items. The largest of these components are loans and other credit assets held on the Group's balance sheet. All components are risk-weighted according to regulatory standards. The Bank uses the IRB approach ("internal ratings-based approach").

Under applicable law and pursuant to the Bank's banking license, the Bank is required as of 31 March 2017 to have a Total Capital ratio of 16.7%, Tier 1 Capital ratio of 14.7% and CET 1 Capital ratio of 13.2% including buffer requirements and the Pillar II requirement. Please note that the Bank's Pillar-2 requirement was set at 1.7% as at 31 December 2016.

In % *Regulatory capital requirement* *as of 31 March 2017*	**CET 1 capital ratio**	**Tier 1 capital ratio**	**Total capital ratio**	**Leverage ratio***
Minimum requirement	4.5%	6.0%	8.0%	3.0%
Pilar II requirement	1.7%	1.7%	1.7%	0.0%
Capital conservation buffer (CCB)	2.5%	2.5%	2.5%	0.0%
Systemic risk buffer	3.0%	3.0%	3.0%	0.0%
Countercyclical capital buffer (CCyB)	1.5%	1.5%	1.5%	0.0%
Leverage Ratio buffer	0.0%	0.0%	0.0%	2.0%
Total	**13.2%**	**14.7%**	**16.7%**	**5.0%**

* The Leverage Ratio requirement is effective as at 30 June 2017.

In NOK millions (unless stated otherwise)	**Three months ended 31 March**		**Year ended 31 December**		
	2017	**2016**	**2016**	**2015**	**2014**
Regulatory capital *					
Common equity tier 1	**10,960**	**6,514**	**10,530**	**6,467**	**5,434**
Additional tier 1 capital	563	130	619	130	160
Tier 1 capital	**11,523**	**6,644**	**11,149**	**6,597**	**5,594**
Tier 2 capital	1,126	585	1,507	581	679
Total capital	**12,649**	**7,229**	**12,656**	**7,178**	**6,273**
Total risk-weighted assets	**65,554**	**38,443**	**62,201**	**37,677**	**36,705**
Total exposure	**153,292**	**69,306**	**149,804**	**69,256**	**67,955**
Regulatory capital ratios					
CET 1 capital ratio (%)	16.7%	16.9%	16.9%	17.2%	14.8%
Tier 1 capital ratio (%)	17.6%	17.3%	17.9%	17.5%	15.2%
Total capital ratio (%)	19.3%	18.8%	20.3%	19.1%	17.1%
Leverage ratio (%)	7.5%	9.2%	7.4%	9.2%	8.2%.

* Please consult Section 11.8 for further details.

As at 31 March 2017, the Group had a strong capital base, with Total Capital ratio of 19.3%, Tier 1 Capital ratio of 17.6%% and CET 1 Capital ratio of 16.7%. This is well above all regulatory requirements. As of 1 January 2017, the Group was required to proportionally consolidate SpareBank 1 Kredittkort AS in its capital adequacy calculations. This, as well as increased lending volume, are the main drivers of the reduced CET 1 capital ratio from the fourth quarter of 2016 to the first quarter of 2017.

The Group has set a long-term target for the CET 1 Capital ratio of 16%, and continues to be the best capitalised regional savings bank in Norway. The Bank was one of very few sizeable banks that did not need support during the banking crisis in Norway in the early 1990s, and its conservative approach has enabled the Group to build up a strong capital base which helps secure dividend flexibility, growth capacity and optionality in terms of raising additional equity capital.

14.9 FINANCIAL RISK MANAGEMENT

The Bank is exposed to various financial risks such as credit risk, market risk, concentration risk and liquidity risk. The goal of the Bank's financial risk management programme is to minimize potential adverse financial performance effects to these risks which result from unpredictable changes in capital markets. The financial risks mentioned above and how the Bank works to mitigate these are explained in detail below.

14.9.1 *Credit risk*

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

The Bank uses statistical models in its calculation of risk and categorisation of the credit portfolio. The Bank makes every effort to price credit risk correctly and has established price matrices and price models based on the risk classification system. The Bank's internal models used for credit granting and portfolio management purposes are the same models that have the Norwegian FSA's approval to be used in capital requirement calculations. SpareBank 1 Østlandet has IRB-approval for both the retail and corporate (A-IRB) portfolios.

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

14.9.2 *Market risk*

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

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

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

14.9.3 *Concentration risk*

Risk concentrations occur when financial instruments with corresponding characteristics are affected in the same way by changes in economic or other conditions. Identifying concentration risk involves exercising judgement. The Bank seeks to control the concentration of risk by setting limits for various areas. In the case of credit risk, larger risk concentrations are limited via restrictions on major commitments, high risk commitments and sector exposure. In the case of market risk, concentration risk is limited via restrictions on maximum interest rate risk, currency risk and equity exposure.

14.9.4 *Liquidity risk*

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

The liquidity reserves consist of deposits with Norges Bank, depositable bonds, unused committed drawing facilities and listed shares.

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

14.10 CRITICAL ACCOUNTING ESTIMATES AND SUBJECTIVE JUDGEMENTS

Note 2 to the Annual Financial Statements included in this Prospectus as Appendix B includes a summary of the significant accounting policies and methods used in the preparation of such financial statements. Note 3 to the Annual Financial Statements included in this Prospectus as Appendix B includes a summary of critical accounting estimates and subjective judgments. The assumptions, estimates and judgements are based on historical experience, current trends and other factors that management believes to be relevant at the time the Annual Financial Statements are prepared. Critical accounting estimates and subjective judgements are those that have a significant risk of causing material adjustments. The estimates and judgements have been consistently applied to all the years presented in the Annual Financial Statements.

The following is a summary of critical accounting estimates and subjective judgements which may have a material effect on the financial statements of the Group if changed in subsequent periods.

14.10.1 *Financial assets and liabilities*

Certain financial assets and liabilities are designated at fair value through profit or loss in accordance with the Fair Value Option (FVO) in IAS 39, paragraph 9. This applies to bonds and certificates, fixed-rate loans to customers as well as parts of the portfolio of securities and fixed-rate deposits from customers. FVO is used in order to obtain a consistent measurement of assets and liabilities that are considered together. Fair value measurement also reduces the accounting mismatch that would otherwise arise if the assets and liabilities were recognized on a basis other than the associated derivatives.

Equity instruments are classified as available for sale (AFS). Changes in fair value for assets classified as available for sale (AFS) are recognized in other comprehensive income. If there is objective evidence of a significant or prolonged decline in the fair value of the available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. What is meant by significant or prolonged decline in value is a matter of discretion. Sparebank 1 Østlandet follows guidelines from IFRIC, the recommendations of audit institutions and the industry norm to consider this issue. This assessment is made on instrument level and operationalized to apply an impairment that values the asset

at less than 80% of the cost of the balance sheet date or that a market price lower than cost persists for more than twelve months. Further impairment of previously impaired AFS assets, are expensed as incurred in subsequent financial reporting.

14.10.2 *Loan loss / Credit Loss*

The Bank reviews both the retail portfolio and the corporate portfolio for identifying credit risk and the need for provisions. Material and particularly exposed engagements is the subject of at least a semi-annually review. This includes all commitments with defaults over 62 days, which is the basis for debt collection, both for the retail and corporate portfolio.

Individual impairment assessment for losses on individual commitments is undertaken when objective events trigger a decrease in value for the Bank. The individual write-down amounts to the difference between the loan's carrying value and the present value of discounted cash flows based on the effective interest rate at the time of the initial calculation of the individual impairment. This means that the commitment is allocated to the highest risk class. The same method can be used regardless of whether the loan is carried at amortized cost or fair value (no fixed rate). Estimating impairment can be complex, as predicting future events is associated with a high degree of uncertainty. Emphasis is placed on concrete factors when performing valuation as a basis for the realization of collateral. The cash flow prediction is updated periodically, ordinarily once a year.

Collective impairment assessment comprises the Bank's evaluation of the basis for drop in value of groups of loans with similar risk characteristics. It also includes loans for individual impairments, but where objective evidence of impairment has not been demonstrated. Accordingly, all loans except those which have been subject to individual impairment assessment are part of the collective assessment. The collective model is based on the Bank's risk classification system where the impairment is based on the historic loss on engagements with similar credit risk.

14.10.3 *Financial assets and liabilities at fair value*

The fair value of the investments that are actively traded in organised financial markets is determined by reference to quoted market price at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined by valuations from Nordic Bond Pricing, Reuters pricing service, indicative prices from brokerage firms or other external sources as well as applying commonly used valuation techniques based on observable interest rates and quotes at the balance sheet date. The Bank considers and chooses the methods and assumptions that best reflect the information available and the market conditions at the balance sheet date.

14.10.4 *Pensions*

Net pension liabilities and pension costs are based on a number of assumptions. Return on plan assets, future interest rates, inflation levels, wage, turnover, development of national insurance base and the general trend in the number of person on disablement and life expectancy is of great importance. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. The table below shows the effect on net obligation on the change in some of the assumptions (leave the other parameters unchanged).

14.11 RECENT DEVELOPMENT AND CHANGE

Since 31 March 2017, there have been no significant changes in the Group's financial or trading position.

15 RELATED PARTY TRANSACTIONS

15.1 GENERAL

Below is a summary of the Bank's related party transactions for the periods covered by the Annual Financial Statements and unaudited Interim Financial Statements included in this Prospectus as Appendix B and C, respectively, and up to the date of this Prospectus. For further information on related party transactions of the Group, please refer to notes 41, 23 and 8 of the Annual Financial Statements for 2016, included in Appendix B to this Prospectus. There has not been any material related party transactions or related party transactions outside the Group's ordinary course of business in the period from 31 March 2017 and up to the date of this Prospectus.

15.2 RELATED PARTY TRANSACTION BETWEEN THE BANK AND ITS SUBSIDIARIES

The tables below sets out data concerning related party transactions between the Bank and its subsidiaries for the periods covered by the Annual Financial Statements and Interim Financial Statements included in this Prospectus. The information has been derived the Bank's consolidated Annual Financial Statements as of and for the years ended 31 December 2016, 2015 and 2014 and the Bank's unaudited consolidated Interim Financial Statements as of and for the three months ended 31 March 2017 and 2016. All related party transactions set out below have been concluded at arm lengths principles.

numbers in NOK millions	loans	bonds and subordinated loans	deposits	interest income	interest expenses	commission income	other operation income	operations expenses	guarantees
Three months ended 31 March 2017									
Bank 1 Oslo Akershus AS	400	385	100		1				
SpareBank 1 Finans Østlandet AS	5,538		1	25					120
EiendomsMegler 1 Hedmark Eiendom AS	5		1						
SpareBank 1 Regnskapshuset Østlandet AS	20		8						
Other subsidiaries	4		4						
2016									
Bank 1 Oslo Akershus AS	750	409	400	9					120
SpareBank 1 Finans Østlandet AS	5,458		2	121			2		
EiendomsMegler 1 Hedmark Eiendom AS	6		4		2				
Sparebank 1 Regnskapshuset Østlandet AS	21		10	1					
other subsidiaries	4		3	0				3	
2015									
SpareBank 1 Finans Østlandet AS	4,837		2	98		1	3		120
EiendomsMegler 1 Hedmark Eiendom AS			8	3			1		
other subsidiaries	37		24	0	2		3		1
2014									

SpareBank 1 Finans Østlandet AS	4,180	2	84	1	2	120
EiendomsMegler 1 Hedmark Eiendom AS		4	4		2	
other subsidiaries	39	15	3			

15.3 RELATED PARTY TRANSACTION BETWEEN THE BANK AND ASSOCIATED COMPANIES AND JOINT VENTURES

The tables below sets out data concerning related party transactions between the Bank and associated companies and joint ventures for the periods covered by the Annual Financial Statements and Interim Financial Statements included in this Prospectus. The information has been derived the Bank's audited consolidated Annual Financial Statements as of and for the years ended 31 December 2016, 2015 and 2014 and the Bank's unaudited consolidated Interim Financial Statements as of and for the three months ended 31 March 2017 and 2016. All related party transactions set out below have been concluded at arm lengths principles.

numbers in NOK millions	loans	bonds and subordinated loans	deposits	interest income	interest expenses	commission income	other operation income	operations expenses	guarantees
Three months ended 31 March 2017									
SpareBank 1 Boligkreditt AS		161		4					
SpareBank 1 Næringskreditt AS		21							
SpareBank 1 Gruppen AS	597			3					
SpareBank 1 Kredittkort AS	475	8		3					
Other associated companies and joint ventures									
2016									
SpareBank 1 Boligkreditt AS		476		16					
Sparebank 1 Næringskreditt AS		21		1					
SpareBank 1 Gruppen AS	578	8		21					
SpareBank 1 Kredittkort AS	390			11					
Other associated companies and joint ventures									
2015									
Bank 1 Oslo Akershus AS									
SpareBank 1 Boligkreditt AS		544		17		183			
SpareBank 1 Næringskreditt AS		150		3		5			
SpareBank 1 Gruppen AS	446			9		81			
SpareBank 1 Kredittkort AS	370	8		12		26			
Other associated companies and joint ventures									

2014

Bank 1 Oslo Akershus AS				
SpareBank 1 Boligkreditt AS		502	12	221
SpareBank 1 Næringskreditt AS		150	4	7
SpareBank 1 Gruppen AS	313		10	75
SpareBank 1 Kredittkort AS	325	8	7	60

15.4 RELATED PARTY TRANSACTION BETWEEN THE BANK AND EMPLOYEES AND ELECTED OFFICERS

The tables below sets out data concerning related party transactions between the Bank and its employees and elected officers for the periods covered by the Annual Financial Statements and Interim Financial Statements included in this Prospectus. The information has been derived the Bank's consolidated Annul Financial Statements as of and for the years ended 31 December 2016, 2015 and 2014 and the Bank's unaudited consolidated Interim Financial Statements as of and for the three months ended 31 March 2017 and 2016.

Repayment loans are granted to employees with up to 30 years repayment period and monthly instalments. The rate of interest for repayment loans for employees is 75 percent of the lowest ordinary interest rate for private market loans. Per 31 December 2016, the total loan amount on these terms is limited to NOK 2.5 million per individual employee. Apart from this, all related party transactions set out below have been concluded at arm lengths principles.

numbers in NOK thousand	Three months ended 31 March 2017		2016		2015		2014	
	loan	guarantee	loan	guarantee	loan	guarantee	loan	guarantee
Management								
Richard Heiberg	3,252		150		800		2,700	
Geir-Egil Bolstad								
Kari Elise Gisnås	4,651		4,787		3,397		1,999	
Eldar Kjendlie	708		789					
Siv Stenseth	2,780		5,179		5,242		3,355	
Dag-Arne Hoberg	1,809		1,979		1,865		2,036	
Vegard Sæten					1,135		1,184	
Vidar Nordheim	3,189		3,212		3,239		1,724	
Tor Morten Nygård	3,346		3,459		3,593		3,349	
Magnus Aasen	1,534		1,622		1,832		1,949	
Hans Olav Wedvik	20,416		20,117		18,692		15,936	
Nils Arne Nordheim							1,992	
Board								
Siri J. Strømmevold	2,251		2,274		1,955		2,041	
Nina C. Lier	1,989		1,989		2,049		2,292	
Erik Garaas								
Guro Nina Vestvik								
Morten Herud								
Hans-Christian Gabrielsen								
Espen Bjørklund Larsen	4,388		4,392		4,408		4,422	

Vibeke Hanvold Larsen	2,470	2,487		
Ola Reidar Guli	1,091		1,448	1,779
Bjørnar Håkensmoen	2,350		10,000	
Sverre Andreas Lang-Ree			4,861	
Other employees* (figures in MNOK)	1,093	812	731	597

Control committee**

Vidar Brobakken

Mikael Løken

Bodil Helene Andersen

Ingunn Gråbergsveen

Jan Erik Myrvold

* only employees in the Bank (i.e. not the Group) are included

** The control committee was abolished 1 April 2016

16 ECC CAPITAL AND HOLDERS OF ECC

The following is a summary of certain corporate information and material information relating to the ECCs and equity share capital of the Bank and certain other matters concerning holders of ECCs, including summaries of certain provisions of the Articles of Association in effect as at the date of this Prospectus. The summary does not purport to be complete and to the extent there are any discrepancies between following text and the attached Articles of Association for the Bank, the articles of associations shall prevail.

16.1 CURRENT ECC CAPITAL

The current ECC capital of the Bank is NOK 5,310,127,000 divided on 106,202,540 ECCs fully paid with a par value of NOK 50 each and issued in accordance with Norwegian law. The ECCs are registered in the VPS register with ISIN NO 0010751910.

The ECCs are equal in all respects and there are no different voting rights or classes of ECCs. Each ECC carries one vote at the election meeting for the holders of ECCs. Please refer to Section 16.9 "*The Articles of Association*" for a further review of certain rights attached to the ECCs.

The Existing ECCs are, and the New ECCs will be, freely transferable under Norwegian law. The New ECCs allocated to Eligible Employees in the Employee Offering at a discounted Offer Price will; however, be subject to a lock up obligation for two years, please see Section 5.5.8. Local securities legislation may provide transfer restrictions, please see Section 20 which includes some examples of such transfer restrictions and Section 17.1.7 regarding ownership restrictions.

16.2 ECC CAPITAL HISTORY

The table below summarizes the development in the Bank's ECC capital for periods covered by the historical financial information included in this Prospectus as Appendices B and C and up to the date of this Prospectus.

Date of registration	Type of change	Change in issued equity share capital (NOK)	Subscription price per ECC (NOK)	Par value per ECC (NOK)	No. of issued ECCs after change	Total issued equity share capital after change (NOK)
26 November 2015	Conversion of ownerless capital	3,987,000,000	50	50	79,740,000	3,987,000,000
1 January 2016	-	-		50	79,740,000	3,987,000,000
28 June 2016	Capital increase	1,323,127,000	63	50	106,202,540	5,310,127,000
31 December 2016	-	-		50	106,202,540	5,310,127,000

16.3 ECC HOLDERS

As at the date of this Prospectus, the Bank has the following ECC holders, holding in aggregate 100% of the issued and outstanding ECCs:

ECC Holders	Number of ECCs	Percentage
SPAREBANKEN HEDMARK SPAREBANKSTIFTELSE	79,740,000	75.08%
LANDSORGANISASJONEN I NORGE[1]	10,322,584	9.72%
FELLESFORBUNDET	1,950,901	1.84%
SPAREBANK 1 SMN	1,713,942	1.61%
SPAREBANK 1 SR-BANK	1,713,942	1.61%
SPAREBANK 1 NORD-NORGE	1,713,942	1.61%
NORSK NÆRINGS- OG NYTELSESMIDDELARBEIDERFORENING	1,219,526	1.15%
SPAREBANK 1 BV	839,930	0.79%
SPAREBANK 1 ØSTFOLD AKERSHUS	839,930	0.79%
SPAREBANK 1 RINGERIKE HADELAND	835,085	0.79%
INDUSTRI ENERGI	445,123	0.42%
SPAREBANK 1 TELEMARK	419,968	0.40%
SPAREBANK 1 HALLINGDAL VALDRES	419,962	0.40%
SPAREBANK 1 NORDVEST	419,962	0.40%
SPAREBANK 1 SØRE SUNNMØRE	419,962	0.40%
SPAREBANK 1 MODUM	419,962	0.40%
SPAREBANK 1 LOM OG SKJÅK	419,023	0.39%
SPAREBANK 1 GUDBRANDSDAL	404,965	0.38%
FAGFORBUNDET	326,297	0.31%
NORSK TJENESTEMANNSLAG	292,775	0.28%
OTHERS[2]	1,324,759	1.25%
Sum	**106,202,540**	**100.0%**

[1] LO and Related Associations own a total of 15,881,956 EECs equal to 14.95%.
[2] All of the "Other" ECC holders are Related Associations.

There are no differences in voting rights between the Holders of ECCs. Each of the ECCs carries one vote.

Holders of ECCs owning 5% or more of the ECCs have an interest in the Bank's ECC capital which is notifiable pursuant to the Norwegian Securities Trading Act. The table above shows the ownership percentage held by such notifiable holders of ECCs. See Section 18.7 "*Disclosure obligations*" for a description of the disclosure obligations under the Norwegian Securities Trading Act.

The Bank is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Bank.

The Articles of Association do not contain any provisions that would have the effect of delaying, deferring or preventing a change of control of the Bank. The Bank has not been subject to any public takeover bids during the current or last financial year.

16.4 BOARD AUTHORISATIONS

At the Bank's Supervisory Board meeting held on 30 March 2017, the Board of Directors was granted an authorisation to increase the ECC capital by up to NOK 531,012,700, corresponding to 10% of the Bank's current ECC capital. The authorisation can be used to strengthening of the Bank's equity, and issue of consideration shares in connection with acquisitions of businesses within the Bank's purpose and or to issue ECCs to employees and/or representatives. The authorisation is valid until the annual Supervisory Board meeting of the Bank in

2018, however no later than 30 June 2018. The preferential rights of the existing holders of ECCs to subscribe for the new ECCs pursuant to section 10-10 of the Norwegian Financial Institutions Act may be set aside.

At the Bank's Supervisory Board meeting held on 30 March 2017, the Board of Directors was granted an authorisation to repurchase and/or agree pledge of the Bank's own ECCs within a total nominal value of NOK 531,012,700, comprising up to 10,620,254 ECCs each with a nominal value of NOK 50. The minimum amount that can be paid for each ECC is NOK 50 and the maximum is NOK 150. The authorisation must be approved by the Norwegian FSA and registered with the Norwegian Register of Business Enterprises before use. An application for approval of the authorisation has been filed with the Norwegian FSA, but has not yet been decided upon. The authorisation is valid until the annual Supervisory Board meeting of the Bank in 2018, however no later than 30 June 2018.

16.5 TREASURY ECCS

Neither the Bank nor any of its subsidiaries directly or indirectly holds any ECCs at the date of this Prospectus.

16.6 OTHER RIGHTS TO HAVE ISSUED ECCS

Neither the Bank nor any of its subsidiaries has issued any options, warrants, convertible loans or other instruments that would entitle a holder of any such instrument to subscribe for any ECCs in the Bank or its subsidiaries.

16.7 RIGHTS OF THE HOLDERS OF ECCS

The Bank has one class of ECC in issue, and in accordance with the Norwegian Financial Institutions Act, all ECCs in that class provide equal rights in the Bank. Each of the Bank ECCs carries one vote at the at the election meeting for the holders of ECCs. Certain rights attaching to the ECCs are described in Section 16.9 "*The Articles of Association*".

16.8 AGREEMENTS BETWEEN THE HOLDERS OF ECCS

In connection with the acquisition of the remaining shares in B1OA, the Foundation and LO entered into an agreement regarding certain aspects of their ownership in the Bank that stipulates, provided that LO owns at least 10% of the ECCs,

(i) the Foundation shall vote so that two members and two deputy members of the ECC holders elected representatives of the Supervisory Board shall be representatives nominated by LO;
(ii) the Foundation shall contribute to that one member and one deputy member in the nomination committee for the ECC holders shall be representatives nominated by LO;
(iii) LO shall contribute to that one member and one deputy member in the Board represent the Foundation; and
(iv) the Foundation shall contribute to that one member and one deputy member in the Board represent the LO.

Furthermore, the Foundation and LO shall make sure that the majority of ECC holder elected representatives of the Supervisory board represent the Foundation and/or LO. Outside of voting for the representatives of LO, LO has undertaken to vote the same as the Foundation. As the Bank is not a party to this agreement, the agreement may in the future be, or may already have been, amended or terminated without the Bank's knowledge.

16.9 THE ARTICLES OF ASSOCIATION

The Articles of Association as at the date of this Prospectus are set out in Appendix A. The following is a summary of certain provisions of the Articles of Association.

Objective of the Bank
The objective of the Bank is to promote savings by receiving deposits from an unspecified group of depositors, to provide financial services to the public, business community and public sector, and to manage the funds controlled by the Bank in a prudent manner in accordance with statutory rules that apply to savings banks at any given time.

Registered office
The Bank's registered office is in the municipality of Hamar, Norway.

Ownerless capital and ECC capital
The original ownerless capital of the merged savings banks has either been repaid in full or does not entail an obligation to be repaid. With the approval of the Norwegian King/Ministry of Finance, the Supervisory Board may decide to issue equity certificates that are tradeable and give the holder the right to dividends as well as representation on the Supervisory Board in accordance with current legislation at any given time.

The ECC capital issued by the Bank amounts to NOK 5,310,127,000 divided on 106,202,540 equity certificates, each with a par value of NOK 50. The Bank's ECCs must be registered with the Norwegian Central Securities Depository (*Nw:* Verdipapirsentralen).

The Supervisory Board
The Supervisory Board is the highest-decision making authority in the Bank. The Supervisory Board shall consist of 40 members and 40 deputy members:

- 14 members and 14 deputy members are elected by the depositors
- 4 members and 4 deputy members are elected by the Hedmark County Council
- 12 members and 12 deputy members are elected by the ECC holders
- 10 members and 10 deputy members are elected by the employees

Members and deputiy members of the Supervisory Board are elected for a period of four years. At least three quarters of Supervisory Board members shall be persons who are not employed by the Bank. The chairman and the deputy chairman are elected for a period of one year.

The members and deputy members of the Supervisory Board shall meet in person. The members may not be represented by proxy. Meetings of the Supervisory Board shall be opened and chaired by the chairperson of the Supervisory Board. Each member of the Supervisory Board is entitled to one vote. In order for a resolution to be valid, the majority of those voting must vote in favour of the resolution unless otherwise provided by the prevailing rules and the articles of association. If the number of votes for and against a proposal is equal, the chair of the meeting has a casting vote.

The Supervisory Board shall ensure that the Bank serves its objective in accordance with Norwegian law, the articles of associations and resolutions passed by the Supervisory Board. The Supervisory Board approves the annual accounts and the annual report, including the allocation of profits and distribution of dividend.

ECC holders' election of Supervisory Board member
The ECC holders shall at an election meeting, elect 12 members and 12 deputy members.

Board of directors
The Board of Directors shall consist of 7 to 9 members and 6 deputy members. The Board of Directors is elected by the Supervisory Board. The chairperson of the Board and the deputy Chairman are elected by the Supervisory Board in separate elections. Two members and two deputy members are elected among the employees. All members are elected for a period of two years and the deputy members for one year. Of the elected members, half shall step down each year according to their period of service or as a result of the drawing of lots.

The chairperson of the Board shall convene board meetings at least once a month and otherwise as frequently as dictated by the operations of the Bank or when requested to do so by a Board member. Resolutions by the Board of Directors must be reached by a simple majority vote in order to be valid. In cases when the Board of Directors is not present in full, the votes of at least half of the board members attending such meeting is required for the resolution to be passed. In the event of a tie vote, the chairperson or the deputy chairperson has the casting vote.

The Board of Directors manages the operations of the Bank and is responsible for the safe and prudent management of all the funds controlled by the Bank. The Board shall ensure that the operations of the Bank are properly organised and that all bookkeeping and administration of assets is subject to satisfactory controls. The Board of Directors issues instructions for the CEO with special emphasis on assignments and responsibilities

Chief executive officer
The chief executive officer is responsible for the day-to-day management of the Bank and shall comply with the instructions and directives issued by the Board of Directors. The day-to-day management does not comprise matters which by the Bank's standards are of an unusual kind or major importance. The chief executive officer shall ensure that the Bank's bookkeeping complies with laws and regulations, and that the assets are managed in a prudent manner.

Nomination committee
The Supervisory Board shall elect a nomination committee from among the members of the Supervisory Board. The committee shall consist of five members and five deputy members, of whom two members and two deputies are elected from among the depositor-elected representatives, and one member and one deputy member are elected from among the representatives elected by the ECC holders. One member and one deputy member are elected from among the publicly-appointed representatives, and one member and one deputy member are elected from among the employees' representatives. The election results remain valid for two years at a time. Each year, two or three members and two or three deputy members shall step down, on the first occasion after the drawing of lots.

Nomination Committee for ECC holders' election of members
The members of the Supervisory Board elected by the ECC holders elect a nomination committee with four to six members and a corresponding number of deputy members. ECC holders that own at least 10% of the ECCs, shall have the right to be represented by one member and one deputy member in the nomination committee for the ECC holders. The election results remain valid for two years at a time. Each year, two or three members and two or three deputy members shall step down, on the first occasion after the drawing of lots.

The nomination committee shall prepare the ECC holders' election of members and deputy members to the Supervisory Board, and the election of members and deputy members to the nomination committee for the ECC holders' election.

Profits and loss
Profits from the Bank's operations is allocated to the ECC holders and the bank proportional to the ratio of the ECC capital plus the equity premium reserve, and the ownerless capital plus the compensation fund, and otherwise in accordance with the regulations imposed by the prevailing legislation at any given time.

Profits allocated to the Bank can be added to the ownerless capital, used as donations for charitable purposes, transferred to the provision for gifts or transferred to a philanthropic foundation or be distributed as dividend to customers. Dividend distributed to customers is based on average loan and average deposits throughout the financial year, based on the time period the customer had loans and/or deposits in the Bank. Deposits and loans that each amount to up to maximum NOK 2 million for both retail customers and corporate customers gives the right to dividend on equal terms.

With the allocation of profits and dividends, it must be emphasized that the ratio of ownerless capital and ECC capital should not change over time.

17 REGULATORY ENVIRONMENT

17.1 DESCRIPTION OF EQUITY CAPITAL CERTIFICATES (ECCS)

17.1.1 *Generally*

Norwegian savings banks have traditionally been organized as ownerless institutions, where the equity capital mainly has existed of retained earnings, added to the ownerless capital. The savings banks act was however amended in 1987, so that savings banks could raise equity capital by issuing equity capital certificates.

The arrangement with equity capital certificates was established to make it possible for savings banks to raise capital in the investor market and accordingly prevent distortion of competition between savings banks and commercial banks as a consequence of savings bank's lack of possibility to raise equity capital.

Equity capital certificates issued by savings banks have several similarities with ordinary shares, for instance are these two types financial instruments fiscally treated approximately equally. The equity share capital shall be included in a savings banks' risk capital and may be exposed to loss in case of financial difficulties in the bank. The Financial Institutions Act's provisions on ownership control regarding shares apply correspondingly on ECCs. The main difference between shares and equity capital certificates is that the holders of equity capital certificates do not have a right of disposal to the whole equity capital – only the equity share capital stipulated in the articles of association, the equity premium reserve and the dividend equalization fund. The remaining capital in a savings bank is the ownerless capital which consists of paid up capital which is not equity share capital, the gift fund and the compensation fund. The annual results shall be disposed between the two capital classes according to their relative size.

Equity share capital as stipulated in the articles of association and the equity premium reserve has priority before a savings banks remaining capital in cases of deficits. Equity share capital which exceeds equity share capital as stipulated in the articles of association, including the dividend equalization fund, has the same priority as the ownerless capital and the gift fund. Consequently, equity capital certificates may be less risky than shares. Another important difference between equity capital certificates and shares is related to the owners' representation in the governing bodies.

The general meeting (which may also be known as "The Supervisory Board") is the highest authority in a savings bank. The summary below gives an overview of the hierarchic structure in savings banks according to applicable legislation:

Body	Description
The Supervisory Board	• Highest authority in a savings bank • Shall have as many members as the articles of association stipulates • Shall ensure that the purpose of the savings bank is fulfilled in accordance with the law, its articles of association and the resolutions of the Supervisory Board • Elects the board of directors and auditor • Fixes the remuneration of the members of the board, members of the Supervisory Board, members of the committees and the auditor • Holders of equity capital certificates elect at least one-fifth and not more than two-fifths of the members of the Supervisory Board, whilst the depositors elect minimum one quarter of the members of the Supervisory Board. The employees elect from among their number one-quarter of the members of the Supervisory Board and one-quarter of the alternates.
Board of directors	• Shall according to the Financial Institutions Act consist of at least 5 members

	• The board of directors conducts the activities of the savings bank in accordance with the law, the articles of association and further regulations laid down by the Supervisory Board
General manager	• Responsible for the daily management of the savings bank

The composition of the Supervisory Board shall be regulated in a savings bank's articles of association. According to the Financial Institutions Act, the Supervisory Board shall consist of members who together reflect the savings banks' customer profile, other interest groups and the community function.

In savings banks which have issued equity capital certificates, the holders of equity capital certificates elect at least one-fifth and not more than two-fifths of the members of the Supervisory Board.

According to the Financial Institutions Regulation section 8-1 first paragraph, which entered into force on 1 January 2017, at least one quarter of the members and the alternates of the Supervisory Board shall be elected among and by the depositors. Only depositors who for the last six months have had a deposit of at least NOK 2,500 in the bank are eligible and entitled to vote, cf. section 8-2 second paragraph.

Further, the Financial Institutions Regulation section 8-1 third paragraph requires that the employees in the savings bank elect one quarter of the members and the alternates to the Supervisory Board. If the number of members of the Supervisory Board is not divisible by four, at least one quarter of the members and of the alternates shall be elected by the employees. However, this must not result in more than one-quarter of the employees becoming members of the Supervisory Board.

Amendments to the articles of association comprised by the Financial Institutions Regulation section 7-2, requires approval from the Norwegian FSA before they may enter into force.

Profit on equity share capital consists of the sum of dividends and equity capital certificates price fluctuations. The Supervisory Board annually determines how large of a portion of the total profit for the year which shall be distributed as dividend, based on a proposal from the board of directors. Dividend assigned to the equity share capital shall be paid as dividend to the holders of the equity capital certificates. The Supervisory Board may also set aside parts of the retained profit to a dividend equalisation fund. The sum of dividends and allocations to the dividend equalisation fund for each year shall not exceed the equity capital certificates holders' proportional share of (corrected) annual result. The dividend equalisation fund is assigned to the equity capital certificates holders and may be used to maintain dividends in years with poor operating results. A savings bank may only make payments from the dividend equalisation fund when it is prudent in relation to the institution's equity capital situation.

When a savings bank is wound up, the part of the equity share capital and equity premium reserve that remains after all creditors have been paid in full, shall be allocated proportionally among the holders of equity capital certificates. The dividend equalisation fund has the same priority as the ownerless capital and the gift fund.

17.1.2 *Laws and regulations regarding equity capital certificates*

Savings banks' opportunity to issue tradable equity capital certificates with representation right in the Supervisory Board is regulated by the Financial Institutions Act chapter 10. In addition, central parts of the Public Limited Liability Companies Act are applicable to the equity share capital through references in the Financial Institutions Act, for instance provisions on capital increase, issuance of financial instruments (loans with a right to require issuance of shares and independent subscription rights) and reduction of share capital.

17.1.3 *Resolution to issue equity capital certificates*

A resolution to issue equity capital certificates shall be made by the Supervisory Board and requires amendments of the articles of association. However, the Supervisory Board may, with the majority required for amendments of the articles of association, authorise the board of directors to increase the share capital by subscription of new equity capital certificates. No resolution to issue equity capital certificates may be implemented until it has been approved by the Norwegian FSA. In special circumstances, the Norwegian FSA may refuse to approve such resolutions if the equity capital certificates will be issued to a subscription rate that deviates from actual value.

According to the Bank's articles of association section 10-1, a resolution to amend the articles of association is valid only when at least two-thirds of those present and at least half of the total number of members of the Supervisory Board vote in favour. The majority requirement set out in the Bank's articles of association is accordingly stricter than prescribed in the Financial Institutions Act, which only requires a vote in favour from two-thirds of those present.

When the equity capital is increased by a subscription of ECCs against payment in cash, the holders of ECCs have a preferential right to the new ECCs in proportion to the number of shares in the company they already own, cf. the Financial Institutions Act section 10-10.

Public offering of ECCs is subject to the Securities Trading Act and regulations. The Public Limited Liability Act section 10-1 to 10-3 and 10-6 to 10-13 applies correspondingly.

17.1.4 *Equity capital*

Paid-up equity capital is part of a savings bank's Common Equity Tier 1 capital, cf. section 14 no 2 of Regulation 1 June 1990 no 435 on measurement of own funds of financial institutions, clearing houses and investment firms. Equity share capital may however be decreased in order to make distributions to the equity capital certificates holders according to the Financial Institutions Act section 10-21. When a savings bank is wound up, the parts of the equity share capital and equity premium reserve that remains after all creditors have been paid in full, shall be allocated proportionally among the holders of equity capital certificates.

Own funds in savings banks have the following ranking of priority cf. the Financial Institutions Act section 10-19:

- Subordinated loan capital
- Additional Hybrid capital
- Equity share capital stipulated in the articles of association
- The equity premium reserve and the compensation fund
- Ownerless capital, including the gift fund, and equity share capital in excess of the equity share capital stipulated in the articles of association, including the dividend equalisation fund

The dividend equalisation fund consists of funds that can be used to maintain dividends on the equity share capital. The ownerless capital is an amount which has to be paid up when establishing a savings bank, cf. the Financial Institutions Act section 7-7, cf. section 3-4. The gift fund is funds allocated for the public good, cf. The Financial Institutions Act section 10-17 fourth paragraph.

17.1.5 *Distribution of premium on subscription between the equity premium reserve and the compensation fund*

According to the Financial Institutions Act section 10-14 premium on subscription of equity capital certificates shall after deduction of those costs of the subscription process be distributed between the equity premium reserve and the compensation fund. Except as otherwise provided in the resolution concerning the issue of new equity capital certificates, the portion of the premium on such instruments that is to be added to the premium reserve shall be computed with a basis in the ratio of booked equity share capital after new subscriptions to the sum of the booked ownerless capital and equity share capital after new subscriptions. The equity premium reserve belongs to the equity share capital, whilst the compensation fund belongs to the ownerless capital.

17.1.6 *Dividends and transfers to the dividend equalisation fund*

The profit for the year – after adjustments have been made for transfers to or from the fund for valuation differences, for allocations to the fund for unrealised gains and for transfers from the fund for unrealised gains that were previously recognised in the income statement – shall be assigned to the holders of equity capital certificates and the savings bank based on the ratio of the owners' capital plus the equity premium reserve to the ownerless capital plus the compensation fund. In case of changes to the equity share capital during the fiscal year, the new equity share capital shall, in the calculation described above, be weighted based on the remaining part of the fiscal year calculated from the time of the payment of the new equity share capital.

Annual dividends may only be distributed from the profit for the year pursuant to the approved accounts for the last fiscal year. It is the Supervisory Board which shall determine, after the board of directors has presented its proposal for application of the net profit for the year, how large a portion of the overall net profit for the year shall be distributed as dividend for the year. Dividends shall not be higher than what is appropriate and commensurate with prudent, sound business practices, due consideration being given to losses that may have arisen after the end of the financial year, or which must be expected to arise. The profit for the year shall be assigned to the holders of equity capital certificates and the savings bank based on the ratio of the equity share capital plus the premium reserve to the ownerless capital plus the compensation fund. The dividend for the year shall be distributed between the equity share capital and the savings bank based on the same ratio. The remainder of the profit for the year assigned to equity share capital shall be added to the dividend equalisation fund or constitute other equity share capital. That part of the profit for the year which is assigned to the ownerless capital shall be added to the ownerless capital. The articles of association may nonetheless provide that dividends may be used as dividends on contributed ownerless capital, as gifts to non-profit causes or transferred to a fund for such gifts (donations fund), transferred to a foundation for non-profit causes or used as dividends to customers. When disposing of dividends, a savings bank should consider it important to avoid any significant change in the balance between the ownerless capital and the equity share capital. The background for this is to reduce the so-called equity dilution effect.

The Norwegian FSA may, when necessitated by a savings bank's financial position, order the savings bank not to pay out dividend or to pay less dividend than that proposed by the board of directors or adopted by the Supervisory Board. If the board of directors decides to present a proposal for a pay-out that entails that the overall dividend in a single year will exceed one half of the profit pursuant to the approved accounts for the latest financial year, the board of directors shall notify the proposal to the Norwegian FSA.

The dividend equalisation fund may be used to maintain dividends on the equity share capital, cf. the Financial Institutions Act section 10-18. Distribution of dividends from the dividend equalisation fund may only be undertaken when justified by the savings bank's equity capital situation. The dividend equalisation fund may also be used for bonus issues. The remainder of the profit for the year which is assigned to the equity share capital, and which is not paid as dividend to the holders of equity capital certificates, shall be added to the dividend equalisation fund or constitute other equity share capital. The dividend equalisation fund counts as Common Equity Tier 1 capital in relation to the provisions on minimum capital adequacy.

Neither the Financial Institutions Act nor the Bank's articles of association contains any deadline on when a right to dividends may lapse. However, according to the Act relating to the limitation period for claims, a general limited period of 3 years applies.

Any future payments of dividends on the ECCs will be denominated in NOK, and will be paid to the ECC holders through VPS.

17.1.7 *Ownership restrictions for equity capital certificates*

Acquisition of qualifying holdings in a savings bank requires an approval from the Norwegian FSA, cf. the Financial Institutions Act chapter 6. The same applies to acquisitions whereby a qualifying holding will reach or exceed 20%, 30% or 50%, respectively, of the capital or voting rights of a financial institution, or whereby a holding confers controlling influence as mentioned in section 1-3 of the Public Limited Liability Companies Act. A qualifying holding is deemed to be a holding that represents 10% or more of the capital or voting rights of a savings bank, or which otherwise makes it possible to exercise significant influence over the management of the savings bank and its business. In the calculation of a qualifying holding in savings bank that has issued equity capital certificates, such holding is calculated as a proportion of the sum of ownerless capital and equity share capital or of the voting rights at the Supervisory Board.

In the decision of whether or not a licence to acquire a qualifying holding shall be issued, the Norwegian FSA shall, with due regard for the need to assure proper and adequate management of the savings bank and its activities and in consideration of the level of influence the acquirer will as owner be able to exercise in the institution after the acquisition, assess the acquirer's fitness and propriety as owner of his overall holding after the acquisition, and whether the acquisition of the holding is financially sound. Additional assessment criteria are included in the Financial Institutions Act section 6-4. Conditions may be attached to the

authorisation.

The question of whether a licence shall be issued shall be decided within a period of 60 working days reckoned from the date the Norwegian FSA has confirmed receipt of the notification. If the Norwegian FSA has made a request in writing for further information before 50 working days have elapsed, the deadline may be suspended until the requested information is received, but not for more than 20 working days if the acquirer is subject to supervision in or is domiciled in an EEA member state.

Any person proposing to dispose of a qualifying holding or to reduce such a holding so that it falls below one of the percentage thresholds as mentioned above, shall notify the Norwegian FSA accordingly.

17.1.8 *Negotiability of EECs*

Equity capital certificates are transferable securities according to the Securities Trading Act. Acquisition and sales, pledging etc. of equity capital certificates are mainly regulated by the same civil codes as shares. The articles of association may provide that the acquisition of equity capital certificates is subject to approval from the board of directors, cf. the Public Limited Liability Act section 14-5 second paragraph.

17.2 REGULATION OF SAVINGS BANKS

17.2.1 *General*

Savings banks are mainly regulated by the Financial Institutions Act and the Public Limited Liability Act with accompanying regulations. Further, the Norwegian FSA is authorised to supervise savings banks and their operations according to the Financial Supervision Act. Pursuant to those Acts, a number of regulations applicable to savings banks have been issued.

The former direct control of the credit market has been replaced with indirect control through liquidity and interest policies. During the past years, several of the laws and regulations applicable to financial undertakings in Norway have been adapted to EU directives and regulations, which to a great extend has harmonized the Norwegian financial regulations with EU law.

17.2.2 *Annual accounts*

Annual accounts are regulated by the Accounting Act of 17 July 1998 no 56 and the Annual Account Regulation for Banks etc. of 16 December 1998 no 1240, which contains requirements for the board of directors of savings banks to draw up annual accounts no later than 3 months after the end of the fiscal year and provisions regarding the content of such annual accounts.

17.2.3 *Internal control routines*

Savings banks' internal control routines are regulated by the Regulation of 22 August 2014 no 1097 on capital requirements and national adjustment to CRR/CRD IV part VIII adopted by the Ministry of Finance.

17.2.4 *Implementation of CRD IV*

In June 2013, EU adopted a capital adequacy directive, CRD IV, covering prudential rules for credit institutions and investment firms. At the same time, more detailed provisions were adapted in a regulation, the CRR. Compared with former solidity regulations, CRD IV/CRR draws up stricter requirements on the quality of capital instruments, new capital buffer requirements, stricter capital requirements for counterparty credit risk as well as extended requirements on supervisors' assessment of financial institutions' risk and capital need, so-called pilar 2-assessments. Minimum requirements for liquidity coverage ratio (LCR) were implemented from 2015, and net stable fund ratio (NSFR) requirements will be implemented from 2018. The level of capital leverage ratio follows from the CRD IV/CRR Regulation of 22 August 2014 no 1097 and is 3 per cent for savings banks. In addition, banks shall have a capital leverage ratio buffer of minimum 2 per cent.

The capital and buffer requirements of CRD IV and CRR have been implemented into Norwegian law through the Financial Institutions Act. In August 2013, several of the regulations No. 1506 of 14 December 2006 on capital requirements for banks etc. (Capital Requirements Regulations) were amended, as well as the remuneration regulation which implements the more detailed provisions of CRR. The amendments of the capital requirement regulation of 14 December 2006 no 1506 entered into force on 30 September 2014, whilst the amendments of the remuneration regulation came into force on 1 January 2015, and is now implemented in chapter 15 of the Financial Institutions Regulation.

17.2.5 *Capital requirements*

According to the Financial Institutions Act section 14-1, a bank shall at all times maintain Common Equity Tier 1 capital corresponding to at least 4.5% of risk weighted assets calculated in accordance with section 14-2 and the Capital Requirements Regulations. Furthermore, the tier 1 capital and the own funds of the bank shall at all times constitute at least respectively 6% and 8% of the same risk weighted assets.

Own funds consist of tier 1 capital and supplementary capital. Tier 1 capital consists of equity capital and other approved tier 1 capital. The own funds are calculated in accordance with Regulations No. 435 of 1 June 1990 on the measurement of own funds of financial institutions. The items in the balance that is to be deemed respectively Equity capital, additional tier 1 capital and Tier 2 capital, appears from sections 14, 15 and 16.

The Capital Requirements Regulations contain rules on standardised approaches and Internal Ratings Based Approaches (IRB) for the calculation of the own funds requirement. Other methods than the Standardised Approach requires consent from The Norwegian FSA.

Banks applying the IRB method shall satisfy a minimum requirement to own funds as laid down in Regulations No. 875 of 22 October 1990 Minimum Standards of Capital Adequacy for Financial Institutions etc. applying IRB or AMA Method and Regulations No. 632 of 22 June 2000 on the Minimum Standards for Market Risk etc. for Credit Institutions and Investment Firms applying IRB or AMA Method.

In addition to the minimum requirements to own funds, there are also several capital buffer requirements applicable based on CRD/CRR.

Capital conservation buffer

A financial institution shall maintain a capital conservation buffer consisting of Common equity Tier 1 capital equal to 2,5 percentage points in addition to the minimum capital requirement, cf. the Financial Institutions Act section 14-3 (1).

Systemic risk buffer

A financial institution shall maintain a systemic risk buffer consisting of Common equity Tier 1 capital equal to 3 percentage points in addition to the minimum capital requirement and the capital conservation buffer, cf. the Financial Institutions Act section 14-3 (2). The Ministry of Finance may by regulations provide that the requirement shall be higher or lower than 3 percentage points.

Systemically important institutions

A financial institution which is systemically important shall maintain a capital buffer consisting of Common Equity Tier 1 capital equal to 2 percentage points in addition to the minimum capital requirement, the capital conservation buffer and the systemic risk buffer, cf. the Financial Institutions Act section 14-3 (3). The Ministry of Finance has laid down regulations on the procedure and criteria to identify and decide which institutions are to be deemed systemically important in Norway. The Ministry of Finance has decided that DNB ASA and Kommunalbanken AS are deemed systemically important in Norway.

Countercyclical buffer

A financial institution shall maintain a countercyclical capital buffer consisting of Common Equity Tier 1 capital which shall amount to between 0 and 2,5 percentage points in addition to the minimum capital requirement, the capital conservation buffer, the systemic risk buffer and the capital buffer for systemically important institutions, cf. the Financial Institutions Act section 14-3 (4). The Ministry of Finance shall set the requirement for the countercyclical buffer, which will increase from 1.5 percentage points to 2 percentage points as of 31 December 2017. The requirement may in special cases be set higher than 2.5 percentage points.

All capital buffers must consist of Common Equity Tier 1 capital. If an institution does not comply with the above mentioned capital buffers, the institution shall draw up a plan for increasing the its Common Equity Tier 1 capital adequacy, and it may not, distribute dividends to the holders of equity capital certificate or bonuses to employees or interest on additional Tier 1 capital without consent from the Norwegian FSA.

Pilar 2

In addition to the above mentioned capital requirements (Pilar 1 requirements), the Norwegian FSA may impose Pilar 2 capital requirements.

The background for the Pilar 2 system is the EU Capital Requirements Directive and Regulation (CRD IV/CRR), which allows national supervisory authorities to require institutions to hold own funds in excess of the standardised Pilar 1 requirements (minimum requirements to own funds, composition of own funds and capital buffers as mentioned above).

The Pilar 2 process is a substantial part of the Norwegian FSA's supervision of the institutions, and forms part of the supervisory review and evaluation process (SREP) performed by the Norwegian FSA.

Pilar 2 requirements laid down by the supervisory authority are relevant in cases where an institution or a group of institutions, is exposed to or expose the market to higher or more particular risks than the Pilar 1 requirements relies on. The Pilar 2 requirement entails risks not covered by Pilar 1 or only partially covered by Pilar 1. The additional risks may vary from institution to institution and may for example be concentration risk, variations of market risk (including interest rate risk), liquidity risk, funding risk, weaknesses in the governance and control systems, model risk, systemic risk and risk of excessive leverage.

17.2.6 *The calculation basis for the capital requirements*

The Financial Institutions Act contain rules on the calculation basis for the own funds requirements. The calculation basis for the own funds requirement shall be equal to the total of the calculation basis for credit risk, market risk and operational risk.

The calculation basis for credit risk shall be determined with a basis in risk weighted assets under a Standardised Approach or on the basis of an Internal Ratings Based Approach (IRB).

The calculation basis for market risk shall be determined with a basis in rules under the standardised approach set out in regulations or using an IRB approach.

The calculation basis for operational risk shall be determined as: a share over average income (basic indicator approach), a share of the income of various business lines multiplied by an indicator of loss experience set out in regulations (standardised approach) or using an advanced IRB approach for operational risk.

The internal risk management approaches for credit risk and market risk, and the advanced approach for operational risk, may only be used to calculate own funds requirement pursuant to an authorisation granted by the Norwegian FSA.

17.2.7 *Other regulations*

There are also other applicable rules and requirements on the business of banks, including prohibition against engaging in other business, restrictions on outsourcing of core tasks, prudent operation and good business practice, rules on exposures related to foreign currencies, large exposures, asset management, ownership of

holding companies and ownership interests in other companies. Additionally, there are rules regarding anti money laundering as well as liquidity, liquidation and public administration of banks in financial difficulties etc.

Ordinary rules on debt settlement proceedings and bankruptcy are not applicable on banks, but the Ministry of Finance may order banks that are unable to meet its commitments to be placed under public administration in accordance with the Financial Institutions Act chapter 21. The equity certificate capital may in such cases be lost in total.

17.2.8 *Structural changes in the savings bank sector*

Merger and demerger

The Financial Institutions Act section 12-1 to 12-7 contains provisions regarding structural changes pursuant to several models for mergers and demergers. Inter alia, structural changes may take place according to the following models

- "Hallingdal-modellen": savings banks with only ownerless capital (traditional savings banks) may convert parts of the ownerless capital into equity share capital. The equity capital certificates are transferred free of charge to a savings banks foundation. Two or several savings banks may merge by using the same model.
- "Terra/Eika-modellen": several traditional savings banks are merged without issue of equity capital certificates and without establishment of a foundation. Instead, the articles of association may provide for a specific allocation or either the dividend or the ownerless capital proportional to the savings banks' capital at the time of the merger.
- "Tingvoll-modellen": a savings bank's total business is transferred to another savings bank against consideration consisting of equity capital certificates issued to a savings banks foundation established by the acquired savings bank.
- "Telemark-modellen": two or more savings banks are converted into limited liability companies, which are merged into one limited liability company. The conversion is implemented by transfer of the shares to savings banks foundations establish be the involved banks.

According to the Financial Institutions Act section 12-1, merger and demerger of banks may only be carried out pursuant to an authorisation from the Ministry of Finance. Resolutions of merger or demerger shall be adopted by the same majority of the Supervisory Board as needed to adopt an amendment to the articles of association. The articles of association may also provide that such resolutions shall require a majority of the Supervisory Board that includes at least two thirds of the votes cast by, or by members elected by, the holders of equity certificate instruments.

Winding up

The Financial Institutions Act section 12-8 to 12-12 regulates winding up of savings banks. A resolution to wind up a financial institution shall be adopted by the same majority of the Supervisory Board as needed to adopt an amendment to the articles of association. The board of directors shall present a winding up plan to the Supervisory Board. The resolution may only be implemented under authorisation by the Ministry of Finance. Residual assets shall be split pro rata between the equity capital certificate holders and one or more savings bank foundations.

Conversion into a limited liability company

The Financial Institutions Act section 12-13 to 12-18 regulates the conversion of a savings bank into a private or public limited liability company. A resolution to convert a savings bank shall be adopted by the same majority of the Supervisory Board as needed to adopt an amendment to the articles of association. The articles of association may also provide that such resolutions shall require a majority of the Supervisory Board that includes at least two thirds of the votes cast by, or by members elected by, the holders of equity certificate instruments. A savings bank may convert to a private or public limited liability company pursuant to a financial foundation model and requires an authorisation from the Ministry of Finance. The most important aspects of a conversion can be summarised as follows:

- The shares for the part corresponding to the ownerless capital shall be transferred to a savings bank foundation
- The foundation shall be independent from the bank
- The foundation shall have a long-term and stable purpose with its ownership
- Sale of the foundation's shares in the bank requires 2/3 majority by the general meeting of the foundation
- The foundation may distribute parts of the yearly profit as gifts to non-profit causes

Provided that the ownership of the foundation exceeds 10%, the limited liability company may use the term "savings bank" in its corporate name.

The possibility to convert a savings bank to a private or public limited liability company will in practice be limited, because the assessment of whether to grant the authorisation shall inter alia be attached to the general rule requiring savings banks to be organised as ordinary savings banks or as savings banks with equity share capital. Importance shall also be attached to the activities the savings bank has pursued in the municipality concerned and in the event to whether, or how, those activities will be continued.

Conversion of ownerless capital to equity share capital

According to the Financial Institutions Act section 10-9, a saving bank may convert ownerless capital into equity share capital. The equity capital certificates shall be transferred free of charge to a savings bank foundation established in connection with the conversion. The savings bank foundation shall own equity capital certificates and continue savings banks traditions.

17.2.9 *Financial foundations and savings banks foundations*

The Financial Institutions Act section 12-19 to 12-26 contains provisions on financial foundations and savings bank foundations applicable to foundations established in connection with structural changes. The activities of the foundation shall mainly consist of managing equity capital certificates or shares that were supplied to the foundation upon its establishment and funds that are received as dividend on equity capital certificates or shares, including holdings acquired through the exchange of such holdings. A foundation may resolve by the same majority as needed for an amendment to the articles of association, and with the consent from the Norwegian FSA, to issue equity capital certificates.

17.2.10 *Supervision, solvency and liquidity protection for Norwegian banks*

There are several public authorities which are responsible for the supervision with the legislation applicable to financial institutions (banks, insurance undertakings, financing companies etc.).

Ministry or Finance

One of the main tasks of the Ministry of Finance is regulation of the financial markets. The Ministry of Finance has the authority to adopt regulations and administrative decisions pursuant to the Financial Institutions Act and other acts regarding financial undertakings. The Financial Institutions Act regulates important aspects of the operation of savings banks, inter alia capital requirements. The Ministry of Finance has the authority to revoke the license to engage in banking activities in case of severe violations on laws and regulations. A consent from the Ministry of Finance or the Norwegian FSA is required in order for a bank to carry out changes of certain significance, such as issue of equity capital certificates, reduction of the ownerless capital or the equity share capital, transfer of business to another institution, winding-up of business, conversion into a limited liability company or acquisition of another bank.

The main purposes of the regulation of the financial institution are to contribute to financial stability and to ensure that financial institutions operate in an appropriate and satisfactory manner.

The Norwegian FSA

The Norwegian FSA grants the license to operate as a bank and has the main responsibility to monitor and supervise banks, insurance undertakings, financing companies, investment firms, management companies for securities funds, real estate agents, debt collection agencies, auditors, external accountants, insurance brokers and holding companies of financial groups. The main task of the Norwegian FSA is to ensure that the institutions it supervises operates in a sound and prudent manner in accordance with the applicable legislation. Through its supervision of institutions and markets, the Norwegian FSA strives to promote financial stability and orderly market conditions. In addition to its preventative work, the Norwegian FSA maintains preparedness for dealing with concrete problems that may arise.

The supervision includes assessment of the governance and control functions established by the institutions, review of financial statements and other documentation which is reported. Some changes to the articles of associations of the financial institutions shall be approved by the Norwegian FSA. The decisions of the Norwegian FSA may be appealed to the Ministry of Finance. When the Ministry of Finance is handling cases concerning the financial market, it is usual to ask for a statement from the Norwegian FSA before the decision is made. The Norwegian FSA submits an annual report about its activities to the Ministry of Finance each year. The report is presented to the Parliament with the annual financial markets report.

Norges Bank

Norges Bank is the Norwegian central bank and shall be an executive and advisory body for monetary, credit and foreign exchange policy. The Bank shall issue banknotes and coins, promote an efficient payment system domestically as well as vis-à-vis other countries, and monitor developments in the money, credit and foreign exchange markets. The central bank is therefore responsible for important tasks in relation to the banking system and shall contribute to stable and efficient financial markets and payment systems. Norges Bank may grant liquidity loans to banks, make deposits in the banks and grant other credits to the banks. In special cases, the central bank may also grant credit to others on certain conditions. Norges Bank also performs market operations in the monetary market.

The Norwegian Banks' Guarantee Fund

According to the Financial Institutions Act chapter 19, banks having their head office in Norway shall be members of the Norwegian Banks' Guarantee Fund (No: Bankenes sikringsfond). The Norwegian Banks' Guarantee Fund is regulated through the Financial Institutions Act. The purpose of the Norwegian Banks' Guarantee Fund is to secure the deposit liabilities of its members through the deposit guarantee scheme. The fund may also provide support under certain conditions. The fund is intended to cover any loss incurred by a depositor on deposits with a member institution pursuant to the rules in the Financial Institutions Act.

18 SECURITIES TRADING IN NORWAY

This Section 18 includes certain aspects of rules pertaining to securities trading in Norway in a Norwegian incorporated savings bank pursuant to Norwegian legislation, but is however not a full or complete description of the matters described herein. The following summary does not purport to be a comprehensive description of all the legal considerations that may be relevant to a decision to purchase, own or dispose of ECCs. Investors are advised to consult their own legal advisors concerning the overall legal consequences of their ownership of ECCs. Prior to this Offering, the ECCs have not been listed or traded on any stock exchange or regulated market.

18.1 INTRODUCTION

Oslo Børs was established in 1819 and is the principal market in which equity capital certificates, shares, bonds and other financial instruments are traded in Norway. Oslo Børs is operated by Oslo Børs ASA, which also operates the regulated marketplace Oslo Axess and the multilateral trading facility Merkur Market.

Oslo Børs has entered into a strategic cooperation with the London Stock Exchange group with regards to, *inter alia*, trading systems for equities, fixed income and derivatives.

18.2 TRADING AND SETTLEMENT

Trading of equities on the Oslo Stock Exchange is carried out in the electronic trading system Millennium Exchange. This trading system is in use by all markets operated by the London Stock Exchange, including the Borsa Italiana, as well as by the Johannesburg Stock Exchange.

Official trading on Oslo Børs takes place between 09:00 hours (CET) and 16:20 hours (CET) each trading day, with pre-trade period between 08:15 hours (CET) and 09:00 hours (CET), closing auction from 16:20 hours (CET) to 16:25 hours (CET) and a post-trade period from 16:25 hours (CET) to 17:30 hours (CET). Reporting of after exchange trades can be done until 17:30 hours (CET).

The settlement period for trading on the Oslo Stock Exchange is two trading days (T+2). This means that securities will be settled on the investor's account in VPS two days after the transaction, and that the seller will receive payment after two days.

SIX x-clear Ltd has a license from the Norwegian Ministry of Finance to act as a central counterparty and provide clearing services in Norway, and has since 2010 (until 2014 through the subsidiary Oslo Clearing ASA) offered clearing and counterparty services for equity trading on the Oslo Stock Exchange.

Investment services in Norway may only be provided by Norwegian investment firms holding a licence under the Norwegian Securities Trading Act, branches of investment firms from an EEA member state or investment firms from outside the EEA that have been licenced to operate in Norway. Investment firms in an EEA member state may also provide cross-border investment services into Norway

It is possible for investment firms to undertake market-making activities in equity capital certificates listed in Norway if they have a licenced to this effect under the Norwegian Securities Trading Act, or in the case of investment firms in an EEA member state, a licenced to carry out market-making activities in their home jurisdiction. Such market-making activities will be governed by the regulations of the Norwegian Securities Trading Act relating to brokers' trading for their own account. However, such market-making activities do not as such require notification to the Norwegian FSA or the Oslo Stock Exchange except for the general obligation of investment firms that are members of the Oslo Stock Exchange to report all trades in stock exchange listed securities.

18.3 INFORMATION, CONTROL AND SURVEILLANCE

Under Norwegian law, Oslo Børs is required to perform a number of surveillance and control functions. The Surveillance and Corporate Control unit of Oslo Børs monitors market activity on a continuous basis. Market surveillance systems are largely automated, promptly warning department personnel of abnormal market developments.

The Norwegian FSA controls the issuance of securities in certain instances in both the equity and bond markets in Norway and evaluates whether the issuance documentation contains the required information and whether it would otherwise be unlawful to carry out the issuance.

Under Norwegian law, a savings bank that is listed on a Norwegian regulated market, or has applied for listing on such market, must promptly release any inside information directly concerning the savings bank (i.e. precise information about financial instruments, the issuer thereof or other matters which are likely to have a significant effect on the price of the relevant financial instruments or related financial instruments, and which are not publicly available or commonly known in the market). A savings bank may, however, delay the release of such information in order not to prejudice its legitimate interests, provided that it is able to ensure the confidentiality of the information and that the delayed release would not be likely to mislead the public. Oslo Børs may levy fines on companies violating these requirements.

18.4 THE VPS AND TRANSFER OF ECCS

The Bank's principal equity capital certificates register is operated through the VPS. The VPS is the Norwegian paperless centralised securities register. It is a computerised book-keeping system in which the ownership of, and all transactions relating to, Norwegian listed equity capital certificates must be recorded. The VPS and the Oslo Stock Exchange are both wholly-owned by Oslo Børs VPS Holding ASA.

All transactions relating to securities registered with the VPS are made through computerised book entries. No physical equity capital certificates are, or may be, issued. The VPS confirms each entry by sending a transcript to the registered equity capital certificate holder irrespective of any beneficial ownership. To give effect to such entries, the individual equity capital certificate holder must establish an equity capital certificate account with a Norwegian account agent. Norwegian banks, Norges Bank (being, Norway's central bank), authorised securities brokers in Norway and Norwegian branches of credit institutions established within the EEA are allowed to act as account agents.

As a matter of Norwegian law, the entry of a transaction in the VPS is prima facie evidence in determining the legal rights of parties as against the issuing savings bank or any third party claiming an interest in the given security. A transferee or assignee of equity capital certificate may not exercise the rights equity capital certificate holder with respect to such equity capital certificate unless such transferee or assignee has registered such holding of equity capital certificates or has reported and shown evidence of such acquisition, and the acquisition is not prevented by law, the relevant bank's articles of association or otherwise.

The VPS is liable for any loss suffered as a result of faulty registration or an amendment to, or deletion of, rights in respect of registered securities unless the error is caused by matters outside the VPS' control which the VPS could not reasonably be expected to avoid or overcome the consequences of. Damages payable by the VPS may, however, be reduced in the event of contributory negligence by the aggrieved party.

The VPS must provide information to the Norwegian FSA on an ongoing basis, as well as any information that the Norwegian FSA requests. Further, Norwegian tax authorities may require certain information from the VPS regarding any individual's holdings of securities, including information about dividends and interest payments.

18.5 HOLDERS OF EQUITY CAPITAL CERTIFICATES REGISTER

Under Norwegian law, equity capital certificates are registered in the name of the beneficial owner of the equity capital certificate. As a general rule, there are no arrangements for nominee registration, and Norwegian equity capital certificate holders are not allowed to register their equity capital certificates in the VPS through a nominee. However, foreign equity capital certificate holders may register their equity capital certificates in the VPS in the name of a nominee (bank or other nominee) approved by the Norwegian FSA. An approved and registered nominee has a duty to provide information on demand about beneficial equity capital certificate holder to the issuer and to the Norwegian authorities. In case of registration by nominees, the registration in the VPS must show that the registered owner is a nominee. A registered nominee has the right to receive dividends and other distributions, but cannot vote on the equity capital certificate at the meeting of the equity capital certificates holders on behalf of the beneficial owners.

18.6 FOREIGN INVESTMENT IN NORWEGIAN EQUITY CAPITAL CERTIFICATES

Foreign investors may trade equity capital certificates listed on Oslo Børs through any broker that is a member of Oslo Børs, whether Norwegian or foreign.

18.7 DISCLOSURE OBLIGATIONS

If a person's, entity's or consolidated group's proportion of the total issued equity capital certificates and/or rights to equity capital certificates in an issuer with its equity capital certificates listed on a regulated market in Norway (with Norway as its home state, which will be the case for the Bank) reaches, exceeds or falls below the respective thresholds of 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 or 90% of the equity capital certificate capital or the voting rights of that issuer, the person, entity or group in question has an obligation under the Norwegian Securities Trading Act to notify Oslo Børs and the issuer immediately. The same applies if the disclosure thresholds are passed due to other circumstances, such as a change in the Bank's ECC capital.

18.8 INSIDER TRADING

According to Norwegian law, subscription for, purchase, sale or exchange of financial instruments that are listed, or subject to the application for listing, on a Norwegian regulated market, or incitement to such dispositions, must not be undertaken by anyone who has inside information, as defined in section 3-2 of the Norwegian Securities Trading Act. The same applies to the entry into, purchase, sale or exchange of options or futures/forward contracts or equivalent rights whose value is connected to such financial instruments or incitement to such dispositions.

18.9 FOREIGN EXCHANGE CONTROLS

There are currently no foreign exchange control restrictions in Norway that would potentially restrict the payment of dividends to equity capital certificate holders outside Norway, and there are currently no restrictions that would affect the right of equity capital certificate holder of a savings bank that has its equity capital certificates registered with the VPS who are not residents in Norway to dispose of their equity capital certificates and receive the proceeds from a disposal outside Norway. There is no maximum transferable amount either to or from Norway, although transferring banks are required to submit reports on foreign currency exchange transactions into and out of Norway into a central data register maintained by the Norwegian customs and excise authorities. The Norwegian police, tax authorities, customs and excise authorities, the National Insurance Administration and the Norwegian FSA have electronic access to the data in this register.

19 TAXATION

19.1 INTRODUCTION

Set out below is a summary of certain Norwegian tax matters related to an investment in the Group. The summary regarding Norwegian taxation is based on the laws in force in Norway as of the date of this Prospectus, which may be subject to any changes in law occurring after such date. Such changes could possibly be made on a retrospective basis.

The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the equity capital certificates in the Bank. Equity capital certificates holders who wish to clarify their own tax situation should consult with and rely upon their own tax advisers. Equity capital certificates holders resident in jurisdictions other than Norway and equity capital certificates holders who cease to be resident in Norway for tax purposes (due to domestic tax law or tax treaty) should specifically consult with and rely upon their own tax advisers with respect to the tax position in their country of residence and the tax consequences related to ceasing to be resident in Norway for tax purposes.

Please note that for the purpose of the summary below, a reference to a Norwegian or non-Norwegian Equity capital certificates holder refers to the tax residency rather than the nationality of the equity capital certificates holder.

19.2 TAXATION OF DIVIDEND

Norwegian Personal Equity Capital Certificates Holders

Dividends received by equity capital certificates holders who are individuals resident in Norway for tax purposes ("**Norwegian Personal Equity Capital Certificates Holders**") are taxable as ordinary income in Norway at an effective rate of currently 29.76% to the extent the dividend exceeds a tax-free allowance; i.e. dividends received, less the tax-free allowance, shall be multiplied by 1.24 and the product is included as ordinary income taxable at a flat rate of 24%. This implies that the effective tax rate on dividends received by Norwegian Personal Equity Capital Certificates Holders is 29.76%.

The allowance is calculated annually on an equity capital certificate-by-equity capital certificate basis and pertains to the owner of the equity capital certificate at the expiration of the relevant calendar year. The allowance for each equity capital certificate is equal to the cost price of the equity capital certificate multiplied by a risk free interest rate based on the effective rate of interest on treasury bills (*Nw.: statskasseveksler*) with three months maturity plus 0.5 percentage point, after tax.

Norwegian Personal Equity Capital Certificate Holders who transfer equity capital certificates will thus not be entitled to deduct any calculated allowance related to the year of transfer.

Any part of the calculated allowance one year exceeding the dividend distributed on the equity capital certificates ("excess allowance") may be carried forward and set off against future dividends received on, or gains upon realisation of, the same equity capital certificates, and will be added to the basis for calculating the tax-free allowance.

Norwegian Corporate Equity Capital Certificate Holders

Dividends distributed from the Group to equity capital certificate holders who are limited liability companies (and certain similar entities) resident in Norway for tax purposes ("**Norwegian Corporate Equity Capital Certificate Holders**"), are effectively taxed at a rate of 0.72% (3% of dividend income from such equity capital certificates is included in the calculation of ordinary income for Norwegian Corporate Equity Capital Certificates Holders and ordinary income is subject to tax at a flat rate of 24%).

Non-Norwegian Personal Equity Capital Certificate Holders

Dividends distributed to equity capital certificate holders who are individuals not resident in Norway for tax purposes ("**Non-Norwegian Personal Equity Capital Certificate Holders**"), are as a general rule subject to withholding tax at a rate of 25%. The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the equity capital certificate holder is resident. The withholding obligation lies with the savings bank distributing the dividends and the Group assumes this obligation.

Non-Norwegian Personal Equity Capital Certificate Holders resident within the EEA for tax purposes may apply individually to Norwegian tax authorities for a refund of an amount corresponding to the calculated tax-free allowance on each individual equity capital certificate (please see Section 19.2 "*Taxation of dividends—Norwegian Personal Equity Capital Certificate Holders*" above). However, the deduction for the tax-free allowance does not apply in the event that the withholding tax rate, pursuant to an applicable tax treaty, leads to a lower taxation on the dividends than the withholding tax rate of 25% less the tax-free allowance.

If a Non-Norwegian Personal Equity Capital Certificate Holder is carrying on business activities in Norway and the equity capital certificates are effectively connected with such activities, the equity capital certificate holder will generally be subject to the same taxation of dividends as a Norwegian Personal Equity Capital Certificate Holder, as described above.

Non-Norwegian Personal Equity Capital Certificate Holders who have suffered a higher withholding tax than set out in an applicable tax treaty may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted.

Non-Norwegian Corporate Equity Capital Certificate Holders

Dividends distributed to equity capital certificate holders who are limited liability companies (and certain other entities) not resident in Norway for tax purposes ("**Non-Norwegian Corporate Equity Capital Certificate Holders**"), are as a general rule subject to withholding tax at a rate of 25%. The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the equity capital certificate holder is resident, provided that the equity capital certificate holder is the beneficial owner of the equity capital certificates.

Dividends distributed to Non-Norwegian Corporate Equity Capital Certificate Holders resident within the EEA for tax purposes are exempt from Norwegian withholding tax provided that the equity capital certificate holder is genuinely established and performs genuine economic business activities within the relevant EEA jurisdiction.

If a Non-Norwegian Corporate Equity Capital Certificate Holder is carrying on business activities in Norway and the equity capital certificates are effectively connected with such activities, the equity capital certificate holder will generally be subject to the same taxation of dividends as a Norwegian Corporate Equity Capital Certificate Holder, as described above.

Non-Norwegian Corporate Equity Capital Certificate Holders who are exempt from withholding tax or have suffered a higher withholding tax than set out in an applicable tax treaty may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted.

Nominee registered equity capital certificates will be subject to withholding tax at a rate of 25% unless the nominee has obtained approval from the Norwegian tax authorities for the dividend to be subject to a lower withholding tax rate. To obtain such approval the nominee is required to file a summary to the tax authorities including all beneficial owners that are subject to withholding tax at a reduced rate.

The withholding obligation in respect of dividends distributed to Non-Norwegian Corporate Equity Capital Certificate Holders and on nominee registered equity capital certificates lies with the savings bank distributing the dividends and the Group assumes this obligation.

19.3 TAXATION OF CAPITAL GAINS ON REALISATION OF EQUITY CAPITAL CERTIFICATES

Norwegian Personal Equity Capital Certificate Holders

Sale, redemption or other disposal of equity capital certificates is considered a realisation for Norwegian tax purposes. A capital gain or loss generated by a Norwegian Personal Equity Capital Certificate Holders through a disposal of equity capital certificates is taxable or tax deductible in Norway. The effective tax rate on gain or loss related to shares realised by Norwegian Personal Equity Capital Certificate Holders is currently 29.76%; i.e. capital gains (less the tax free allowance) and losses shall be multiplied by 1.24 which are then included in or deducted from the Norwegian Personal Equity Capital Certificate Holder's ordinary income in the year of disposal. Ordinary income is taxable at a rate of 24%. The factor increase of 1.24 therefore increase the effective tax rate on gains/losses realised by Norwegian Personal Equity Capital Certificate Holders to 29.76%.

The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the Norwegian Personal Equity Capital Certificate Holder's percentage interest in the Group prior to the disposal.

The taxable gain/deductible loss is calculated per equity capital certificate as the difference between the consideration for the equity capital certificate and the Norwegian Personal Equity Capital Certificate Holder's cost price of the equity capital certificate, including costs incurred in relation to the acquisition or realisation of the equity capital certificate. From this capital gain, Norwegian Personal Equity Capital Certificate Holders are entitled to deduct a calculated allowance provided that such allowance has not already been used to reduce taxable dividend income. Please refer to Section 19.2 "*Taxation of dividends—Norwegian Personal Equity Capital Certificate Holders*" above for a description of the calculation of the allowance. The allowance may only be deducted in order to reduce a taxable gain, and cannot increase or produce a deductible loss, i.e. any unused allowance exceeding the capital gain upon the realisation of an equity capital certificate will be annulled.

If the Norwegian Personal Equity Capital Certificate Holder owns equity capital certificates acquired at different points in time, the equity capital certificates that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

Norwegian Corporate Equity Capital Certificate Holders

Norwegian Corporate Equity Capital Certificate Holders are exempt from tax on capital gains derived from the realisation of equity capital certificates qualifying for participation exemption, including equity capital certificates in the Group. Losses upon the realisation and costs incurred in connection with the purchase and realisation of such equity capital certificates are not deductible for tax purposes.

Non-Norwegian Personal Equity Capital Certificate Holders

Gains from the sale or other disposal of equity capital certificates by a Non-Norwegian Personal Equity Capital Certificate Holders will not be subject to taxation in Norway unless the Non-Norwegian Personal Equity Capital Certificate Holders holds the equity capital certificates in connection with business activities carried out or managed from Norway or, on specific conditions, when the equity capital certificates are held by a Non-Norwegian Personal Equity Capital Certificate Holder who has been a resident of Norway for tax purposes with unsettled/postponed exit tax calculated on the equity capital certificates at the time of cessation as Norwegian tax resident.

Non-Norwegian Corporate Equity Capital Certificate Holders

Capital gains derived by the sale or other realisation of equity capital certificates by Non-Norwegian Corporate Equity Capital Certificate Holders are not subject to taxation in Norway unless the Non-Norwegian Corporate Equity Capital Certificate Holder holds the equity capital certificates in connection with business activities carried out or managed from Norway.

19.4 NET WEALTH TAX

The value of equity capital certificates is included in the basis for the computation of net wealth tax imposed on Norwegian Personal Equity Capital Certificate Holders. The marginal net wealth tax rate is currently 0.85% of the value assessed. The value for assessment purposes for listed equity capital certificates is equal to 90% of the listed value as of 1 January in the year of assessment (i.e. the year following the relevant fiscal year). The value of debt allocated to the equity capital certificates for Norwegian wealth tax purposes is reduced correspondingly (i.e. to 90%).

Norwegian Corporate Equity Capital Certificate Holders are not subject to net wealth tax.

Equity capital certificate holders not resident in Norway for tax purposes are not subject to Norwegian net wealth tax. Non-Norwegian Personal Equity Capital Certificate Holders can, however, be taxable if the holding of equity capital certificates is effectively connected to the conduct of trade or business in Norway.

19.5 VAT AND TRANSFER TAXES

No VAT, stamp or similar duties are currently imposed in Norway on the transfer or issuance of equity capital certificates.

19.6 INHERITANCE TAX

A transfer of equity capital certificates through inheritance or as a gift does not give rise to inheritance or gift tax in Norway. However, the heir acquires the donor's tax input value based on principles of continuity. Thus, the heir will be taxable for any increase in value during the donor's ownership period, at the time of the heir's realization of the equity capital certificate.

19.7 TAXATION OF EMPLOYEES

Special tax rules may apply for employees of a group company upon subscription or purchase of equity capital certificates.

Generally, any economic benefit derived by an employee from the subscription or purchase of equity capital certificates, e.g. subscription or purchase at a price lower than the fair market value of the equity capital certificates, will constitute a taxable benefit for the employee. The taxable benefit is calculated to be the difference between the market value of the Equity Capital Certificate at the time of subscription or acquisition, and the price paid for the Equity Capital Certificate.

For employee share purchase programs offered as a general scheme to all employees, a benefit of up to 20% and maximum NOK 3,000 per employee per year is tax free. Thus, such part of the discount offered under the Employee Offering will not trigger taxation of the Employees.

Any benefit in excess of the 20%/NOK 3,000 tax free amount and in excess of any discount based on a lock-in period will be taxed as if the Employee received salary. The benefit is taxed in the income year of which the Equity Capital Certificate is received.

The input value of Equity Capital Certificate subscribed or purchased by Employees under the Employee Offering is equal to the Employees cost price, but added the discount of maximum NOK 3,000. If the Employee has been given an additional discount (e.g. underprice) which is taxable, the discount will be added to the cost price.

20 SELLING AND TRANSFER RESTRICTIONS

As a consequence of the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the ECCs offered hereby.

Other than in Norway, the Bank is not taking any action to permit a public offering of the Offer ECCs in any jurisdiction. Receipt of this Prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus is for information only and should not be copied or redistributed. Except as otherwise disclosed in this Prospectus, if an investor receives a copy of this Prospectus in any jurisdiction other than Norway, the investor may not treat this Prospectus as constituting an invitation or offer to it, nor should the investor in any event deal in the ECCs, unless, in the relevant jurisdiction, such an invitation or offer could lawfully be made to that investor, or the ECCs could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if an investor receives a copy of this Prospectus, the investor should not distribute or send the same, or transfer ECCs, to any person or in or into any jurisdiction where to do so would or might contravene local securities laws or regulations.

None of the Bank or the Managers, or any of their respective representatives or advisers, is making any representation to any offeree or purchaser of the Offer ECCs regarding the legality of an investment in the Offer ECCs by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer ECCs.

20.1 SELLING RESTRICTIONS

20.1.1 *United States*

The Offer ECCs have not been and will not be registered under the U.S. Securities Act, and may not be offered or sold except: (i) within the United States to QIBs as defined by Rule 144A in a transaction meeting the requirements of Rule 144A under the US Securities Act or otherwise exempt from, or not subject to, the registration requirements under the U.S. Securities Act; or (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the U.S. Securities Act, and in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction. Transfer of the Offer ECCs will be restricted and each purchaser of the Offer ECCs in the United States will be required to make certain acknowledgements, representations and agreements, as described under Section 20.2 "*Transfer restrictions*."

Any offer or sale of the Offer ECCs in the United States will be made by affiliates of the Managers who are broker-dealers registered under the U.S. Exchange Act or otherwise in accordance with SEC Rule 15a-6. In addition, until 40 days after the commencement of the Offering, any offer or sale of Offer ECCs within the United States by a dealer, whether or not participating in the Offering, may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A of the U.S. Securities Act or another exemption from the registration requirements of the U.S. Securities Act and in connection with any applicable state securities laws.

20.1.2 *United Kingdom*

Each Manager has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (as amended) (the "**FSMA**")) received by it in connection with the issue or sale of any Offer ECCs in circumstances in which section 21(1) of the FSMA does not apply to the Bank; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to everything done by it in relation to the Offer ECCs in, from or otherwise involving the United Kingdom.

20.1.3 *European Economic Area*

In relation to each Relevant Member State, with effect from and including the relevant implementation date, an offer to the public of any Offer ECCs which are the subject of the offering contemplated by this Prospectus may not be made in that Relevant Member State, other than the offering in Norway as described in this Prospectus, once the Prospectus has been approved by the competent authority in Norway and published in accordance with the EU Prospectus Directive as implemented in Norway, except that an offer to the public in that Relevant Member State of any Offer ECCs may be made at any time with effect from and including the relevant implementation date under the following exemptions under the EU Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are qualified investors as defined in the EU Prospectus Directive,

(b) to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the EU Prospectus Directive), as permitted under the EU Prospectus Directive, subject to obtaining the prior consent of the Managers for any such offer, or

(c) in any other circumstances falling within Article 3(2) of the EU Prospectus Directive;

provided that no such offer of Offer ECCs shall require the Bank the Selling ECC Holders or any Managers to publish a Prospectus pursuant to Article 3 of the EU Prospectus Directive or supplement a Prospectus pursuant to Article 16 of the EU Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Offer ECCs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any securities to be offered so as to enable an investor to decide to purchase any Offer ECCs, as the same may be varied in that Member State by any measure implementing the EU Prospectus Directive in that Member State the expression "EU Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

This EEA selling restriction is in addition to any other selling restrictions set out in this Prospectus.

20.1.4 *Additional jurisdictions*

20.1.4.1 Australia

This Prospectus has not been lodged with the Australian Securities and Investments Commission as a disclosure document under Chapter 6D of the Corporations Act 2001 (Cwth) of Australia (the "**Corporations Act**") and is only directed to certain categories of exempt persons. Accordingly, if you receive this Prospectus in Australia:

(a) you confirm and warrant that you are either:

- *(i) a "sophisticated investor" under section 708(8)(a) or (b) of the Corporations Act*
- *(ii) a "sophisticated investor" under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate pursuant to the section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made*
- *(iii) a person associated with the Bank under section 708(12) of the Corporations Act, or*
- *(iv) a "professional investor" within the meaning of section 708(11)(a) or (b) of the Corporations Act,*
- *(v) and, to the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act, any offer made to you under this document is void and incapable of acceptance; and*

(b) you warrant and agree that you will not offer any of the Offer ECCs sold to you pursuant to this Prospectus for resale in Australia within 12 months of those Offer ECCs being sold unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

20.1.4.2 Canada

This Prospectus is not, and under no circumstance is to be construed as, a Prospectus, an advertisement or a public offering of the Offer ECCs in Canada or any province or territory thereof. Any offer or sale of the Offer ECCs in Canada will be made only pursuant to an exemption from the requirements to file a Prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable provincial securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made.

20.1.4.3 Hong Kong

No Offer ECCs have been offered or sold, or will be offered or sold, in Hong Kong by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. In addition, no advertisement, invitation or document relating to the Offer ECCs has been issued or has been in the possession of any person for the purposes of issue, nor will any such advertisement, invitation or document be issued or be in the possession of any person for the purpose of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Offer ECCs that are, or are intended to be, disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

20.1.4.4 Japan

The Offer ECCs have not been and will not be registered under the Financial Instruments and Exchange Law, as amended (the "**FIEL**"). This Prospectus is not an offer of securities for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements under the FIEL and otherwise.

20.1.4.5 Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offer ECCs may not be circulated or distributed, nor may they be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

20.1.4.6 DIFC

This Prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("**DFSA**"). This Prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Prospectus nor taken steps to verify the information set forth herein and has no responsibility for the Prospectus. The Offer ECCs to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Offer ECCs offered should conduct their own due diligence on the

equity capital certificates. If you do not understand the contents of this Prospectus you should consult an authorised financial advisor.

20.1.4.7 Switzerland

The Offer ECCs may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (**"SIX**") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Offer ECCs or the Offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Group, the Offer ECCs have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the Offering will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA ("**FINMA**"), and the Offering has not been and will not be authorised under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Offer ECCs.

20.1.4.8 Other jurisdictions

The Offer ECCs may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into any other jurisdiction in which it would not be permissible to offer the Offer ECCs.

In jurisdictions outside the United States and the EEA where the Offering would be permissible, the Offer ECCs will only be offered pursuant to applicable exceptions from prospectus requirements in such jurisdictions.

20.2 TRANSFER RESTRICTIONS

20.2.1 *United States*

The Offer ECCs have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Terms defined in Rule 144A or Regulation S shall have the same meaning when used in this Section.

Each purchaser of the Offer ECCs outside the United States in accordance with Regulation S will be deemed to have acknowledged, represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed decision and that:

- The purchaser is authorised to consummate the purchase of the Offer ECCs in compliance with all applicable laws and regulations.
- The purchaser acknowledges that the Offer ECCs have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority or any state of the United States, and are subject to significant restrictions on transfer.
- The purchaser is, and the person, if any, for whose account or benefit the purchaser is acquiring the Offer ECCs was located outside the United States at the time the buy order for the Offer ECCs was originated and continues to be located outside the United States and has not purchased the Offer ECCs for the benefit of any person in the United States or entered into any arrangement for the transfer of the Offer ECCs to any person in the United States.
- The purchaser is not an affiliate of the Bank or a person acting on behalf of such affiliate, and is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Offer ECC from the Bank or an affiliate thereof in the initial distribution of such ECCs.
- The purchaser is aware of the restrictions on the offer and sale of the Offer ECCs pursuant to Regulation S described in this Prospectus.

- The Offer ECCs have not been offered to it by means of any "directed selling efforts" as defined in Regulation S.
- The Bank shall not recognise any offer, sale, pledge or other transfer of the Offer ECCs made other than in compliance with the above restrictions.
- The purchaser acknowledges that the Bank, the Selling ECC Holders, the Managers and their respective advisers will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each purchaser of the Offer ECCs within the United States will be deemed to have acknowledged, represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

- The purchaser is authorised to consummate the purchase of the Offer ECCs in compliance with all applicable laws and regulations.
- The purchaser acknowledges that the Offer ECCs have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions to transfer.
- The purchaser (i) is a QIB (as defined in Rule 144A), and (ii) is acquiring such Offer ECCs for its own account or for the account of a QIB.
- The purchaser is aware that the Offer ECCs are being offered and sold in the United States in accordance with the exemption from registration provided for in Rule 144A or in a transaction otherwise exempt from, or not subject to, the registration requirements of the US Securities Act and that the transaction does not involve a public offering of the Offer ECCs in the United States within the meaning of the U.S. Securities Act.
- If, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer ECCs, as the case may be, such ECCs may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and / or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (ii) in accordance with Regulation S, (iii) in accordance with Rule 144 (if available), (iv) pursuant to any other exemption from the registration requirements of the U.S. Securities Act, subject to the receipt by the Bank of an opinion of counsel or such other evidence that the Bank may reasonably require, confirming that transfer is in compliance with the U.S. Securities Act or (v) pursuant to an effective registration statement under the U.S. Securities Act, in each case in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction.
- The purchaser is not an affiliate of the Bank or a person acting on behalf of such affiliate, and is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Offer ECCs from the Bank or an affiliate thereof in the initial distribution of such ECCs.
- The Offer ECCs are "restricted securities" within the meaning of Rule 144(a)(3) and no representation is made as to the availability of the exemption provided by Rule 144 for resale of any Offer ECCs
- The Bank shall not recognise any offer, sale pledge or other transfer of the Offer ECCs made other than in compliance with the above-stated restrictions.
- The purchaser acknowledges that the Bank, the Selling ECC Holders, the Managers and their respective advisers will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

20.2.2 *European Economic Area*

Each person in a Relevant Member State (other than, in the case of paragraph (a), persons receiving offers contemplated in this Prospectus in Norway) who receives any communication in respect of, or who acquires any Offer ECCs under, the offers contemplated in this Prospectus will be deemed to have represented, warranted and agreed to and with the Managers and the Bank that:

a) it is a qualified investor as defined in the EU Prospectus Directive; and

b) in the case of any Offer ECCs acquired by it as a financial intermediary, as that term is used in Article 3(2) of the EU Prospectus Directive, (i) the Offer ECCs acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the EU Prospectus Directive, or in circumstances in which the prior consent of the Managers has been given to the offer or resale; or (ii) where Offer ECCs have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those ECCs to it is not treated under the EU Prospectus Directive as having been made to such persons.

For the purposes of this representation, the expression an "offer" in relation to any Offer ECCs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer ECCs to be offered so as to enable an investor to decide to purchase or subscribe for the Offer ECCs, as the same may be varied in that Relevant Member State by any measure implementing the EU Prospectus Directive in that Relevant Member State and the expression "EU Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

21 ADDITIONAL INFORMATION

21.1 THE BANK'S AUDITOR AND ADVISORS

The Banks auditor is PricewaterhouseCoopers AS with registration number 987 009 713, and business address at Dronning Eufemias gate 8, 0191 Oslo, Norway. The partners of PwC are members of Den Norske Revisorforeningen (The Norwegian Institute of Public Accountants).

SpareBank 1 Markets AS (Olav V's gate 5, 0161 Oslo, Norway) is acting as Global Coordinator, Lead Manager and Joint Bookrunner and Pareto Securities AS (Dronning Mauds gate 3, 0260 Oslo) and Swedbank Norge, a branch of Swedbank AB (publ) (Filipstad brygge 1, 0252 Oslo) as Joint Bookrunners for the Offering. The Managers will be acting as paying agents in the Offering as described in Section 5.2.

Advokatfirmaet Selmer DA (Tjuvholmen allé 1, N-0112 Oslo, Norway) is acting as Norwegian legal counsel to the Bank.

21.2 DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection at the Bank's offices at Strandgata 15, 2317 Hamar, Norway, during normal business hours from Monday to Friday each week (except public holidays) for a period of twelve months from the date of this Prospectus.

- The Articles of Association and Certificate of Incorporation.
- The Group's audited consolidated Annual Financial Statements for the years ended 31 December 2016, 2015 and 2014 as well as the annual financial statements for the Bank's subsidiary undertakings for 2016 and 2015.
- The Group's unaudited consolidated Interim Financial Statements for the three month periods ended 31 March 2017 and 2016.
- This Prospectus.

22 NORWEGIAN SUMMARY (NORSK SAMMENDRAG)

Sammendrag består av informasjon som skal gis i form av "Elementer". Elementene er nummerert i punktene A – E (A.1 – E.7) nedenfor. Dette sammendraget inneholder alle Elementer som skal være inkludert i et sammendrag for denne type verdipapir og utsteder. Som følge av at enkelte Elementer ikke må beskrives, kan det være huller i nummereringen av Elementene. Selv om man kan være pålagt å innta et Element i sammendraget på grunn av typen verdipapir og utsteder, er det mulig at det ikke kan gis relevant informasjon knyttet til Elementet. I så fall er det inntatt en kort beskrivelse av Elementet i sammendraget sammen med benevnelsen "ikke aktuelt

I dette norske sammendraget skal definerte ord og uttrykk (angitt med stor forbokstav) som er oversatt til norsk forstås i samsvar med tilsvarende engelskspråklige ord eller uttrykk slik disse er definert i det engelskspråklige Prospektet. Noen eksempler på slike engelskspråklige motstykker til definerte ord og uttrykk som er oversatt til norsk er som følger: Med "Prospektet" forstås "Prospectus", med "Banken" forstås "Bank", med "Konsern" forstår "Group", med "Tilbudet" forstås "Offering", med "Noteringen" forstås "Listing", med "Egenkapitalbevisene" forstås "ECCs", med "Tilbudte-Egenkapitalbevis" forstås "Offer ECCs", med "Tilleggs-Egenkapitalbevis" forstås "Additional ECCs", med "Tilbudspris" forstås "Offer Price", med "Tilretteleggerne" forstås "Managers", med "Selgende Egenkapitalbeviseiere" forstås "Selling ECC Holders", med "Stiftelsen" forstås "Foundation", med "Overtildelingsopsjonen" forstås "Over-Allotment Option" og med "Indikativt Prisintervall" forstås "Indicative Price Range".

Avsnitt A – Introduksjon og Advarsel

A.1	**Advarsel**	Dette sammendraget bør leses som en innledning til Prospektet. Enhver beslutning om å investere i de Tilbudte-Egenkapitalbevisene bør baseres på investorens vurdering av Prospektet i sin helhet. Dersom et krav knyttet til informasjonen i prospektet fremsettes for en domstol, kan saksøkende investor, i henhold til nasjonal lovgivning i sitt Medlemsland, bli pålagt å dekke kostnadene med å oversette Prospektet før rettsforhandlingene igangsettes. Kun de personer som har satt opp sammendraget, herunder oversatt dette, kan pådra seg sivilrettslig ansvar, men kun dersom sammendraget er misvisende, ikke korrekt eller usammenhengende når det leses i sammenheng med de øvrige deler av Prospektet eller dersom sammendraget, når det leses sammen med de øvrige deler av Prospektet, ikke gir slik nøkkelinformasjon som investorene behøver når de vurderer om de skal investere i slike verdipapirer.
A2	**Videresalg eller endelig plassering av verdipapirer av finansielle mellommenn**	Ikke aktuelt. Finansielle mellommenn har ikke rett til å bruke dette Prospektet for senere videresalg eller endelig plassering av verdipapirer.

Avsnitt B – Utsteder

B.1	**Juridisk og forretningsnavn**	SpareBank 1 Østlandet
B.2	**Hjemstat og rettslig organisering, lovgivning og stiftelsesland**	Bankens registrerte navn er SpareBank 1 Østlandet. Banken er organisert som en sparebank under norsk lov og i henhold til Finansforetaksloven og er registrert i Foretaksregisteret med organisasjonsnummeret 920 426 530.

B.3	**Eksisterende virksomhet, hovedaktiviteter og markeder**	SpareBank 1 Østlandet er et finanskonsern som tilbyr et vidt spekter av produkter innen lån, innskudd, forsikring, pensjon, betalingstjenester, eiendomsmegling, regnskapstjenester, leasing og finansiering til privatpersoner, bedriftskunder og offentlig sektor. Banken har omtrent 290 000 kunder spredt hovedsakelig i fylkene Hedmark, Oppland, Oslo og Akershus. Bankens hovedkontor er i Hamar i Hedmark.
B.4a	**Vesentlige aktuelle trender**	Det har ikke vært noen vesentlige trender eller utvikling utover normal virksomhet siden 31. mars 2017 frem til dato for prospektet. Det er ingen kjente utviklingstrekk, usikkerheter, krav, forpliktelser eller hendelser som det er sannsynlig at vil ha en vesentlig innvirkning på SpareBank 1 Østlandet's utsikter i inneværende år.
B.5	**Beskrivelsen av Selskapet**	Konsernet består av Banken som morbank og følgende datterselskap, joint ventures og tilknyttede selskap: – EiendomsMegler 1 Hedmark Eiendom AS – EiendomsMegler 1 Oslo Akershus AS – SpareBank 1 Finans Østlandet AS – SpareBank 1 Regnskapshuset Østlandet AS – Vato AS – Youngstorget 5 AS – SpareBank 1 Boligkreditt AS – SpareBank 1 Næringskreditt AS – SpareBank 1 Kredittkort AS – SpareBank 1 Mobilbetaling AS – KOMM-IN AS – Torggt 22 AS – SpareBank 1 Gruppen AS – SpareBank 1 Banksamarbeidet DA
B.6	**Interesser i utsteder og stemmeretter**	Egenkapitalbeviseiere som eier 5 % eller mer av Egenkapitalbevisene har en interesse i Bankens eierandelskapital som er meldepliktig etter verdipapirhandelloven. Følgende Egenkapitalbeviseiere eier mer enn 5 % av Egenkapitalbevisene per 29. mai 2017:

Navn	Antall Egenkapitalbevis	Prosent (%)
Sparebanken Hedmark	79 740 000	75,08295
Sparebankstiftelse Landsorganisasjonen i Norge*	10 322 584	9,71971

*Landsorganisasjonen I Norge sammen med tilknyttede foreninger eier tilsammen ca. 14,95 % av egenkapitalbevisene i Banken.

B.7	**Sammendrag av finansiell informasjon**	Sammendraget av finansiell informasjon som presenteres nedenfor er hentet fra Selskapets reviderte konsoliderte regnskap per og for årene som endte 31. desember 2016, 2015 og 2014 og har blitt utarbeidet i henhold til IFRS som vedtatt av EU. Den ureviderte konsoliderte delårsregnskap per og for tremånedersperiodene som endte 31. mars 2017 og 2016 er utarbeidet i henhold til IAS 34.

	Den utvalgte finansielle informasjonen nedenfor bør leses i sammenheng med kapittel 11 "*Financial Information*" og Konsernets Årsregnskap og Delårsregnskap, vedlagt i Vedlegg B og C til prospektet.

Resultatregnskap	**Tremånedersperiode avsluttet 31. mars**		**År avsluttet 31.desember**		
	2017	**2016**	**2016**	**2015**	**2014**
I NOK millioner	(urevidert)	(urevidert)	(revidert)	(revidert)	(revidert)
Netto renteinntekter	464	297	1 490	1 105	1 043
Netto provisjons og andre inntekter	308	160	939	651	663
Netto resultat fra finansielle eiendeler og forpliktelser	0	7	220	514	572
Sum netto Inntekter	**773**	**464**	**2 649**	**2 270**	**2 279**
Sum driftskostnader før tap på utlån og garantier	437	253	1 203	1 052	981
Driftsresultat før tap på utlån og garantier	335	211	1 446	1 218	1 298
Driftsresultat før skatt	361	202	1 371	1 162	1 232
Resultat for regnskapsperioden	274	169	1 100	930	1 040
Resultat for regnskapsåret	274	169	1 100	930	1 040
Sum poster som ikke vil bli reklassifisert til resultat	0	0	-46	98	-51
Sum poster som kan bli reklassifisert til resultat	-13	9	11	82	-14
Sum resultatposter ført mot egenkapitalen	-13	9	-35	180	-65
Totalresultat for regnskapsperioden	**287**	**178**	**1 064**	**1 109**	**975**

Balanse	**Tremånedersperiode avsluttet 31. mars**		**År avsluttet 31.desember**		
I NOK millioner	**2017**	**2016**	**2016**	**2015**	**2014**
	(urevidert)	(urevidert)	(revidert)	(revidert)	(revidert)
Sum eiendeler	101,861	57 185	101 240	55 971	49 934
Sum gjeld	89,491	48 190	89 132	47 253	42 310
Sum egenkapital	12,370	8 995	12 107	8 718	7 624
Sum gjeld og egenkapital	**101,861**	**57 185**	**101 240**	**55 971**	**49 934**

Kontantstrømoppstilling	**Tremånedersperiode avsluttet 31. mars**		**År avsluttet 31.desember**		
	2017	**2016**	**2016**	**2015**	**2014**
I NOK millioner	(urevidert)	(urevidert)	(revidert)	(revidert)	(revidert)
Kontantstrøm fra utlånsvirksomheten (A)	-1,235	-100	-3,441	-2 161	-1 198
Kontantstrøm fra innskuddsvirksomheten (B)	-503	106	3,279	1 831	230
Kontantstrøm fra verdipapirinvesteringer (C)	1,361	-148	-532	-2 053	1 134
Kontantstrøm fra innskudd i kredittinstitusjoner (D)	-254	-9	110	-44	149
Resterende kontantstrøm fra løpende drift (E)	-612	-249	-178	-635	-361
Kontantstrøm fra virksomheten (A+B+C+D+E=F)	**-1,243**	**-400**	**-762**	**-3 062**	**-46**
Kontantstrøm fra finansieringsaktiviteter (G)	431	621	644	2,651	211
Kontantstrøm fra investeringer (H)	**323**	26	280	-35	61
Likviditetseffekt av kjøp av gjenværende aksjer i B1OA (I)	0	0	-225	0	0
Likviditetsbeholdning overtatt fra B1OA (J)	0	0	843	0	0
Likviditetseffekt fra oppkjøp og salg av datterselskaper (K)	0	0	-13	-28	-43
Utbetalt ved emisjon i datterselskap (L)	1	0	5	0	0

Endring i likviditetsbeholdning (F+G+H+I+J+K+L)	-488	246	772	-474	184
Likviditetsbeholdning ved rapporteringsperiodens start	**1 082**	**309**	**309**	**783**	**599**
Sum likviditetsbeholdning ved rapporteringsperiodens slutt (B1OA 100 % inkludert for året 2016 og Q1 2017)	**594**	**555**	**1 082**	**309**	**783**

	Vesentlige etterfølgende endringer i utsteders økonomiske forhold og driftsresultat.	Banken har siden 2013 eid 40,5 % av aksjene i B1OA. Banken kjøpte de resterende aksjene i B1OA i juni 2016. Selve fusjonen mellom Banken og B1OA ble fullført 1. april 2017. Netto rente, netto provisjon, øvrige driftskostnader og skattekostnad økte i både tre måneders perioden som endte 31. mars 2017, sammenlignet med samme periode i 2016 og i året som endte 2016 sammenlignet med året som endte 2015. Økningen skyldtes primært oppkjøpet av B1OA. Personalkostnadene økte i tre måneders perioden som endte 31. mars 2017, sammenlignet med samme periode i 2016. Hovedårsaken til økning i personalkostnader var konsolideringen av B1OA i regnskapet. Personalkostnadene gikk ned i 2016 sammenlignet med 2015. Hovedårsaken til reduksjonen i Personalkostnadene var avviklingen av Bankens ytelsesbaserte pensjonsordning med virkning fra 1. juli 2016, noe som førte til engangs inntektsføring På 271 millioner kroner. Bankens mål er å hente ut synergieffekten fra fusjonen på minst NOK 75 millioner årlig.
B.8	**Utvalgt pro forma finansiell nøkkelinformasjon**	Den ureviderte proforma finansielle informasjonen er utarbeidet på et grunnlag som oppfyller Konsernets regnskapsprinsipper etter IFRS. Regnskapsprinsippene som skal anvendes for Konsernet etter gjennomførelsen av Oppkjøpet vil være i tråd med de regnskapsprinsippene som er beskrevet i notene til konsernregnskapet for året som ble avsluttet 31. desember 2016, vedlagt i vedlegg B til Prospektet. Den ureviderte proforma finansielle informasjonen omfatter ikke all påkrevd regnskapsinformasjon etter IFRS og bør leses sammen med Konsernets historiske finansielle informasjon. Den utvalgte proforma finansielle informasjonen nedenfor bør leses i sammenheng med kapittel 13 "*Unaudited Pro Forma Financial Information*".

Urevidert konsolidert proforma resultatregnskap for regnskapsåret 2016			Pro forma tilpasninger			
NOK mill	SpareBank 1 Østlandet IFRS *(revidert*	B1OA IFRS *(revidert)*	B1OA Resultat 1.7 – 31.12 2016 *(urevidert)*	Andre pro forma justeringer *(urevidert)*	Noter pro forma	SpareBank 1 Østlandet Pro forma IFRS *(urevidert)*
Netto renteinntekter	1 490	511	(262)	(2)		1 739
Netto provisjons- og andre inntekter	939	570	(280)			1 229
Netto resultat fra finansielle eiendeler og forpliktelser	220	111	(53)	(71)		207
Sum netto inntekter	2 649	1 192	(595)	(73)		3 173
Sum driftskostnader før tap på utlån og garantier	1 203	753	(382)	1		1 574
Driftsresultat før tap på utlån og garantier	1 446	439	(213)	(74)		1 599
Driftsresultat før skatt	1 371	427	(212)	(74)		1 514
Resultat for regnskapsåret	**1 100**	**334**	**(160)**	**(73)**		**1 202**

B.9	**Resultatprognose eller estimat**	Ikke aktuelt. Det er ikke utarbeidet noen resultatprognose eller noe estimat i forbindelse med Prospektet.
B.10	**Forbehold i revisjonsrapport**	Ikke aktuelt. Det er ingen forbehold i revisjonsrapportene.
B.11	**Utilstrekkelig arbeidskapital**	Ikke aktuelt. Ledelsen er av den oppfatning at arbeidskapitalen tilgjengelig for Konsernet, er tilstrekkelig for å møte Konsernets behov i minst 12 måneder fra datoen for dette Prospektet.

Punkt C - Verdipapirene

C.1	**Type og klasse verdipapir tatt opp til notering og identifikasjonsnummer**	Banken har utstedt en klasse egenkapitalbevis. Banken er registrert i VPS under ISIN NO 0010751910.
C.2	**Valuta på utstedelse**	NOK.
C.3	**Antall aksjer utstedt og pålydende verdi**	Per datoen for dette Prospektet har banken en eierandelskapital på NOK 5 310 127 000 fordelt på 106 202 540 Egenkapitalbevis, hver pålydende NOK 50. Alle Egenkapitalbevisene er gyldig utstedt og fullt innbetalt.
C.4	**Rettigheter knyttet til verdipapirene**	Alle Egenkapitalbevisene har like rettigheter i Banken. De Eksisterende Egenkapitalbevisene som tilbys har like rettigheter som de øvrige egenkapitalbevisene utstedt av Banken. De Nye Egenkapitalbevisene som tilbys i Ansatteemisjonen vil ha like rettigheter som de øvrige Egenkapitalbevisene utstedt av Banken når de er gyldig utstedt.
C.5	**Begrensninger i verdipapirenes omsettelighet**	Utover eierbegrensninger og godkjennelseskrav ved erverv over visse terskler, hvilket gjelder alle sparebanker, er Bankens Egenkapitalbevis fritt omsettelige. For ytterligere informasjon vedrørende salg og overføring av Egenkapitalbevis i andre jurisdiksjoner enn Norge, se kapittel 20 "*Selling and transfer*

		restrictions". Nye Egenkapitalbevis som allokeres til kvalifiserte ansatte til en rabattert Tilbudspris er gjenstand for om et toårig omsetningsforbud fra levering av slike Nye Egenkapitalbevis til den relevante kvalifiserte Ansattes VPS-konto.
C.6	**Opptak til notering**	Banken søkte om notering av Egenkapitalbevisene på Oslo Børs den 22. mai 2017. Det er forventet at styret i Oslo Børs godkjenner noteringssøknaden rundt den 7. juni 2017, betinget av at enkelte vilkår oppfylles. Forutsatt at styret til Oslo Børs godkjenner noterinssøknaden, forventer Banken at handel i Egenkapitalbevisene på Oslo Børs vil starte den eller rundt den 13. juni 2017. Banken har ikke søkt om notering av Egenkapitalbevisene på noen annen børs eller annet regulert marked.
C.7	**Utbyttepolitikk**	Banken tar sikte på å utbetale 50 % av overskuddet etter skatt i utbytte til egenkapitalbeviseierne og som kundeutbytte fra grunnfondskapitalen.

Punkt D – Risiko

D.1	**Vesentlige risiko knyttet til Selskapet eller dets bransje**	Risiko knyttet til SpareBank 1 Østlandet og markedet Banken opererer i: • Banken er eksponert mot kredittrisiko • Bank er eksponert mot risiko relatert til boligmarkedet. Dersom norske boligpriser faller i fremtiden, noe som resulterer i en nedgang i sikkerhetsverdiene til Banken, kan dette medføre en reduksjon i dekning av lån og verdier av Konsernets eiendeler • Banken er eksponert mot risiko relater til renteendringer • Banken er eksponert mot variasjoner i finansieringskostnader og tilgjengelighet av finansiering • Banken er eksponert mot valutarisiko • Banken er eksponert mot kredittspread og rentespread • Banken er eksponert mot systemrisiko, som er risikoen for at mislighold av en finansinstitusjon kan føre til mislighold av andre finansinstitusjoner. • Banken er eksponert mot operasjonell risiko knytte til systemer, prosesser og utilstrekkelige interne kontroll rutiner

		• Banken er i stor grad avhengige IT systemer og er eksponert mot risikoen for at disse svikter eller er utilstrekkelige • Banken er eksponert mot risiko relatert til informasjons- og kommunikasjonsteknologi kriminalitet • Banken kan være ute av stand til å opprettholde tilstrekkelig forsikring til å dekke all risiko relatert til Bankens virksomhet • Banken er eksponert mot risiko knyttet til hvitvasking og identitetsbedrageri • Gruppen vil kunne foreta oppkjøp som ikke er vellykkede som kan begrense eller avlede Gruppens ressurser • Risiko knyttet til terminering av Bankens deltakelse i SpareBank 1 Alliansen og/eller terminering av avtalen med LO • Risiko knyttet til kredittvurderinger. Bankens kredittvurdering kan påvirke Bankens finansieringsmuligheter og markedets oppfatning av Banken *Risiko knyttet til lover og regler* • Banken er eksponert mot endringer i reguleringen av bank- og finansieringstjenester og endringer i tolkningen og praktiseringen av slike regler • Banken er underlagt regulatoriske soliditetskrav og økt risiko kan medføre en økning i krav til soliditet • Implementeringen av BRRD kan påvirke Bankens senior gjeld finansiering • Implementeringen av EUs markedsmissbruksdirektiv kan medføre tilbakeholdelse av informasjon til offentligheten ved enkelte nødsituasjoner og ellers • Banken er eksponert mot endringer i merverdiavgift lover og forskrifter og endringer i tolkningen og praktiseringen av slike regler • Banken er eksponert mot risiko til den nye IFRS 9 Financial Instruments.
D.3	**Vesentlige risiko knyttet til verdipapirene**	*Risiko knyttet til Noteringen og Egenkapitalbevisene* • Det forventes at Stiftelsen er i stand til å bestemme valget av Egenkapitalbeviseierne til Bankens Representantskap og kan foreta handlinger som ikke er i eller kommer i konflikt med andre Egenkapitalbeviseieres interesser

	• Fortrinnsrett til å tegne seg for Egenkapitalbevis i senere utstedelser kan være utilgjengelig for amerikanske eller andre egenkapitalbeviseiere • Investorer kan være ute av stand til å utøve sine stemmerettigheter for Egenkapitalbevis registrert på forvalterkonto • Investorer kan være ute av stand til å få dekket sitt tap i sivile søksmål i andre jurisdiksjoner enn i Norge • Omsetning av egenkapitalbevis er underlagt restriksjoner under USAs og andre jurisdiksjoners verdipapirlover

Punkt E – Tilbudet

E.1	**Nettoproveny og estimerte kostnader**	Selgende Egenkapitalbeviseiere vil motta nettoprovenyet fra egenkapitalbevis solgt i det institusjonelle tilbudet og det offentlige tilbudet. Nettoprovenyet fra salget av Nye Egenkapitalbevis (i Ansattetilbudet) vil tilfalle Banken og vil avhenge av både antallet Nye Egenkapitalbevis som tegnes i Ansattetilbudet og antallet kvalifiserte Ansatte som deltar i Ansattetilbudet (ettersom rabatten på Tilbudsprisen er begrenset til NOK 25 000 per Kvalifiserte Ansatte som allokeres Nye Egenkapitalbevis). Som maksimum vil Ansattetilbudet medføre et nettoproveny i størrelsesordenen ca. MNOK 182.9 to MNOK 183.2. Banken forventer at kostnader og utgifter tilknyttet Tilbudet og Noteringen, som vil betales av Banken, er anslått til å være mellom NOK 16,8 millioner og NOK 17,1 millioner.
E.2a	**Bakgrunnen for Tilbudet og bruk av provenyet**	Bakgrunnen for Noteringen kan oppsummeres følgende: • Notering vil gi økt fleksibilitet med tanke på Bankes kapitalsituasjon, da det gir økt rom for økonomisk vekst • Notering vil posisjonere Banken for strukturmessige endringer i banksektoren på Østlandet i Norge • Notering vil bidra til et bredere eierskap i Banken Den største delen an provenyet fra Tilbudet vil tilfalle de Selgende Egenkapitalbeviseiere. Provenyet fra Ansattetilbudet vil tilfalle Banken og er ikke tiltenkt noe særskilt formål, men vil benyttes til å finansiere lønnsom vekst.
E.3	**Vilkår for Tilbudet**	Tilbudet består av et salg av opp til 26 845 638 eksisterende Egenkapitalbevis tilbudt av de Selgende Egenkapitalbeviseierne i det institusjonelle tilbudet og i det offentlige tilbudet, samt en utstedelse av nye egenkapitalbevis i Ansattetilbudet med brutto proveny på inntil NOK 200 millioner, før ansatterabatten. I tillegg

	kan, Banken, Stiftelsen og Tilretteleggerne i fellesskap velge å benytte en overtildelingsopsjon til å overtildele et antall Tilleggs-Egenkapitalbevis som utgjør opp til 10 % av de tilbudte Egenkapitalbevisene. Stiftelsen har tildelt Stabiliseringsagenten, en Overtildelingsopsjon til å kjøpe et antall Egenkapitalbevis som tilsvarer antallet Tilleggs-Egenkapitalbevisene for å dekke en slik overtildeling. Stiftelsen har videre tildelt Stabiliseringsagenten, på vegne av Tilretteleggerne, en opsjon til å låne et antall Egenkapitalbevis som tilsvarer antallet Tilleggs-Egenkapitalbevis for å dekke en slik overtildeling. Banken og Stiftelsen, i samråd med Tilretteleggerne, forbeholder seg retten til å til enhver tid kunne øke eller redusere størrelsen på Tilbudet. Tilbudet består av: • Et Institusjonelt Tilbud, hvor eksisterende Egenkapitalbevis tilbys til investorer (a) i Norge, (b) utenfor Norge og USA, i henhold til gjeldende unntak fra lokale prospektkrav og andre registreringsunntak, og (c) i USA til QIBs, i henhold til Rule 144A i U.S. Securities Act, eller i henhold til andre unntak fra, eller i en transaksjon som ikke er underlagt til registreringsplikten i U.S. Securities Act, med en nedre grense per bestilling på mer enn NOK 2,5 millioner. • Et Offentlig Tilbud, hvor eksisterende Egenkapitalbevis tilbys til allmennheten i Norge med en nedre grense per bestilling på NOK 10 500 og en øvre grense per bestilling på NOK 2,5 millioner for hver investor. Banken vil etter beste evne tilstrebe å tildele alle bestillere Egenkapitalbevis for inntil NOK 100 000, i den grad det er søkt om. Flere bestillinger er ikke tillatt. Investorer som ønsker å legge inn en bestilling som overstiger NOK 2,5 millioner må gjøre det i det Institusjonelle Tilbudet. • Et Ansattilbud, hvor Nye Egenkapitalbevis med brutto proveny på NOK 2 000 000, før ansatterabatten, tilbys til Kvalifiserte Ansatte (som definert i Prospektet), med en nedre grense per bestilling på NOK 10 500 og en øvre grense per bestilling på NOK 2 500 000 for hver Kvalifiserte Ansatt. Flere bestillinger er ikke tillatt. Hver Kvalifiserte Ansatt som blir tildelt Nye egenkapitalbevis vil motta en rabatt på 20 % av den totale summen som skal betales av en slik investor, begrenset til en maksimum rabatt på 25 000 per ansatt (dvs. at det er ingen rabatt for bestillinger over NOK 125 000). Kvalifiserte Ansatte er garantert tildeling av Tilbuds Egenkapitalbevis inntil en total Tilbudspris på NOK 125 000 (før rabatt) i Ansattetilbudet. For en oversikt over den norske

		skattekonsekvensen av en slik rabatt de kapittel 19 "Taxation" For å delta i Ansattilbudet må bestilleren ha en VPS-konto i Banken. Bookbuilding-perioden for det Institusjonelle Tilbudet er forventet å løpe fra kl. 09:00 norsk tid den 29. mai 2017 til kl. 16:30 norsk tid den 9. juni 2017. Bestillingsperioden for det Offentlige Tilbudet og Ansattetilbudet er forventet å løpe fra kl. 09:00 norsk tid den 29. mai 2017 til kl. 12:00 norsk tid den 9. juni 2017, men med mulighet for Banken og Stiftelsen til å i fellesskap beslutte forkortelse eller forlengelse basert på eget skjønn. Banken og Stiftelsen forbeholder seg retten til når som helst sammen beslutte å trekke tilbake, oppheve eller annullere Tilbudet etter eget skjønn (og for enhver grunn). Tilretteleggerne forventer å gi beskjed om tildeling av Egenkapitalbevisene i Tilbudet rundt den 12. juni 2017, gjennom utstedelse av sluttseddel til bestillerne via epost eller på annen måte. Levering og betaling av Eksisterende Egenkapitalbevis i det Institusjonelle Tilbudet er forventet å finne sted den 14. juni 2017. Frist for betaling i det Offentlige Tilbudet og Ansattetilbudet er rundt den 14. juni 2017. Forutsatt rettidig betaling av bestilleren, er levering av egenkapitalbevis tildelt i det Offentlige Tilbudet og Ansattilbudet forventet å finne sted rundt henholdsvis den 14. juni 2017 og den 20. juni 2017. Utstedelse og levering av Nye Egenkapitalbevis i Ansattetilbudet er betinget av godkjenning fra Finanstilsynet. All handel i Tilbuds-Egenkapitalbevis før oppgjør og levering gjøres på de involverte parters risiko.
E.4	**Vesentlige og motstridende interesser**	Tilretteleggerne eller deres nærstående har fra tid til annen ytt, og kan i fremtiden yte, investeringstjenester og finansieringstjenester til Banken og dens nærstående som en del av deres ordinære virksomhet, hvor de har mottatt og i fremtiden kan motta honorar og provisjoner. Tilretteleggerne vil motta et honorar basert på en fastsatt prosent av bruttoprovenyet oppnådd i Tilbudet og kan motta et suksesshonorar ved en vellykket transaksjon. Slik sett vil Tilretteleggerne ha en interesse i Tilbudet. De Selgende Egenkapitalbeviseierne vil motta provenyet fra salget av de Eksiterende Egenkapitalbevisene, og vil således ha en interesse i Tilbudet.

E.5	**Selgende Egenkapitalbeviseiere og bindingsavtaler**	LO har forpliktet seg til ikke å selge Egenkapitalbevis for en periode på ett år etter Noteringen. Det følger videre av avtalen at LO ikke skal selge Egenkapitalbevis i en ytterligere periode på 5 år i slikt omfang at eierandelen faller under 10 %. Stiftelsen, SpareBank 1 Østfold Akershus, SpareBank 1 BV, SpareBank 1 Ringerike Hadeland, Sparebanken Telemark, SpareBank 1 Hallingdal Valdres og SpareBank 1 Lom og Skjåk (med andre ord de eksisterende Egenkapitalbeviseierne som ikke er tilknyttet LO og som ikke selger hele sin beholdning av Egenkapitalbevis) har, på visse vilkår, påtatt seg et handelsforbud for sin egenkapitalbevis i en periode på 12 måneder fra Noteringen. Banken har påtatt seg et handelsforbud i en periode på 6 måneder fra Noteringen. Nye Egenkapitalbevis som tildeles til ansatte til en rabattert Tilbudspris er gjenstand for omsetningsforbud i to år fra levering av slike Nye Egenkapitalbevis til den relevante ansattes VPS-konto.
E.6	**Utvanning som følge av Tilbudet**	Hoveddelen av Tilbudet er salg av Eksisterende Egenkapitalbevis, noe som ikke vil medføre utvanning for eksisterende Egenkapitalbeviseiere. Ansattetilbudet medfører utstedelse av nye egenkapitalbevis og vil således medføre en utvanning avhengig av Tilbudsprisen og antall Nye Egenkapitalbevis som tegnes, men vil uansett ikke medføre en utvanning på mer enn 2,82 % for eksisterende egenkapitalbeviseiere.
E.7	**Estimerte kostnader som vil kreves fra investorene**	Ikke aktuelt. Utgifter i forbindelse med tilbudet vil ikke kreves fra investorene.

23 DEFINITIONS AND GLOSSARY

The following definitions and glossary apply in this Prospectus unless otherwise dictated by the context, including the foregoing pages of this Prospectus.

2010 PD Amending Directive	Directive 2010/73/EU.
Additional ECCs	Up to 2,676,638 additional equity capital certificates sold pursuant to the over-allotment by the Stabilisation Manager, equalling up to 10% of the number of Existing ECCs to be sold in the Offering.
Alliance	The Sparebank 1 Alliance.
Annual Financial Statements	The Group's annual financial statements for the years ended 31 December 2016, 2015 and 2014.
Anti-Money Laundering Legislation	The Norwegian Money Laundering Act No. 11 of 6 March 2009 and the Norwegian Money Laundering Regulations No. 302 of 13 March 2009.
Application	An application for ECCs in the Offering.
Application Period	The application period for the Retail Offering and the Employee Offering which will take place from 09:00 hours (CEST) on 29 May 2017 to 12:00 hours (CET) on 9 June 2107, unless shortened or extended.
Acqusition	The Bank's acquisition of the remaining shares in B1OA resulting in B1OA becoming a wholly owned subsidiary.
Articles of Association	The articles of association of the Bank.
APM	Alternative Performance Measure as defined in ESMA Guidelines on Alternative Performance Measures dated 5 October 2015.
B1OA	Bank 1 Oslo Akershus AS.
BCA	Baseline credit assessment.
Bank	SpareBank 1 Østlandet.
Board of Directors or Board	The board of directors of the Bank.
Bookbuilding Period	The bookbuilding period for the Institutional Offering which will take place from 09:00 hours (CEST) on 29 May 2017 to 16:30 hours (CET) on 9 June 2017, unless shortened or extended.
BRRD	The EU Banking Recovery and Resolutions Directive .
CISA	The Swiss Federal Act on Collective Investment Schemes.
CM	The corporate market division.
Corporations Act	Corporations Act 2001 (Cwth) of Australia.
Corporate Governance Code	The Norwegian Code of Practice for Corporate Governance dated 30 October 2014.

CRA Regulation	The European Union and is registered under the Regulation (EC) NO 1060/2009 (as amended).
DFSA	The Dubai Financial Services Authority.
Director or Directors	A member or members of the Board of Directors.
ECC	Equity capital certificates in the Bank, each with a par value of NOK 50 or any one of them.
EEA	The European Economic Area.
Eligible Employees	All permanent employees, as of as of 9 June 2017, of the Group.
Employee Application Form	The application form to be used to apply for Offer ECCs in the Emplyee Offering, attached as Appendix F to this Prospectus.
Employee Offering	An employee offering in which Offer ECCs are offered to eligible employees of the Group, subject to a minimum application amount of NOK 10,500 and a maximum application amount of NOK 2,500,000. An employee offering, in which New ECCs are being offered to Eligible Employees, subject to a lower limit per application of an amount of NOK 10,500 and an upper limit per application of an amount of NOK 2,500,000 for each Eligible Employee. Multiple applications are not allowed. Each Eligible Employee being allocated New ECCs will receive a discount of 20% on the aggregate amount payable by such investors, limited to NOK 25,000 per Eligible Employee (i.e. there will be no discount for applications exceeding NOK 125,000 per Eligible Employee). The Eligible Employees are guaranteed allocation of New ECCs with a total Offer Price of NOK 125,000 (before discount) in the Employee Offering.
Employee Payment Date	14 June 2017.
Employee Subscription Office	SpareBank 1 Markets.
EU	The European Union.
EU Prospectus Directive	Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State.
Existing ECCs	The up to 26,845,638 existing ECCs to be sold in the Institutional Offering and the Retail Offering.
Financial Institutions Act	The Norwegian Act No. 17 of 10 April 2015 on Financial Institutions and Financial Groups
Financial Insitutions Regulations	The Norwegian Regulations No. 1502 of 9 December 2016 on Financial Institutions and Financial Groups
FIEL	The Japanese Financial Instruments and Exchange Law, as amended.
FINMA	The Swiss Financial Market Supervisory Authority FINMA.

Former Sparebanken Hedmark	Sparebanken Hedmark before the merger with B1OA.
Forward-looking statements	Statements made that are not historic and thereby predictive as defined in Section 4.3.
Foundation	Sparebanken Hedmark Sparebankstiftelse.
FSMA	Financial Services and Markets Act 2000.
FTE	Full-time equivalents.
Greenshoe Option	The option granted to the Stabilisation Manager by the Foundation to buy a number of ECCs equal to the number of Additional ECCs at a price per ECC equal to the final Offer Price
Group	The Bank and its subsidiaries.
IAS	International Accounting Standard.
IFRS	International Financial Reporting Standards as adopted by the EU.
Indicative Price Range	The indicative price range in the Offering of NOK 74.50 to NOK 82.00 per Offer ECCs.
Inland	Hedmark and Oppland counties.
Institutional Offering	An institutional offering, in which Existing ECCs are being offered (i) to institutional and professional investors in Norway, (ii) to investors outside Norway and the United States pursuant to applicable exemptions from local prospectus requirements and other filing requirements, and (iii) in the United States to QIBs in reliance on Rule 144A under the US Securities Act or another exemption from the registration requirements of the U.S. Securities Act, subject to a lower limit per application of more than NOK 2,500,000.
ISIN	Securities number in the Norwegian Registry of Securities (VPS).
Interim Financial Statements	The Group's interim for financial statement for the three month periods ended 31 March 2017 and 2016.
Joint Bookrunners	SpareBank 1 Markets AS, Pareto Securities AS and Swedbank.
LCR	Liquidity Coverage Ratio.
Listing	The listing of the ECCs on Oslo Børs.
LO	Norwegian Confederation of Trade Unions (Nw: Landsorganisasjonen i Norge) and Related Associations.
Managers	SpareBank 1 Markets AS, Pareto Securities AS and Swedbank.
MAR	The EU Regulation No. 596/2014 of European Parliament and of the Council of 16 April 2014 on market abuse.
Moody's	Moody’s Investor Service Ltd.

New ECCs	The ECCs to be issued in the Employee Offering.
NFSR	Net Stable Funding Ratio.
NIBOR	Norwegian Interbank Offer Rate.
NOK	Norwegian Kroner, the lawful currency of Norway.
Non-Norwegian Corporate Equity Capital Certficate Holders	Equity capital certificate holders who are not resident in Norway for tax purposes.
Non-Norwegian Personal Equity Capital Certficate Holders	Equity capital certificate holders who are individuals not resident in Norway for tax purposes.
Norwegian FSA	The Financial Supervisory Authority of Norway (*Nw.: Finanstilsynet*).
Norwegian Corporate Equity Capital Certficate Holders	Equity capital certificate holders who are limited liability companies and certain similar corporate entities resident in Norway for tax purposes.
Norwegian Personal Equity Capital Certficate Holders	Equity capital certificate holders resident in Norway for tax purposes.
Norwegian Public Companies Act	The Norwegian Public Limited Companies Act of 13 June 1997 no. 45 (*Nw.: allmennaksjelove*n.
Norwegian Securities Trading Act	The Norwegian Securities Trading Act of 29 June 2007 no. 75 (Nw: verdipapirhandelloven).
Offer Price	The final offer price for the Offer ECCs in the Offering.
Offer ECC	The ECCs offered pursuant to the Offering.
Offering	The offering contemplated by this Prospectus, pursuant to the terms and conditions set out herein.
OM	The organizations and capital markets division.
Oslo Børs	Oslo Børs ASA or, as the context may require, Oslo Børs, a Norwegian regulated stock exchange operated by Oslo Børs ASA.
Over-Allotment Option	The Stabilization Manager's option to over-allot a number of Additional ECCs equalling up to 10% of the number of Offer ECCs
PPA	Purchase price allocation.
Prospectus	This Prospectus dated 26 May 2017, prepared in connection with the Offering and the Listing.
PwC	PricewaterhouseCoopers AS.
QIBs	Qualified institutional buyers, as defined in Rule 144A under the U.S. Securities Act.
Related Associations	Fellesforbundet, Norsk Nærings- og Nytelsesmiddelarbeiderforening, Industri Energi, Fagforbundet, Norsk Tjenestemannslag, Norsk Sjømannsforbund, Norsk Transportarbeiderforbund, Forbundet For Ledelse og Teknikk, Norsk Post- og Kommunikasjonsforbund, Handel og

	Kontor I Norge, Norsk Arbeidsmandsforbund, Norsk Jernbaneforbund, Norges Offisersforbund, Norsk Fengsels- Og Friomsorgsforbund, Musikernes Fellesorganisasjon, Skolenes Landsforbund and Arbeiderbevegelsens Presseforbund.
Relevant Member State	Each Member State of the EEA which has implemented the EU Prospectus Directive.
Retail Application Form	The application form to be used to apply for Offer ECCin the Retail Offering, attached as Appendix E to this Prospectus.
Retail Offering	A retail offering, in which Existing ECCs are being offered to the public in Norway, subject to a lower limit per application of an amount of NOK 10,500 and an upper limit per application of an amount of NOK 2,500,000 for each investor. The Bank will use its best efforts to ensure that all applicants are allocated Offer ECCs for up to NOK 100,000 each, to the extent applied for. Multiple applications are not allowed. Investors who intend to place an application in excess of an amount of NOK 2,500,000 must do so in the Institutional Offering.
Retail Payment Date	14 June 2017.
RM	The retail market division.
SEC	U.S. Securities and Exchange Commission.
SEC Regulation S-X	SEC's rules on presentation of pro forma financial information.
Selling ECC Holders	The holders of the Existing ECCs to be sold in the Offering as set out in Section 5.13.
SFA	The Singaporian Securities and Futures Act.
SIX	The SIX Swiss Exchange.
SPABOL	SpareBank 1 Boligkreditt AS.
SPACOM	SpareBank 1 Næringskreditt AS.
Stabilisation Manager	SpareBank 1 Markets AS
Supervisory Board	The Bank's supervisory board.
Swedbank	Swedbank Norge, a branch of Swedbank AB (publ).
U.S. Exchange Act	The U.S. Securities Exchange Act of 1934.
U.S. Securities Act	The United States Securities Act of 1933, as amended.
VPS	The Norwegian Central Securities Depository (*Nw: Verdipapirsentralen*).

VEDTEKTER

for

SpareBank 1 ØSTLANDET

Vedtatt av Representantskapet den 30. mars 2017

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KAP. 1. FIRMA. KONTORKOMMUNE. FORMÅL.

§ 1-1 Firma. Kontorkommune. Formål.

SpareBank 1 Østlandet er dannet ved sammenslutning av en rekke tidligere selvstendige banker.

SpareBank 1 Østlandet har sitt sete i Hamar kommune.

SpareBank 1 Østlandet har til formål å fremme sparing ved å ta imot innskudd fra en ubestemt krets av innskytere, levere finansielle tjenester til publikum, næringsliv og offentlig sektor, og å forvalte på trygg måte de midler den rår over i samsvar med de lovregler som til enhver tid gjelder for sparebanker.

KAP. 2. GRUNNFONDET

§ 2-1 Grunnfondet

De opprinnelige grunnfond i de sammensluttede sparebanker er enten tilbakebetalt eller pliktes ikke tilbakebetalt.

Med Kongen/Finansdepartementets samtykke kan representantskapet vedta å utstede omsettelige og utbytteberettigede egenkapitalbevis med representasjonsrett i representantskapet i henhold til den enhver tid gjeldende lovgivning.

§ 2-2 Egenkapitalbevis

SpareBank 1 Østlandets utstedte eierandelskapital utgjør
NOK 5 310 127 000 fordelt på 106 202 540 egenkapitalbevis à kr 50.

SpareBank 1 Østlandets egenkapitalbevis skal være registrert i Verdipapirsentralen.

KAP. 3. REPRESENTANTSKAP

§ 3-1 Representantskapet

SpareBank 1 Østlandets representantskap skal se til at banken virker etter sitt formål i samsvar med lov, vedtekter og representantskapets vedtak.

Representantskapet skal ha 40 medlemmer med 40 varamedlemmer.
14 medlemmer og 14 varamedlemmer velges av innskyterne, jfr. § 3-2.
4 medlemmer og 4 varamedlemmer velges av fylkestinget, jfr. § 3-3.
12 medlemmer og 12 varamedlemmer velges av egenkapitalbeviseierne, jfr. § 3-4.
10 medlemmer og 10 varamedlemmer velges av de ansatte i samsvar med de til enhver tid gjeldende regler.

Medlemmene og varamedlemmene i representantskapet velges for 4 år.

Sammensetningen av representantskapet skal være i samsvar med de til enhver tid gjeldende regler.

§ 3-2 Innskyternes valg til representantskapet

De innskytere som bor eller har sitt virke, eller for upersonlige innskytere sitt sete i Alvdal, Eidskog, Elverum, Engerdal, Folldal, Grue, Hamar, Kongsvinger, Løten, Nord-Odal, Os, Rendalen, Ringsaker, Stange, Stor-Elvdal, Sør-Odal, Tolga, Trysil, Tynset, Våler, Åmot og Åsnes kommuner, og som har og i de siste seks måneder har hatt et innskudd i banken på minst 2500 kroner, velger hvert år medlemmer og varamedlemmer etter følgende fordeling:

	Medlemmer	**Varamedlemmer**
Valgdistrikt I: Østerdalen	4	4
Valgdistrikt II: Glåmdalen	4	4
Valgdistrikt III: Hedmarken	6	6
	14	**14**

Av de innskytervalgte medlemmer og varamedlemmer som er valgt ved første valg går en fjerdedel ut etter loddtrekning hvert av de første tre årene, og deretter de som har gjort tjeneste lengst. Loddtrekningen foretas av valgkomiteen. Uttredende medlemmer kan gjenvelges

Bare myndig person kan, som personlig innskyter eller som representant for annen innskyter, stemme ved valget. Ingen kan avgi mer enn to stemmer, en på grunnlag av eget innskudd og en som representant for annen innskyter.

Gjennomføring av valget skjer i henhold til instruks fastsatt av representantskapet.

Valgene skal foregå i følgende valgdistrikt:

Valgdistrikt I: Østerdalen	omfatter kommunene:	Alvdal, Elverum, Engerdal, Folldal, Os, Rendalen, Stor-Elvdal, Tolga, Trysil, Tynset, Åmot
Valgdistrikt II: Glåmdalen	omfatter kommunene:	Eidskog, Grue, Kongsvinger, Nord-Odal, Sør-Odal, Våler, Åsnes
Valgdistrikt III: Hedmarken	omfatter kommunene:	Hamar, Løten, Ringsaker, Stange

Til medlemmer og varamedlemmer kan innskyterne bare velge myndige personlige innskytere som har stemmerett etter første ledd

§ 3-3 Hedmark fylkestings valg til representantskapet

Hedmark fylkesting velger hvert fjerde år 4 medlemmer med 4 varamedlemmer.

§ 3-4 Egenkapitalbeviseiernes valg til representantskapet

Eierne av egenkapitalbevis skal i valgmøte velge 12 medlemmer og 12

varamedlemmer.

Gjennomføring av valget skjer i henhold til instruks fastsatt av representantskapet

§ 3-5 Møter og vedtak i representantskapet

Representantskapets medlemmer og varamedlemmer møter personlig. Det er ikke anledning til å møte ved fullmektig eller ved rådgiver.

Møter i representantskapet åpnes og ledes av representantskapets leder.

Hvert medlem av representantskapet har èn stemme. En beslutning krever flertall av de avgitte stemmer med mindre annet følger av de til enhver tid gjeldende regler og disse vedtekter. Står stemmetallet likt, gjelder det som møtelederen slutter seg til.

§ 3-6 Representantskapets oppgaver

På det ordinære representantskapsmøtet skal følgende saker behandles og avgjøres:

- Valg av representantskapets leder og nestleder for ett år
- Valg av styrets leder, nestleder, medlemmer og varamedlemmer, med unntak for medlemmer og varamedlemmer som velges av de ansatte
- Valg av leder, medlemmer og varamedlemmer til valgkomiteen for representantskapets og innskyternes valg
- Fastsettelse av godtgjørelse til tillitsvalgte og revisor
- Godkjennelse av årsregnskapet og årsberetningen, herunder disponering av overskudd og utdeling av utbytte
- Andre saker som etter lov og vedtekter hører under representantskapet

Vedtak om eller fullmakt til å oppta ansvarlig lån eller fondsobligasjoner treffes av representantskapet med flertall som for vedtektsendring. Vedtak om eller fullmakt til å oppta annen fremmedkapital treffes av styret eller i henhold til delegasjonsvedtak fra styret.

KAP. 4. STYRET

§ 4-1 Styret

Styret består av minst 7 og maksimalt 9 medlemmer med 6 varamedlemmer valgt av representantskapet,

Leder og nestleder velges av representantskapet ved særskilte valg.

2 medlemmer og 2 varamedlemmer velges blant de ansatte.

Samtlige valgte medlemmer velges for 2 år og varamedlemmene for 1 år. Av de valgte medlemmer uttrer halvparten hvert år, etter tjenestetid eller loddtrekning.

Loddtrekningen foretas av valgkomiteen. Uttredende medlemmer og varamedlemmer kan gjenvelges, jfr. dog kap.9.

§ 4-2 Styret. Innkalling - vedtak - protokoll

Lederen kaller styret sammen til møte minst 1 gang i måneden og ellers så ofte sparebankens virksomhet tilsier det, eller når et styremedlem krever det.

Gyldig vedtak treffes ved alminnelig flertallsbeslutning. Styret er vedtaksført når mer enn halvparten av medlemmene er til stede. I de tilfeller styret ikke er fulltallig, kreves at minst halvparten av de møtende styremedlemmer stemmer for vedtaket. Ved stemmelikhet gjør styrelederens eller møtelederens stemme utslaget.

Styrets protokoll skal underskrives av de tilstedeværende, som står til felles ansvar med mindre noen av dem har latt sin protest protokollere. Fraværende styremedlemmer skal gjøre seg kjent med vedtak som er truffet i deres fravær.

§ 4-3 Styrets ansvar og plikter

Styret leder sparebankens virksomhet. Styret er ansvarlig for at de midler sparebanken rår over forvaltes på en trygg og hensiktsmessig måte. Styret skal sørge for en tilfredsstillende organisering av bankens virksomhet og har plikt til å påse at bokføring og formuesforvaltning er gjenstand for betryggende kontroll.

Styret fastsetter instruks for administrerende direktør med særlig vekt på oppgaver og ansvar.

Styret skal påse at banken har god intern kontroll for oppfyllelse av de bestemmelser som gjelder for virksomheten, herunder bankens verdigrunnlag og etiske retningslinjer.

Styret fastsetter de nødvendige fullmakter for bankens virksomhet.

Administrerende direktør eller 2 av styrets medlemmer i fellesskap representerer sparebanken og forplikter den ved sin underskrift. Styret kan meddele prokura og spesialfullmakter

§ 4-4 Revisjonsutvalg

Banken skal ha et revisjonsutvalg som skal velges av og blant styrets medlemmer. Revisjonsutvalget skal være et forberedende og rådgivende arbeidsutvalg for styret.

Revisjonsutvalget skal samlet ha den kompetanse som ut fra bankens organisasjon og virksomhet er nødvendig for å ivareta sine oppgaver. Minst ett av medlemmene i revisjonsutvalget skal være uavhengig av virksomheten og ha kvalifikasjoner innen regnskap eller revisjon. Styremedlemmer som er ledende ansatte, kan ikke velges til medlemmer av revisjonsutvalget.

Revisjonsutvalget skal:
a) forberede styrets oppfølging av rapporteringsprosessen,
b) avgi uttalelse om valg av revisor,
c) ha løpende kontakt med bankens valgte revisor om revisjon av årsregnskapet,
d) vurdere og overvåke revisors uavhengighet, jfr. revisorloven kapittel 4, herunder særlig i hvilken grad andre tjenester enn revisjon som er levert av revisor eller revisjonsselskapet utgjør en trussel mot uavhengigheten.

§ 4-5 Risikoutvalg

Banken skal ha et risikoutvalg som skal velges av og blant styrets medlemmer. Risikoutvalget skal være et forberedende og rådgivende arbeidsutvalg for styret.

Risikoutvalget skal samlet ha den kompetanse som ut fra bankens organisasjon og virksomhet er nødvendig for å ivareta sine oppgaver.

Risikoutvalget skal:
a) Forberede behandling av saker knyttet til styrets overvåkning og styring av den samlede risiko, og vurdering av hvorvidt styrings- og kontrollordningene er tilpasset konsernets relative risikonivå.
b) Overvåke systemene for intern kontroll, samt konsernets interne revisjon.
c) Overvåke selskapets etiske regler.

§ 4-6 Godtgjørelsesutvalg

Banken skal ha et godtgjørelsesutvalg som skal velges av og blant styrets medlemmer.

Godtgjørelsesutvalget skal være et saksforberedende organ for styret i dets arbeid med å sørge for at banken til enhver tid har og praktiserer retningslinjer og rammer for en godtgjørelsesordning som skal gjelde for banken og bankens datterselskaper.

§ 4-7 Administrerende direktørs ansvar og plikter

Administrerende direktør har den daglige ledelse av sparebanken og skal følge den instruks og de pålegg styret har gitt.

Den daglige ledelse omfatter ikke avgjørelser i saker som etter bankens forhold er av uvanlig art eller stor betydning. Administrerende direktør skal sørge for at bankens bokføring er i samsvar med lov og forskrifter og at formuesforvaltningen er ordnet på en betryggende måte.

KAP. 5. VALGKOMITE

§ 5-1 Valgkomité for representantskapets valg og innskyternes valg

Representantskapet velger en valgkomité blant representantskapets medlemmer. Komiteen skal ha 5 medlemmer og 5 varamedlemmer, hvorav 2 medlemmer og 2 varamedlemmer velges blant de innskytervalgte representanter, 1 medlem og 1 varamedlem velges blant de egenkapitalbeviseiervalgte representanter.1 medlem og 1 varamedlem velges blant de offentlig valgte representanter og 1 medlem og 1 varamedlem velges blant de ansattes representanter.

Valget gjelder for 2 år om gangen. Hvert år uttrer 2 eller 3 medlemmer og 2 eller 3 varamedlemmer, første gang 2 medlemmer og 2 varamedlemmer etter loddtrekning. Loddtrekningen foretas av valgkomiteen.

Valgkomiteen skal forberede valg av leder og nestleder i representantskapet, leder, nestleder og øvrige medlemmer og varamedlemmer i styret samt leder, medlemmer og varamedlemmer av valgkomiteen. For de medlemmer av styret som skal velges blant de ansatte, avgir bare representanten for de ansatte i valgkomiteen innstilling.

Valgkomiteen skal også forberede innskyternes valg av medlemmer og varamedlemmer til representantskapet.

§ 5-2 Valgkomité for egenkapitalbeviseiernes valg

De egenkapitalbeviseiervalgte medlemmene av representantskapet velger en valgkomité med 4 - 6 medlemmer og tilsvarende antall varamedlemmer

Egenkapitalbeviseiere med en eierandel på 10 % eller mer har rett til 1 medlem og 1 varamedlem i komiteen.

Bestemmelsen i § 5-1 annet ledd om valgperiode og funksjonstid gjelder tilsvarende.

Valgkomiteen skal forberede egenkapitalbeviseiernes valg av medlemmer og varamedlemmer til representantskapet, samt valg av medlemmer og varamedlemmer til valgkomiteen for egenkapitalbeviseiernes valg.

Valgkomiteens innstilling skal begrunnes.

KAP. 6. ÅRSOPPGJØRET

§ 6-1 Årsoppgjøret - beretninger - tidsfrister

Styret skal sørge for at årsoppgjøret (resultatregnskapet, balansen og styrets årsberetning) legges fram for revisor. Årsoppgjøret skal så vidt mulig være avsluttet og ferdig til revisjon innen utgangen av februar.

Når revisor har lagt fram sin beretning, jfr. revisorlovens § 5-6, skal styret sende årsoppgjøret og revisjonsberetningen til samtlige representanter innen 21 dager før det representantskapsmøte som behandler årsregnskapet.

Representantskapet trer sammen hvert år for å ta imot styrets årsberetning, revisjonsberetning og fastsette bankens regnskap.

KAP. 7. REVISJON

§ 7-1 Revisorvalg, godtgjørelse og ansvar

Representantskapet velger statsautorisert revisor og fastsetter godtgjørelsen.

Revisor skal granske sparebankens årsoppgjør og regnskaper og behandlingen av dens anliggender forøvrig i samsvar med lov og vedtekter og eventuelle pålegg gitt av representantskapet.

KAP. 8. OVERSKUDD OG UNDERSKUDD

§ 8-1 Overskudd - gaver - kundeutbytte

Overskudd av bankens virksomhet tilordnes eiere av egenkapitalbevis og sparebanken etter forholdet mellom eierandelskapitalen med tillegg av overkursfondet og grunnfondskapitalen med tillegg av kompensasjonsfondet, og for øvrig i samsvar med de regler som følger av den til enhver tid gjeldende lovgivning.

Overskudd som tilordnes sparebanken kan tillegges grunnfondskapitalen, benyttes til gaver til allmennyttige formål, overføres til gavefond, overføres til stiftelse med allmennyttig formål eller benyttes til utbytte med kunder. Utbytte til kunder baseres på gjennomsnittlig utlån og gjennomsnittlig innskudd gjennom regnskapsåret fordelt på antall måneder gjennom året som kunden har hatt innskudd og/eller lån. Innskudd og/eller utlån opp til maksimum 2 millioner kroner for privat –og bedriftskunder gir rett til utbytte på like vilkår.

Ved disponering av overskudd og utbyttemidler skal det legges vekt på at forholdet mellom grunnfondskapitalen og eierandelskapitalen ikke endres vesentlig.

§ 8-2 Dekning av underskudd

Underskudd etter resultatregnskapet for siste regnskapsår skal først søkes dekket ved forholdsmessig overføring fra grunnfondskapitalen, herunder gavefondet, og den eierandelskapitalen som overstiger vedtektsfestet eierandelskapital, herunder utjevningsfondet. Underskudd som ikke dekkes slik, dekkes ved forholdsmessig overføring fra overkursfondet og kompensasjonsfondet. Ytterligere underskudd dekkes ved nedsettelse av vedtektsfestet eierandelskapital og eventuelt nedsettelse av annen kapital

KAP. 9. ALDERSGRENSE

§ 9-1 Høyeste aldersgrense for tjenestemenn

Høyeste aldersgrense for administrerende direktør og andre fast ansatte tjenestemenn er 70 år.

KAP. 10. VEDTEKTSENDRINGER

§ 10-1 Vedtektsendringer

Endring av disse vedtekter kan vedtas av representantskapet. Vedtaket er gyldig når minst to tredjedeler av de som er tilstede og minst halvparten av alle representanter stemmer for det.

For endringer av SpareBank 1 Østlandet sitt sete, jfr. § 1-1, samt for endringer av denne § 10-1 annet ledd, kreves at minst tre fjerdedeler av alle representanter stemmer for det.
.

§ 10-2 Vedtektenes ikrafttreden

Endring i vedtektene trer i kraft når de er godkjent av Finanstilsynet eller i henhold til de til enhver tid gjeldende regler. Fra samme tid oppheves tidligere vedtekter, sist vedtatt av representantskapet 23.november 2016.

KAP. 11. AVVIKLING

§ 11-1 Beslutning om avvikling

Representantskapet tar stilling til styrets forslag om avvikling av sparebanken. Vedtak om avvikling fattes med samme flertall som for vedtektsendring.

§ 11-2 Disponering av sparebankens kapital ved avvikling

Etter at alle kreditorer har fått fullt oppgjør, skal den del av eierandelskapitalen og overkursfondet som er tilbake fordeles forholdsmessig mellom eierne av egenkapitalbevis og den del av grunnfondskapitalen som er tilbake overføres til èn eller flere sparebankstiftelser.

2016

ANNUAL REPORT

Stronger together



Sparebanken 1 HEDMARK





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

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

Financial statement analysis

MAIN FIGURES GROUP

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

MAIN FIGURES PARENT BANK

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

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



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

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

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

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

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

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

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

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

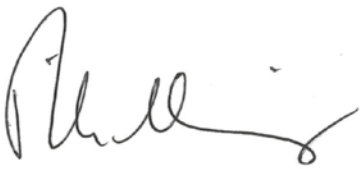
The basis for the acquisition of B1OA was laid in 2014 when the Board recommended the conversion of Sparebanken Hedmark into an equity certificate bank to the Supervisory Board. The purpose was precisely to ensure that it had a tradable equity certificate so it could grow and take part in future structural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

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

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

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

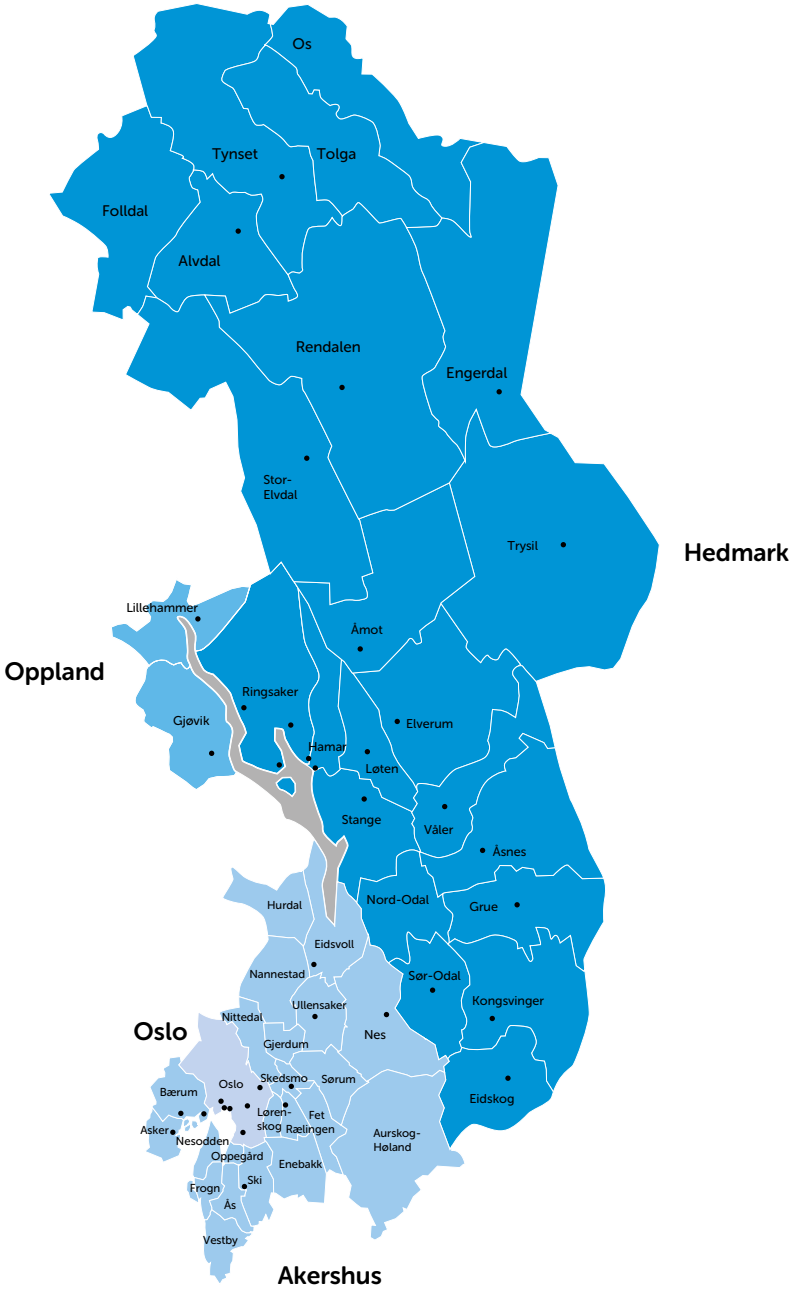
I would like to thank our customers and employees for their good teamwork in 2016.



Richard Heiberg
chief executive officer

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

Our branches



Business concept

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

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

Values

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

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

Vision

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

Together we create positive customer experiences.

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

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

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

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

About Sparebanken Hedmark

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

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

Mainstay

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

Close to the market

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

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

The public can become part-owners

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

About Hedmark

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

Nature and recreation

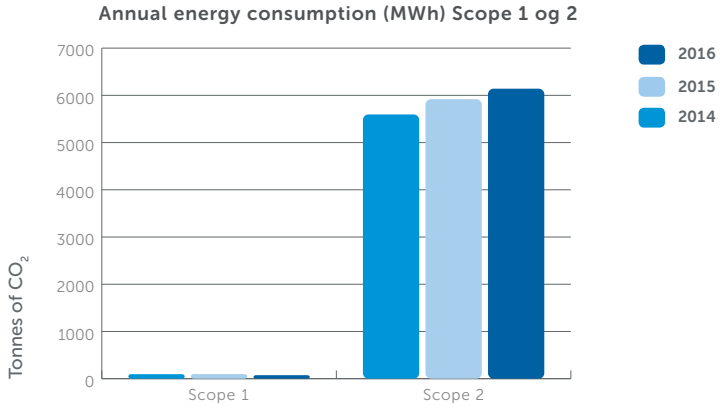
Hedmark has a wide variety of scenery ranging from farmland in the south, to vast forests in the east and mountains in the north. Large swathes of these mountains are protected. Norway's largest lake, Mjøsa, the country's largest freshwater island, Helgøya, Norway's longest river, Glomma, and Norway's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

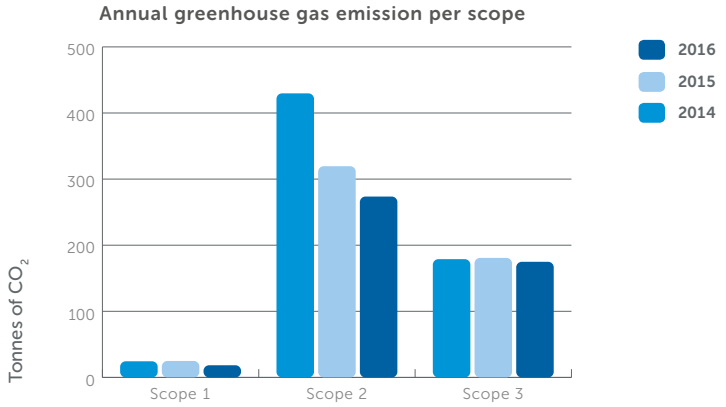
Part-owner of SpareBank 1

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

Climate Accounts for 2016

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





REPORTING IN ACCORDANCE WITH THE GREENHOUSE GAS PROTOCOL

Scope 1: Direct emissions

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

Scope 2: Indirect emissions

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

Scope 3: Indirect emissions

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

Sustainability report 2016

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

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

Background

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

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

Close to decisions

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

Sustainable operations

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

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

Responsible management

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

Responsible management in fund providers

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

Criteria for suppliers

Sparebanken Hedmark examines corporate social responsi-

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

Environment

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

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

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

Employees rights and equal opportunities

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

Everyday ethics

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

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

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

Donations to non-profit organisations

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

Endowment fund

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

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

Sparebanken Hedmark's talent stipend scheme

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

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

Sparebanken Hedmark's Art Fund

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

Business development

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

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

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

Customer focus equals high satisfaction

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

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

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

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

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

The Bank's stakeholders

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

Map of Sparebanken Hedmark's stakeholders

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



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

Factors that can affect reputation

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

Social accounting 2016

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

* Sparebanken Hedmark



The country's fourth largest savings bank

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

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

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

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

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

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

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

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

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

The 2016 Economic Barometer

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

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





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

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

Sparebanken Hedmark launches customer dividends

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





Named one of Norway's ten best workplaces

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

SpareBank 1 wins award for best customer service centre

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

Sparebanken Hedmark and the municipality of Løten first – again!

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

Sparebanken Hedmark lowers mortgage rates

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

A LOOK 2016



NOK 2 million awarded in talent stipends

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

Sparebanken Hedmark raises rates

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

Moody's upgrades Sparebanken Hedmark to A1

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

Two branches co-located

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

New student service launched

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

Outsourcing tasks to digital assistants

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



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

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

Acquisition of Bank 1 Oslo Akershus AS approved

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

Q2

BACK 16

Q3Q4

Online bank's 20th anniversary

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

Archaeological treasure on display in the Bank

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



Partner in the feature film "Kongens nei"

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



Report of the board of directors

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

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

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

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

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

Acquisition of Bank 1 Oslo Akershus AS

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

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

Customer dividends

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

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

Stock exchange listing

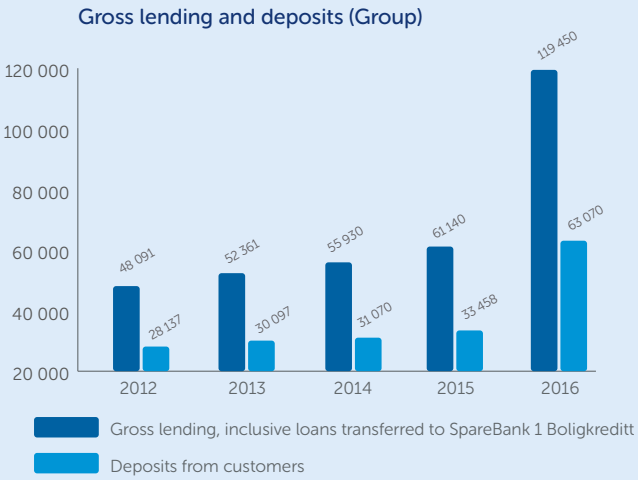
Sparebanken Hedmark is planning to list on the stock exchange in 2017 after the legal merger has been completed and if the market conditions are satisfactory. Listing on the stock exchange provides the bank with flexibility for growth and future structural development of the industry. At the same time,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

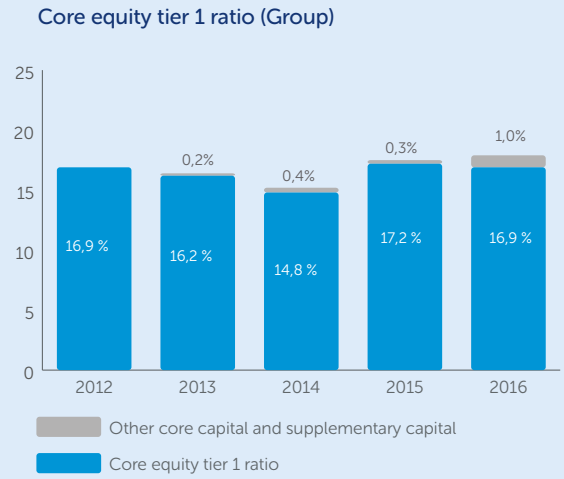
The Group and accounting matters relating to the acquisition of Bank 1 Oslo Akershus AS

Its head office is in Hamar, and the Group's is active in Hedmark, Oppland, Oslo, and Akershus. The Group consists of Sparebanken Hedmark and the wholly owned subsidiaries Bank 1 Oslo Akershus AS, EiendomsMegler 1 Hedmark Eiendom AS, SpareBank 1 Regnskapshuset Østlandet AS and Vato AS, as well as the 95 per cent owned subsidiary SpareBank 1 Finans Østlandet AS.

Sparebanken Hedmark owns, directly and indirectly, 12.4 per cent of SpareBank 1 Gruppen AS, 21.2 per cent of SpareBank 1 Mobilbetaling AS, 18.9 per cent of SpareBank 1 Kredittkort AS and 6.2 per cent of SpareBank 1 Markets AS. The Bank also owns 20.3 per cent of SpareBank 1 Boligkreditt AS and 9.2 per cent of SpareBank 1 Næringskreditt AS (the covered bond companies). The results from the above companies are recognised in the Bank's consolidated financial statements proportionate to the Bank's stake. The Group prepares its financial statements in accordance with international accounting standards adopted by the EU (IAS 34).

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





The results from Bank 1 Oslo Akershus AS were in the first half of the year consolidated into the Group using the equity method with an ownership interest of 40.5 per cent. From and including the second half of the year, the results from Bank 1 Oslo Akershus AS were fully consolidated into the accounts of Sparebanken Hedmark.

The consolidation of the accounts of Bank 1 Oslo Akershus AS means that Sparebanken Hedmark's consolidated financial statements for the second half of 2016 are not directly comparable with the figures for the year before.

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

SPAREBANKEN HEDMARK – CONSOLIDATED RESULT

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

Specification of the consolidated profit after tax in NOK millions:

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

Interest income and other operating income

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

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

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

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

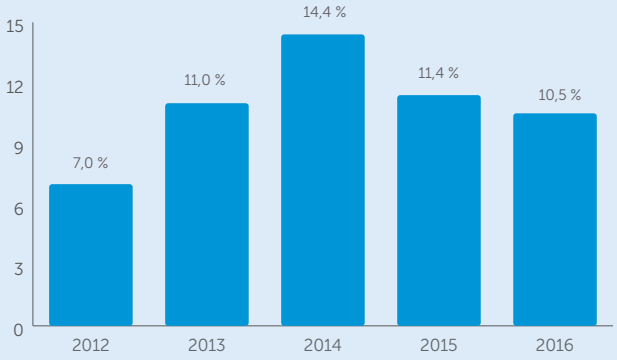
Dividends of NOK 46 (9) million are primarily dividends from VISA Norge, NOK 38 (0) million, and dividends from Totens Sparebank, NOK 7 (7) million.

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

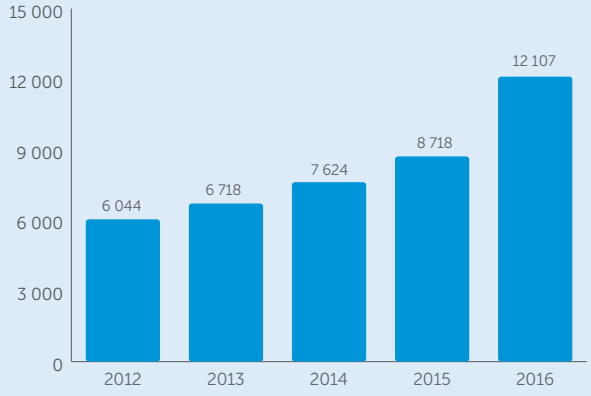
The profit contribution from SpareBank 1 Gruppen AS totalled NOK 192 (142) million.

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

Return on equity



Equity Capital (Group)



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

2016 saw a marked contraction in the risk premium for Norwegian senior securities. For a five-year, senior issue in a Norwegian regional savings bank, the market's risk premium was reduced from an indicative 134 basis points at the start of the year to around 85 basis points at year end. All other things being equal, this results in the relevant discount rate on previously issued fixed-income securities with fixed coupons decreasing and thus their present value (price) rising. The rise in prices for own debt results in an unrealised loss, while the rise in prices for purchased fixed-income securities results in an unrealised gain.

The net effect for Sparebanken Hedmark of price changes for all fixed-income securities, inclusive of hedging transactions, was negative in the amount of NOK 91 (+184) million in 2016, where almost all of the losses are unrealised. The change in value for securities issued, inclusive of hedging, was NOK 146 (+252) million.

Costs and losses on loans

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

74 per cent of the Sparebanken Hedmark Group's total lending, including loans transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, is loans for the retail market, primarily consisting of home mortgages. The corporate market portfolio has no exposure to the oil and gas industry and is otherwise characterised by low risk.

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

Credit risk

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

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

Credit quality, measured as total problem commitments in relation to total lending, improved significantly in relation to last year. In total, the Group's problem commitments amounted to 0.5 (1.1) per cent of gross commitments on its balance sheet and 0.4 (0.8) per cent if one includes loans transferred to the covered bond companies. The improvement in credit quality is due to both the consolidation of Bank 1 Oslo Akershus AS's balance sheet and positive development of the loan portfolio.

Assets and funding

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



Siri J. Strømmevold

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



Nina Cecilie Lier

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

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

Gross lending to customers, inclusive of loans transferred to the covered bond companies, totalled NOK 119.5 (61.1) billion. At year end, loans totalling NOK 34.9 (16.8) billion had been transferred to SpareBank 1 Boligkreditt AS and loans totalling NOK 1.6 (0.6) billion had been transferred to SpareBank 1 Næringskreditt AS. Retail customer loans transferred to the retail loan covered bond company as a percentage of the overall retail customer loans (loans on its balance sheet and transferred loans) was 39.2 (40.3) per cent.

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

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

Borrowing from financial institutions and senior securities issued totalled NOK 24.0 (12.2) billion. The average term to maturity of the Group's long-term funding was 3.4 (3.8) years. The average term to maturity for all borrowing was 3.1 (3.6) years. The average risk premium on the Group's borrowing portfolio, exclusive of subordinated loans and hybrid tier 1 capital, was 90 (81) basis points at year end. The increase was primarily due to Bank 1 Oslo Akershus AS having higher borrowing costs than Sparebanken Hedmark. In addition to senior debt, the Group had NOK 1.2 (0.5) billion in outstanding subordinated loans and NOK 0.4 (0.0) billion in outstanding hybrid tier 1 capital. The increase is primarily attributable to the consolidation of Bank 1 Oslo Akershus AS's balance sheet.

At year-end 2016, the Group had enough reserves to maintain normal operations for 14 (18) months. The liquidity coverage ratio (LCR) was 116.6 (120.8) per cent. The net stable funding ratio (NSFR) was 118.9 (114.5) per cent. In the opinion of the Board, the Group's liquidity risk is low.

Financial strength and capital adequacy

The Group's equity amounted to NOK 12.1 (8.7) billion, which is equivalent to 12.0 (15.6) per cent of the balance sheet. The Leverage Ratio was 7.4 (9.2) per cent.

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

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

Equity certificates

The equity share capital at year-end 2016 consists of 106,202,540 equity certificates with a nominal value of NOK 50 per certificate. The equity certificates are owned by Sparebanken Hedmark Sparebankstiftelse (75.08 per cent), the Norwegian Confederation of Trade Unions (LO) and affiliated trade unions (14.95 per cent), Samarbeidende Sparebanker AS (5.12 per cent), SpareBank 1 Nord-Norge (1.61 per cent), SpareBank 1 SMN (1.61 per cent), and SpareBank 1 SR-Bank AS (1.61 per cent).

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

Rating

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



Erik Garaas

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



Espen Bjørklund Larsen

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

SPAREBANKEN HEDMARK – PARENT BANK

Results

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

Interest income and other operating income

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

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

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

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

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

Operating costs

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

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

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

Net loan loss provisions

The net loan loss provisions were NOK 47 (35) million. NOK 19 (6) million of the losses occurred in the retail market and NOK 32 (29) million in the corporate market, while NOK 4 (0) million was recognised as income in connection with the sale of a portfolio of loans with recorded losses. The change in group write-downs accounted for NOK 19 (2) million of total losses.

Loans and deposits

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

Lending growth, inclusive of transferred loans, was 10.2 (7.6) per cent in the retail market and 6.8 (10.9) per cent in the corporate market. The risk profile of the Bank's credit portfolio is low and did not change in the last year. Deposits from and liabilities to customers totalled NOK 36.3 (33.5) billion at year-end 2016. The growth in deposits over the past twelve months was 8.2 (7.8) per cent. NOK 22.6 (21.6) billion of deposits came from the retail market, while NOK 13.6 (11.9) billion came from the corporate market.

Financial strength

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



Guro Nina Vestvik

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



Morten Herud

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

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

SUBSIDIARY - BANK 1 OSLO AKERSHUS AS, GROUP

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

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

Interest income and other operating income

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

Net interest income must be viewed in the context of commissions from SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. In 2016, these commissions amounted to NOK 146 (170) million.

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

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

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

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

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

Operating costs and losses on loans

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

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

Loans and deposits

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

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



Hans-Christian Gabrielsen

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



Vibeke Hanvold Larsen

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

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

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

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

Funding and financial strength

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

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

SUBSIDIARIES - OTHER

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

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

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

PART-OWNED COMPANIES

SpareBank 1 Gruppen AS (12.4 per cent stake) achieved a consolidated profit after tax of NOK 1,598 (1,287) million. The return on equity was 19.4 (16.9) per cent.

SpareBank 1 Boligkreditt AS (20.3 per cent stake) is the alliance banks' joint retail loan covered bond company. The company posted a loss after tax of NOK -110 (+473) million. The result for 2016 was heavily affected by a negative change in value for basis swaps linked to its own borrowing. The reasons for this are twofold: the market price for new basis swaps has decreased and booked gains are reversed in line with the maturity of the swaps.

SpareBank 1 Næringskreditt AS (9.2 per cent stake) is the alliance banks' joint corporate loan covered bond company. The company posted a profit after tax of NOK 84 (89) million.

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

SpareBank 1 Mobilbetaling AS (21.2 per cent stake) is the alliance banks' joint mobile phone payment company. The company posted a loss after tax of NOK -135 million that reflects a significant development of the payment solution mCash. In February 2017, the SpareBank 1 Alliance decided to join forces with DnB and a number of other Norwegian banks in a joint project centred on the payment service Vipps. mCash will be operated until the new joint Vipps-solution is established.

SPAREBANKEN HEDMARK – PROFORMA CONSOLIDATED RESULT

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

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

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

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

(recognised as commissions) totalling NOK 300 million.

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

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

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

RISK MANAGEMENT

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

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

Credit risk

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

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

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

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

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

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

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

Market risk

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

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

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

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

Interest rate risk arises as a result of the Group's balance sheet items having different remaining interest rate commitment terms. The Group manages interest rate

risk in accordance with adopted risk limits by adapting the interest rate commitment terms for the aforementioned investments and funding. At year end, an increase in the interest rate level of one percentage point through a parallel shift in the entire yield curve would have increased the result by NOK 6.5 million.

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

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

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

Funding risk

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

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

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

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

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

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

Operational risk

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

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

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

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

ORGANISATION AND HR

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

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

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

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

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

Organisational development and HSE

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

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

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

Basic working environment training was provided via e-learning.

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

Gender equality

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

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

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

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

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

Ethics and sustainability

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

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

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

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

OUTLOOK

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

Economic activity in Norway remains lower than normal. Better economic outlooks internationally in combination with higher oil prices have, however, contributed to expectations of higher growth for the Norwegian economy as well. Unemployment is showing signs of stabilis-

ing, although Norges Bank is not expecting any notable decline in unemployment before 2018. Norges Bank also appears to be planning for very gradual rate hikes. The central bank's forecast shows that there is a slightly greater probability that the key policy rate will be lowered rather than raised in the next year.

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

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

Sparebanken Hedmark's home market has been the Interior Region encompassing the counties of Hedmark and Oppland. This region has traditionally been less cyclically sensitive than other regions, in part due to industry in the region not being particularly exposed to the oil and gas industry. In the last few years, the region has benefited from a weak Norwegian krone. On the other hand has the strengthening of the Norwegian krone in the last 6 months had a negative effect on local business.

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

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

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

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

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

Siri J. Strømmevold
Chairman

Nina C. Lier

Erik Garaas

Espen Bjørklund Larsen

Guro Nina Vestvik

Vibeke Hanvold Larsen

Morten Herud

Hans-Christian Gabrielsen

Richard Heiberg
Chief executive officer

Income Statement





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

Income statement

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

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

Balance sheet

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

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

Siri J. Strømmevold
Chairman

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Espen Bjørklund Larsen

Guro Nina Vestvik

Vibeke Hanvold Larsen

Morten Herud

Hans-Christian Gabrielsen

Richard Heiberg
Chief executive officer

Changes in equity capital

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

Group	Paid-up equity		Earned equity capital								
(NOK million)	Equity certificates capital	Dividend equalisation fund	Primary capital	Cohesion funds	Endow-ment fund	Fund for unrealised gains	Other equity	Divi-dends	Hybrid capital	Minority interests	Total equity capital
Equity capital at 1 January 2015			**6 645**		**42**	**109**	**827**				**7 624**
OB correction: Correction of previous years' errors in associated companies and joint ventures							5				5
OB correction: Correction of previous years' errors			57			-57					
Adjusted equity capital at 1 January 2015			**6 702**		**42**	**52**	**832**				**7 630**
ECs transferred Foundation	3 987		-3 987								0
Results for the accounting year			312	468		16	134				930
Actuarial gains / losses on pensions			24	35			5				65
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss							34				34
Change revaluation reserve						67					67
Other items that will be reclassified in associated companies and joint ventures							14				14
Adjusted equity capital in associated companies and joint ventures						2					2
Donations distributed from profit 2014			-6								-6
To endowment fund in 2015			-25		25						0
Grants from endowment fund in 2015					-17						-17
Equity capital at 31 December 2015	**3 987**		**3 019**	**503**	**50**	**135**	**1 023**				**8 718**
Equity capital at 1 January 2016	**3 987**		**3 019**	**503**	**50**	**135**	**1 023**				**8 718**
OB correction: Correction of previous years' errors in associated companies and joint ventures							73				73
Adjusted equity capital at 1 January 2016	**3 987**		**3 019**	**503**	**50**	**135**	**1 096**				**8 791**
Equity certificates issued and trans-ferred owners	1 323	520									1 843
Results for the accounting year			316	506		-7	130	148		4	1 100
Actuarial gains after tax on pensions			-17	-35			13				-40
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss							-7				-7
Change revaluation reserve						5					5
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss							11				11
Adjusted equity in associated compa-nies and joint ventures							-13				-13
Reclassification of hybrid capital in subsidiary									400		400
Change in shareholding in Group companies										43	43
Donations distributed from profit 2015			-6								-6
Grants from endowment fund in 2016					-18						-18
Equity capital at 31 December 2016	**5 310**	**520**	**3 313**	**974**	**33**	**134**	**1 228**	**148**	**400**	**47**	**12 107**

Cash flow statement

Parent bank			Group	
2015	**2016**	(NOK million)	**2016**	**2015**
10 912	11 442	This year's downpayment on repayment loans etc. to customers	24 740	13 378
		Change in advance rent leasing	15	9
-14 568	-16 232	Newly discounted repayment loans etc. to customers for the year	-31 296	-17 868
74	157	Change in balances of foreign currency lending	167	74
513	760	Change in balances of credits	650	511
1 403	1 314	Interest and commission income on lending	2 251	1 726
4	24	Included in previous years' realised losses on lending Net cash flow from assets held for sale	33	9
-1 663	**-2 535**	**Cash flow from lending operations (A)**	**-3 441**	**-2 161**
2 146	1 201	Change in balances of deposits from customers at call	2 295	2 118
277	1 548	Change in balances of deposits from customers with agreed maturity dates	1 503	277
-566	-374	Interest payments to customers	-518	-564
1 857	**2 375**	**Cash flow from deposit operations (B)**	**3 279**	**1 831**
-2 184	517	Net cash flow from securities held short term	26	-2 184
39	-85	Cash flow linked to exchange rate gains / losses on securities held short term	-112	39
92	89	Interest received on certificates and bonds	120	92
-2 053	**522**	**Cash flow from investments in securities (C)**	**35**	**-2 053**
-835	-1 502	Change in receivables from credit institutions with agreed maturity dates	-44	-170
126	150	Interest received on deposits in credit institutions	153	126
-709	**-1 352**	**Cash flow from deposits in credit institutions (D)**	**-110**	**-44**
563	562	Other income	1 108	814
-860	-766	Operating expenses payable	-1 500	-1 186
-128	-177	Tax payments	-181	-130
-24	-23	Donations	-23	-24
-40		Group contribution		-6
-10	-30	Net cash flow from change in other assets	61	-43
57	-67	Net cash flow from change in accruals	-164	-45
-33	10	Net cash flow from change in other liabilities	520	-16
-475	**-491**	**Remaining cash flow from current operations (E)**	**-178**	**-635**
-3 043	**-1 482**	**CASH FLOW FROM OPERATIONS (A+B+C+D+E=F)**	**-196**	**-3 062**
-6	999	Change in deposits from credit institutions	467	-10
4 000	2 901	Receipts arising from issuance of securities	2 901	4 000
-658	-1 631	Payments arising from redemption of securities issued	-1 846	-658
-440	-492	Buy-back of own securities	-542	-440
-241	-261	Interest payments on financing	-336	-241
2 656	**1 517**	**Cash flow from financing activities (G)**	**644**	**2 651**
-31	-27	Investments in fixed assets and intangible assets	-43	-50
2		Sales of fixed assets and intangible assets at sales price		2
-178	-102	Purchase of long-term securities	-1 855	-178
4	53	Sale of long-term securities	1 240	4
268	435	Share dividends from securities held long term	371	187
64	**358**	**Cash flow from investments (H)**	**-287**	**-35**
	-225	Liquidity effect of acquisition and sale of subsidiaries(I)	-238	-28
-150	-95	Payments arising from placements in subsidaries (L)	5	
-474	**73**	**CHANGE IN CASH AND CASH EQUIVALENTS (F+G+H+I+L)**	**-71**	**-474**
783	309	Cash and cash equivalents at 1 January (B1OA 100% incl)	1 152	783
309	**382**	**Cash and cash equivalents at 31 December**	**1 082**	**309**
		Cash and cash equivalents at 31 December comprise:		
264	354	Cash and deposits with central banks	759	264
46	28	Deposits etc. at call with banks	323	46
309	**382**	**Cash and cash equivalents at 31 December (B1OA 100% incl)**	**1 082**	**309**



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

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Note 1 General information

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

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

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

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

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

Associated companies
Sparebanken Hedmark owns 18.9 per cent of SpareBank 1 Kredittkort AS, 21.2 per cent of SpareBank 1 Mobilbetaling AS, and 23.7 per cent of KOMM-IN AS. The Bank also owns 20.3 per cent of SpareBank 1 Boligkreditt AS and 9.2 per cent of SpareBank 1 Næringskreditt AS. The above companies are classified as associated companies.

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

Changes in the composition of the Group and strategic investments

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

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

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

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

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

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

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

Note 2 Accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial assets and liabilities

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

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

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

CRITICAL ESTIMATES

Losses on loans

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

Individual write-down for losses on individual commitments is done when objective events entail a loss for the Bank. Individual write-down is calculated as the difference between the commitment's book value and the present value of discounted cash flows based on the effective interest rate at the time of initial write-down. This means that the commitment is placed in the highest risk class. The same method is used regardless of whether the loan is recognised at amortised cost or fair value (fixed-rate loans). Estimating impairment can be complicated as the prediction of future events always involves uncertainty. Importance is attached to concrete information in value assessment as the basis for realisation of collateral assets pledged as security. Cash flow is updated periodically, at least once a year.

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

Financial assets and liabilities assessed at fair value

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

SHARES, UNITS AND OTHER EQUITY INTERESTS

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

BONDS AND CERTIFICATES (LOANS)

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

DEBT SECURITIES ISSUED

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

DERIVATIVES

The Bank does not have any financial derivatives traded in a regulated market. For non-standardised derivatives contracts

(OTC), a theoretical price is estimated, based on a market-related approach, taking into account the agreed cash flows and observable market information on the balance sheet date. The owners' guarantee liability in respect of Eksportfinans ASA is assessed at fair value at the end of every month by the treasury department of Eksportfinans, as the appointed valuation agent in the agreement. The basis for this valuation is the fair value of the securities portfolio at Eksportfinans that covers the guarantee.

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

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

Impact on the net pension liabilities

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

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

Note 4 Segment information

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

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

2016	Sparebanken Hedmark PM	Sparebanken Hedmark BM	Bank 1 Oslo Akershus	SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	SpareBank 1 Regnskaps-huset Østlandet	Other	Total
Income statement								
Net interest income	552	457	262	238		-1	-19	1 490
-of which internal items			*-4*			*1*	*-3*	
Net commission and other income	340	87	280	-29	99	158	4	939
-of which internal items			*-2*	*-2*			*2*	
Net return on financial investments	2		53				165	220
Operating expenses*	509	202	383	68	79	155	-193	1 203
Profit before losses by segment	**385**	**343**	**212**	**142**	**19**	**2**	**343**	**1 446**
Losses on loans and guarantees	15	31	1	27				75
Profit / loss per segment before tax	**370**	**311**	**211**	**115**	**19**	**2**	**343**	**1 371**
Tax	93	78	50	29	5		16	271
Profit / loss per segment after tax	**278**	**234**	**160**	**86**	**14**	**2**	**327**	**1 100**
Balance sheet								
Gross lending to customers	24 053	17 169	34 659	6 327			737	82 945
-of which internal items						*21*	*21*	
Individual loan write-downs	-28	-90	-13	-14				-145
Collective loan write-downs	-36	-87	-120	-20				-262
Other assets	102	1	8 324	165	55	144	9 911	18 703
Total assets per segment	**24 091**	**16 994**	**42 850**	**6 458**	**55**	**144**	**10 648**	**101 240**
Deposits from and liabilities to customers	21 985	13 614	26 838				634	63 070
-of which internal items								
Other liabilities and equity	2 106	3 380	16 012	6 458	55	144	10 014	38 169
Total equity capital and liabilities per segment	**24 091**	**16 994**	**42 850**	**6 458**	**55**	**144**	**10 648**	**101 240**

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

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

Note 5 Capital adequacy and capital management

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

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

Note 6 Financial risk management

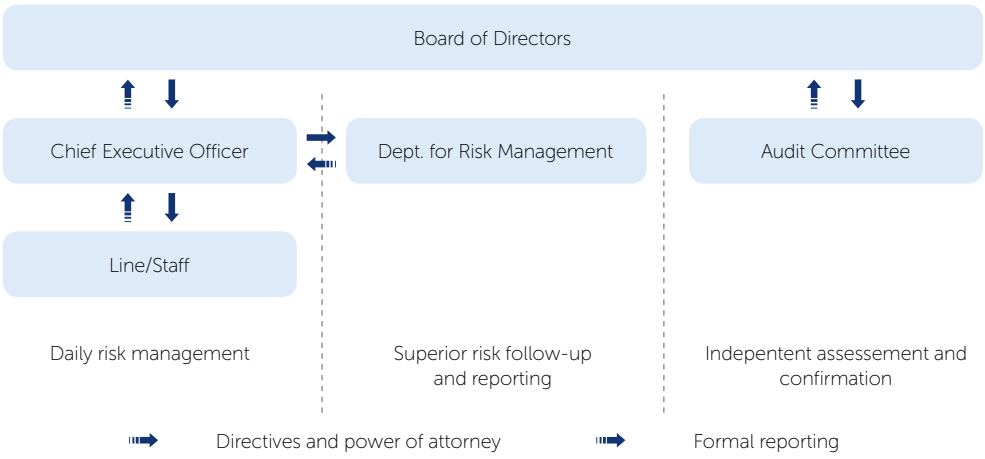
Overall responsibility and supervision
Sparebanken Hedmark's risk management shall support the Bank's strategic development and the attainment of its goals. Risk management shall also ensure financial stability and satisfactory asset management. This is to be achieved by:

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

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

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

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



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

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

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

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

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

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

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

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

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

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

For further information see notes 7 – 15.

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

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

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

For further information, see notes 16 and 17.

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

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

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

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

For further information, see notes 18 and 19.

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

Note 7 Credit institutions – claims and liabilities

Parent bank			Group	
2015	**2016**	**Loans to and receivables from credit institutions**	**2016**	**2015**
48	35	Loans and receivables at call	329	48
5 654	7 156	Loans and receivables with agreed maturities or notice	1 006	817
5 701	**7 191**	**Total**	**1 335**	**864**
		Loans and receivables specified by major currencies		
5 667	7 170	NOK	1 228	830
11	9	EUR	56	11
		USD	12	
4	1	CHF	9	4
4	1	JPY	9	4
14	10	Other	21	14
5 701	**7 191**	**Total**	**1 335**	**864**

2015	**2016**	**Liabilities to credit institutions**	**2016**	**2015**
28	32	Loans and deposits at call	422	28
633	1 634	Loans and deposits with agreed maturities or notice	1 232	631
661	**1 666**	**Total**	**1 654**	**660**
		Liabilities specified by major currencies		
619	1 656	NOK	1 640	618
1	2	EUR	6	1
41	8	Other	8	41
661	**1 666**	**Total**	**1 654**	**660**
1,6 %	**1,4 %**	**Average interest rate**	**1,7 %**	**1,6 %**

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

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

Note 8 Loans to and receivables from customers

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 9 Classification of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

Note 10 Distribution by age of defaulted loans not written down

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

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

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

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

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

Note 11 Losses on loans and guarantees

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

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

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

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

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

Parent bank					Group			
2013	2014	2015	2016		2016	2015	2014	2013
263	233	233	137	Gros defaulted commitments for more than 90 days	233	287	287	339
44	32	32	40	Individual write-downs on defaulted commitments	54	41	41	52
219	**201**	**201**	**97**	**Net defaulted commitments**	**179**	**246**	**246**	**287**
17 %	14 %	14 %	29 %	Provision rate	23 %	14 %	14 %	15 %
205	234	234	230	Gros problem commitments (not in default)	272	257	257	209
90	102	102	88	Individual write downs on problem commitments	101	107	107	91
115	**132**	**132**	**142**	**Net problem commitments**	**171**	**150**	**150**	**117**
44 %	44 %	44 %	38 %	Provision rate	37 %	42 %	42 %	44 %
29 %	**29 %**	**29 %**	**35 %**	**Total provition rate**	**31 %**	**27 %**	**27 %**	**26 %**
28	25	20	18	Interest on written down loans recognised as income	18	20	25	28

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

Note 12 Credit risk exposure for each internal risk rating

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

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

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

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

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

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

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

Credit risk exposure on financial assets distributed by geographic area

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

Note 14 Financial instruments and offsetting

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

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

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

The assets and liabilities below may be offset.

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

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

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

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

Note 15 Credit quality per class of financial assets

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

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

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

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

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

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

Note 16 Market risk related to interest rate risk

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

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

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

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

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

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

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

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

Note 17 Market risk related to currency exposure

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

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

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

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

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

Note 18 Liquidity risk

Parent bank

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

Group

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

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

Group

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

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

Note 19 Maturity analysis of assets and liabilities

Parent bank

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

Group

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

Parent bank

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

Group

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

Note 20 Net interest income

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

Note 21 Net commission income and other operating income

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

Note 22 Net income from financial assets and liabilities

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

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

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

Payments to Group management (NOK thousands)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 24 Pensions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pension cost

SECURED SCHEME

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

Actual return on pension assets:

3,2 %	2,4 %		NA	3,2 %

UNSECURED PENSION SCHEME

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

TOTAL SECURED AND UNSECURED SCHEMES

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

Pension liability

SECURED SCHEME

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

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

UNSECURED PENSION SCHEME

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

TOTAL SECURED AND UNSECURED SCHEMES

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

ACTUARIAL GAINS AND LOSSES (CHANGES IN ESTIMATES)

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

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

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

See note 3 for sensitivity analysis of pension liabilities.

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

Note 25 Other operating expenses

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

Note 26 Taxes

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

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

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

Note 27 Determination of fair value of financial instruments

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

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

Group

2016 (inklusiv B1OA)

Eiendeler	**Nivå 1**	**Nivå 2**	**Nivå 3**	**Total**
Financial assets at fair value through profit and loss				
- Derivatives		808	2	810
- Bonds and certificates		9 776		9 776
- Fixed-rate loans to customers			5 913	5 913
- Equity instruments	356			356
Financial assets available for sale				
- Equity instruments	188		203	391
- Other financial assets (Visa Norge)			32	32
Total assets	**544**	**10 585**	**6 150**	**17 279**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at fair value through profit and loss				
- Derivatives		349		349
- Securities issued		18 203		18 203
- Subordinated loan capital		502		502
- Fixed-rate deposits from customers		646		646
- Term deposits			107	107
Total liabilities	**0**	**19 700**	**107**	**19 807**

2015 (without B1OA)

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

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

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

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

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

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

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

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

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

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

Gains and losses on instruments classified in level 3 recognised in profit and loss are included in their entirety under Net profit from other financial assets and liabilities in the income statement.

Spesification of fair value instruments classified as level 3:

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

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

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

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

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

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

Note 28 Classification of financial instruments

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

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

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

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

Note 29 Information about fair value

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

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

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

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

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

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

Differing pricing methods are used for loans to customers and loans to credit institutions. Below is a summary of the various pricing models for the different categories:
- Loans to and receivables from credit institutions are priced using NIBOR.
- Loans to retail market customers are priced using floating and fixed customer interest rates.
- Loans to corporate market customers are priced using floating and fixed customer interest rates, and a number of loans are priced using NIBOR.

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

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

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

Note 30 Certificates, bonds and fixed-income funds

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

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

Note 31 Financial derivatives

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

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

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

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

Note 32 Shares, units and other equity interests

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

Spesification (Group)

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

Unlisted companies	Klassifisering	Eierandel (prosent)	Beholdning (antall)	Ansk.kost	Markedsverdi/ bokført verdi
Eiendomskreditt AS	TFS	1,1 %	32 510	3	4
Eksportfinans ASA	TFS	1,3 %	3 499	52	77
NorgesInvestor IV AS	TFS	1,7 %	79 000	7	7
NorgesInvestor Proto AS	TFS	16,9 %	150 000	15	19
Oslo Kongressenter Folkets Hus BA	TFS	13,7 %	70 638	7	56
SpareBank 1 Markets AS	TFS	6,2 %	139 454	47	30
Verdipapirfondet Holberg Likviditet	FVO	2,7 %	1 962 641	200	203
Verdipapirfondet Holberg Likviditet 20	FVO	3,5 %	495 616	50	50
Pengemarkedsfondet Pluss Likviditet II	FVO	2,7 %	99 985	100	102
Others	TFS			17	9
Total shares unlisted companies				**498**	**559**
Total shares, units and equity certificates				**601**	**747**

Note 33 Goodwill and other intagible assets

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

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

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

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

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

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

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

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

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

Note 34 Acquisition of businesses/business combinations

Acquisition of Bank 1 Oslo Akershus

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

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

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

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

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

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

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

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

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

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

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

Note 35 Property, plant and equipment

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

Collateral security

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

Acquisition cost of depreciated assets

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

Gross value of fixed assets temporarily not in operation

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

Investment properties (NOK thousands)

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

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

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

Note 36 Other assets

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

Note 37 Deposits from and liabilities to customers

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

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

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

Note 38 Liabilities arising from issuance of securities

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

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

Parent bank

Changes in liabilities from issuance of securities	31.12.16	Issued	Due / redeemed	Other changes	31.12.15
Certificate-based debt, nominal value	0		-500		500
Bond debt, nominal value	12 093	2 904	-2 050	425	10 814
Subordinated loan capital, nominal value	500				500
Accrued interest	123			-12	136
Adjustments	189			66	123
Total debt raised through issuance of securities and subordinated loan capital, fair value	**12 906**	**2 904**	**-2 550**	**478**	**12 073**

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

Group

Changes in liabilities from issuance of securities (with B1OA)	31.12.16	Issued	Due/redeemed	Other changes	31.12.15
Certificate-based debt, nominal value			-500		500
Bond debt, nominal value	21 199	3 877	-3 345	12	20 654
Subordinated loan capital, nominal value	1 200				1 200
Accrued interest	221			-8	230
Adjustments	520			-66	586
Total debt raised through issuance of securities and subordinated loan capital, fair value	**23 140**	**3 877**	**-3 845**	**-63**	**23 170**

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

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

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

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

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

Note 39 Other debt and liabilities

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

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

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

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

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

Note 40 Investments in subsidiaries, associates and joint ventures

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

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

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

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

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

*) Assets classified as fixed assets.

Investments in associates and joint ventures

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

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

Income from investments in subsidiaries, associates and joint ventures

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

The Group's stake in associates companies

2016	SpareBank 1 Gruppen AS	SpareBank 1 Banksamarbeidet DA	Torggt 22 AS	Total associated companies
Ownership in per cent	12,40 %	19,90 %	50,00 %	
Number of shares	242 594		8 000	
Current assets	5 878	61	2	
Fixed assets	1 945	135	19	
Total assets	**7 823**	**196**	**21**	
Short-term liabilities	762	71		
Long-term liabilities	6 098	97	11	
Equity capital	963	28	9	
Total equity capital and liabilities	**7 823**	**196**	**21**	
Income	1 747	210	2	
Operating expenses	1 497	208	1	
Profit/loss before tax	250	2	1	
Tax	55			
Result for the accounting year	**195**	**1**	**1**	
Comprehensive income	**1**			
Book value Parent Bank	**492**	**13**	**8**	**513**
Book value Group	**1 152**	**21**	**9**	**1 183**

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

The Group's stake in associates and joint ventures

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

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

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

Note 41 Material transactions with related parties

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

Subsidiaries

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

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

Associated companies and joint ventures

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

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

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

Note 42 Dividends from subsidiaries

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

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

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

Owner of equity certificates:	**No. Of EC's**	**Share in %**
Sparebanken Hedmark Sparebankstiftelse	79 740 000	75,08 %
LO og tilknyttede forbund	15 881 965	14,95 %
Samarbeidende Sparebanker AS	5 438 749	5,12 %
SpareBank 1 Nord-Norge	1 713 942	1,61 %
SpareBank 1 SMN	1 713 942	1,61 %
SpareBank 1 SR-Bank ASA	1 713 942	1,61 %

Note 43 IFRS 9 Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 44 Proforma result

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

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

Note 45 Events occuring after the balance sheet date

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

To the committee of representatives "representantskapet" of Sparebanken Hedmark

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

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

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

In our opinion:

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

Basis for Opinion

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



Key Audit Matters

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

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

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

Other information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and

obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Oslo, 9 March 2017
PricewaterhouseCoopers AS

Magne Sem
State Authorised Public Accountant

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

STATEMENT FROM THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

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

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

Siri J. Strømmevold
Chairman

Nina C. Lier

Erik Garaas

Espen Bjørklund Larsen

Guro Nina Vestvik

Vibeke Hanvold Larsen

Morten Herud

Hans-Christian Gabrielsen

Richard Heiberg
Chief executive officer



Subsidiaries

Bank 1 Oslo Akershus AS

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

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

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

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

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

About the Bank 1 Oslo Akershus Group

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

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

EiendomsMegler 1 Hedmark Eiendom AS

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

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

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

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

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

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

About EiendomsMegler 1 Hedmark Eiendom AS

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

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

SpareBank 1 Finans Østlandet AS

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

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

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

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

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

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

About SpareBank 1 Finans Østlandet AS

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

For more information, see www.sb1fo.no

SpareBank 1 Regnskapshuset Østlandet AS

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

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

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

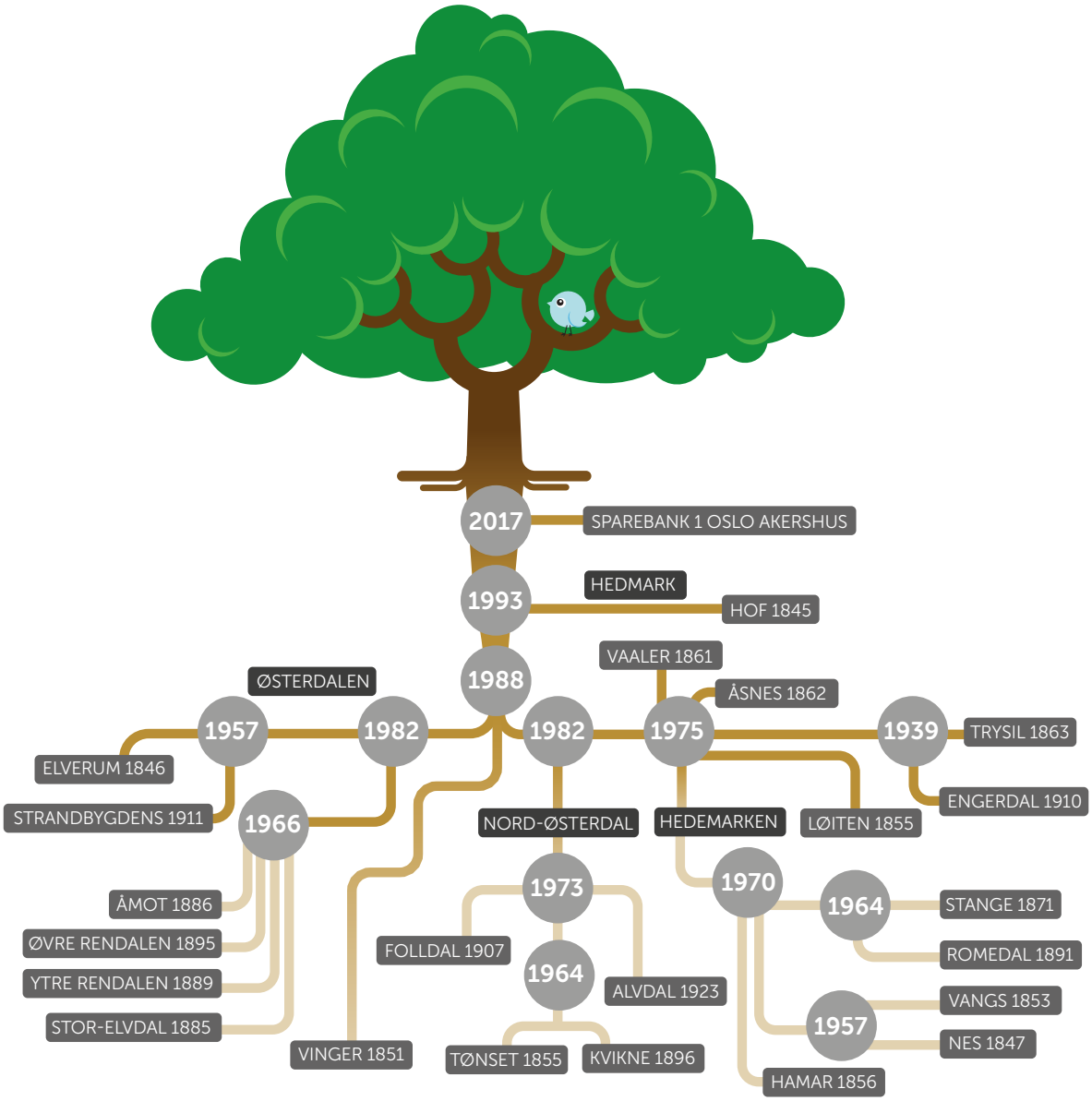
The business posted revenues of NOK 160 million in 2016 and it achieved a profit after tax of NOK 4 million. The figures include subsidiaries.

About SpareBank 1 Regnskapshuset Østlandet AS

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

For more information, see www.sb1r.no.

Rooted in Hedmark



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

Telephone
02999

Email
Retail customer centre: kundesenter@sparebanken-hedmark.no
Corporate customer centre: bedrift@sparebanken-hedmark.no

Online bank
sparebanken-hedmark.no

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

Group Management 2016



Chief Executive Officer
Richard Heiberg



Executive Director Communication
Siv Stenseth



Chief Risk Officer
Vidar Nordheim



Chief Operating Officer
Dag-Arne Hoberg



Chief Financial Officer
Tore Anstein Dobloug
up to 31 November 2016
Geir-Egil Bolstad from
1 December 2016



Executive Director HR
Eldar Kjendlie



Executive Director Corporate Market
Hans Olav Wedvik



Executive Director Retail Market
Kari Elise Gisnås



General Manager Capital Markets
Tor M. Nygård

Creating together

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



Sparebanken 1 HEDMARK

2015

Annual report



Sparebanken 1 HEDMARK

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New life in Hamar. New restaurants and cafés with a total of 620 seats have opened in Hamar since 2009. The number of seats will increase to 1,000 when Vold Eiendommer opens a further three new places in 2016. Linn Byberg and her daughter Anniken Byberg Hyponen are responsible for two of Strandgata's new places.

Source: Sparebanken Hedmark's Economic Barometer 2015.

Editorial staff: Siv Stenseth, Trine Lise Østberg, Heidi Enger, Tore Anstein Dobloug and Inga Kroken. **Design & production:** Ferskvann Reklamebyrå. **Photos:** Ricardofoto, Siv Stenseth and Inga Kroken. **Front page:** Flemming Støldal

In this annual report we have chosen to present some pictures from the Economic Barometer for 2015, our customer magazine, *Det skjer i Hedmark og Oppland,* and from the Sparebanken Hedmark Group.

Financial statement analysis

MAIN FIGURES GROUP

Result summary (NOK mill and % of average assets)	2015 Amount	2015 %	2014 Amount	2014 %
Net interest income	1 105	2.08 %	1 043	2.14 %
Net commissions and other (non-interest) income	651	1.23 %	663	1.36 %
Net income from financial investments	514	0.97 %	573	1.17 %
Total income	**2 270**	**4.28 %**	**2 279**	**4.67 %**
Total operating costs	**1 051**	**1.98 %**	**981**	**2.01 %**
Result before losses	**1 219**	**2.30 %**	**1 298**	**2.66 %**
Losses on loans and guarantees	56	0.11 %	66	0.14 %
Result before tax	**1 163**	**2.19 %**	**1 232**	**2.52 %**
Taxation cost	233	0.44 %	192	0.39 %
Result after tax	**930**	**1.75 %**	**1 040**	**2.13 %**
Minority interests	**0**	**0.00 %**	**2**	**0.00 %**
Profitability				
Return on equity capital before tax		14.3 %		17.1 %
Return on equity capital after tax		11.4 %		14.4 %
Return on equity capital of total result after tax		13.6 %		13.5 %
Total operating costs in relation to total income		46.3 %		43.0 %
Total operating costs in relation to total income excl. net income from financial investments		59.8 %		57.5 %
From the balance sheet				
Gross loans to customers	43 779		39 936	
Gross loans to customers including loans transferred to covered bond companies *	61 140		55 930	
Deposits from customers	33 458		31 070	
Deposits from customers in relation to gross loans to customers (excl. loans transferred to covered bond companies *)		76.4 %		77.8 %
Lending growth during the last 12 months		9.6 %		7.4 %
Lending growth during the last 12 months including loans transferred to covered bond companies *		9.3 %		6.8 %
Deposit growth during the last 12 months		7.7 %		3.2 %
Total assets	55 971		49 934	
Total losses and commitments in default				
Losses on loans as a percentage of gross loans		0.1 %		0.2 %
Commitments in default as a percentage of total commitments		0.6 %		0.8 %
Commitments in default as a percentage of total commitments incl. loans transferred to coverbond companies *		0.4 %		0.6 %
Other bad and doubtful commitments as a percentage of total commitments		0.5 %		0.5 %
Other bad and doubtful commitments as a percentage of total commitments incl. loans transferred to covered bond companies *		0.4 %		0.3 %
Net commitments in default and commitments with loss provisions as a percentage of total commitments		0.8 %		0.9 %
Financial strength				
Common equity Tier 1 capital ratio		17.2 %		14.8 %
Tier 1 capital ratio		17.5 %		15.2 %
Capital adequacy ratio		19.1 %		17.1 %
Net subordinated capital	7 179		6 273	
Equity ratio		15.6 %		15.3 %
Leverage Ratio		9.2 %		8.2 %
LCR		120.8 %		88.0 %

MAIN FIGURES PARENT BANK

Result summary (NOK mill and % of average total assets)	2015 Amount	2015 %	2014 Amount	2014 %
Net interest income	880	1.68 %	835	1.73 %
Net commissions and other (non-interest) income	429	0.82 %	482	1.00 %
Net income from financial investments	472	0.90 %	296	0.61 %
Total income	**1 781**	**3.40 %**	**1 613**	**3.34 %**
Total operating costs	**743**	**1.42 %**	**726**	**1.51 %**
Result before losses	**1 038**	**1.98 %**	**886**	**1.84 %**
Losses on loans and guarantees	35	0.07 %	52	0.11 %
Result before tax	**1 003**	**1.91 %**	**835**	**1.73 %**
Taxation cost	207	0.39 %	159	0.33 %
Result after tax	**796**	**1.52 %**	**675**	**1.40 %**
Total assets	54 861		49 061	
Profitability				
Return on equity capital after tax		11.0 %		10.3 %
Total operating costs in relation to total income		41.7 %		45.0 %
Total operating costs in relation to total income excl. net income from financial investments		56.8 %		55.2 %
Losses and commitments in default				
Losses on loans as a percentage of total commitments		0.1 %		0.1 %
Commitments in default as a percentage of total commitments		0.5 %		0.7 %
Commitments in default as a percentage of total commitments incl. loans transferred to covered bond companies *		0.4 %		0.5 %
Other bad debt and doubtful commitments as a percentage of total commitments		0.5 %		0.5 %
Other bad and doubtful commitments as a percentage of total commitments incl. loans transferred to covered bond companies *		0.4 %		0.4 %
Net commitments in default and bad and doubtful commitments as a percentage of total commitments		0.8 %		0.8 %
Financial strength				
Common equity Tier 1 capital ratio		24.1 %		21.7 %
Tier 1 capital ratio		24.1 %		21.7 %
Capital adequacy ratio		24.8 %		22.6 %
Net subordinated capital	7 047		6 245	
Equity ratio		14.0 %		13.9 %

* Covered bond companies used are SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS



From self-owned foundation to equity certificate bank

2015 was a year of increased financial strength, low losses and a good result. It was also a year in which major changes were made to the Bank's ownership structure.

2015 was an exciting year for the Sparebanken Hedmark Group as far as both performance and structure were concerned. The consolidated profit after tax amounted to NOK 930 million, which represents a return on equity of 11.4 per cent. Even though lending became less profitable during the year and the profit was NOK 110 million lower than in 2014, it was a good result. The Group's core capital has improved and is well above the target level.

The economic trend in the Interior Region remains stable. At the end of the year, both the people and business sector in Hedmark and Oppland remained cautiously optimistic about their own financial situation. For the first time in 10 years, employment grew more strongly in Hedmark than in the rest of the country as a whole. Good economic conditions in the region helped to ensure that the Group experienced very positive lending and deposit growth in 2015. The growth in deposits shows that in times of uncertainty many customers prefer the security of saving with a bank, even though interest rates are low.

We operate in a region in which the oil-related risk is almost zero. Our losses remain low and we are not particularly concerned that our customers will have problems making payments. In our experience, the ripple effects of the national economic downturn will hit companies the hardest, but at the moment we are seeing few signs of problems in the Interior Region. A weakened Norwegian kroner also benefits the Interior Region. Tourism and primary industries, with their related processing industries, are significant segments in the districts. The Interior Region is well placed to capture a significant proportion of the restructuring from an oil-based to a green economy. It is important that we now take advantage of the opportunity that is presenting itself.

Sparebanken Hedmark implemented an important strategic change in 2015 with the establishment of Sparebanken Hedmark Sparebankstiftelse and the conversion of 60 per cent of the Bank's primary capital into equity share capital. This turned Sparebanken Hedmark into an equity certificate bank with the foundation as its sole owner. The savings bank foundation is by far the largest equity certificate foundation in Norway. We plan to list on the Oslo Stock Exchange in the second half of 2016, although this depends on how the stock market develops. At this time, the foundation will sell parts of its equity certificate holding and we hope that employees, investors, customers and others will become co-owners of this solid, regionally based financial group in Hedmark. In December 2015, the Bank signed an agreement with the Norwegian Confederation of Trade Unions (LO) and other SpareBank 1 banks to acquire the remaining shares in Bank 1 Oslo Akershus. If this is approved by the authorities, the new Sparebanken Hedmark Group's total business capital will amount to NOK 125 billion and it will be Norway's fourth largest savings bank group with operations in Hedmark, Oppland, Akershus, and Oslo. The savings bank foundation will own 75 per cent, LO 15 per cent, and the SpareBank 1 banks 10 per cent.

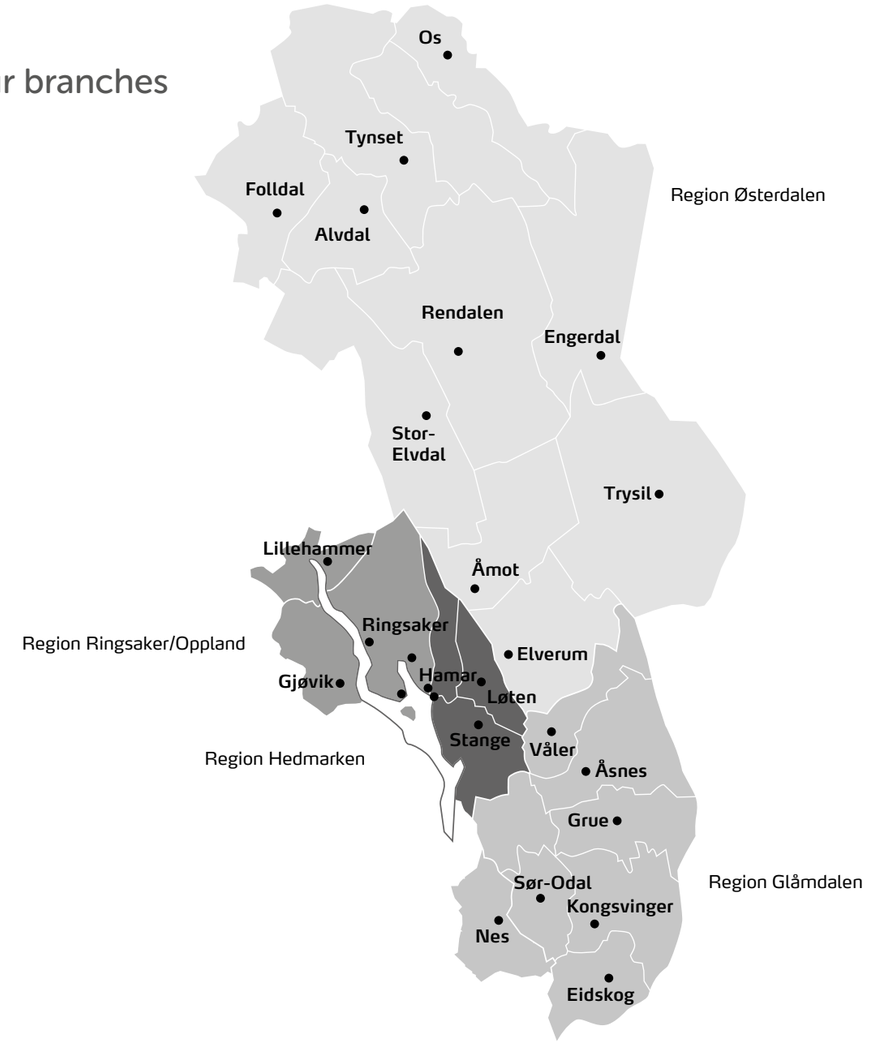
A number of banks are currently warning of staffing reductions and branch closures. This is a sign that digitalisation is having a serious impact on the financial industry and that the competition for customers is intensifying in digital channels. Sparebanken Hedmark's membership of the SpareBank 1 Alliance ensures it is able to develop attractive digital solutions. Increased investment in IT will contribute to greater efficiency and sustainable operations by reducing costs. At the same time, we will, as we always have done, continuously review where we should have branches. 10 years ago, we had 30 branches in Hedmark. We now have 23. These decisions are based on factors such as customer behaviour, profitability, staffing, investment needs, and security considerations. Even though we will make some adjustments from time to time, we will continue to have a good presence so we can serve our retail customers, the farming sector, and small and medium-sized companies. We believe that customers still need to talk to someone when they make major financial decisions at important milestones in life and in business.

I would like to thank our customers, employees, employee representatives, and partners for their great teamwork in 2015. 2016 will also be an exciting year for the Group with the takeover of Bank 1 Oslo Akershus and stock exchange listing on the agenda. Continued success depends on our ability to produce good results as a team.



Richard Heiberg
CEO

Our branches



Business concept

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

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

Values

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

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

Vision

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

Together we create positive customer experiences.

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

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

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

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

About Sparebanken Hedmark

Today, Sparebanken Hedmark is the leading provider of financial services to people, companies and the public sector in Hedmark The Bank has also established branches in Gjøvik, Lillehammer, and in Årnes in Akershus.

Sparebanken Hedmark can trace its history back to 1845 when funds from local granaries, forest commons, local authorities and private individuals were pooled to found the first savings banks. The Bank is the result of the merger of formerly independent savings banks in Hedmark. Through a number of mergers, 22 local savings banks have evolved to become Hedmark's largest source of capital with its head office in Hamar. In the autumn of 2011, Sparebanken Hedmark expanded into the neighbouring county and the Bank now has branches in both Gjøvik and Lillehammer. In 2012, the Bank also established a presence in the Municipality of Nes in Akershus.

Mainstay

Today, Sparebanken Hedmark is a mainstay of life in Hedmark with its many branches in 20 of the county's 22 municipalities. The financial group offers a wide range of products within loans, deposits, insurance, pensions, payment services, estate agency, accounting services, leasing and financing. As the leading financial group in our market area, we do our bit for growth and development through financing individuals and companies who want to see good ideas come to fruition. In this way, the Bank helps people build, live and work here.

Close to the market

Sparebanken Hedmark has a unique competitive advantage thanks to its 170 years of local knowledge. The Bank alone has a market share of 50 per cent and approximately 188,000 customers. The Parent Bank is also close to the market with around 470 full-time equivalents spread across 26 branches. The Group also includes the subsidiaries EiendomsMegler 1 Hedmark Eiendom AS, SpareBank 1 Finans Østlandet AS and SpareBank 1 Regnskapshuset Østlandet AS, which together have around 250 employees.

Sparebanken Hedmark also owns 40 per cent of Bank 1 Oslo Akershus (B1OA) and in December 2015 we signed an agreement with the Norwegian Confederation of Trade Unions (LO) and the SpareBank 1 banks to buy the remaining shares in B1OA meaning it will become a wholly owned subsidiary. If this is approved by the authorities, Sparebanken Hedmark will become Norway's fourth largest savings bank group. The savings bank foundation will own 75 per cent, the SpareBank 1 banks 10 per cent, and LO 15 per cent.

From self-owned to part-owned

The Group's has equity of NOK 8.7 billion and pays around 20 per cent tax on its profit for the year. In 2015, it became clear that the Group would change from being a self-owned financial institution without equity certificate holders to an equity certificate bank. This means that customers, employees and other investors will have an opportunity to become co-owners when the Bank is listed on the Oslo Stock Exchange, which will probably happen in 2016 or 2017. The timing will depend on developments in the stock market.

About Hedmark

With around 195,000 inhabitants, the people of Hedmark account for just over 4 per cent of Norway's population. In terms of area, Hedmark is the third largest county in Norway. The county has scattered settlements, and nearly half of the population lives in the municipalities of Hamar, Ringsaker, Stange and Løten. Hedmark has a diverse business community, and it is the largest farming and forestry county in Norway. Broken down by sector, manufacturing, building and construction and the public sector are the largest employers. For the first time in 10 years, employment growth in Hedmark outpaced that in Norway as a whole. The neighbouring county of Oppland generally has a lot of similarities, both demographically and geographically.

Nature and recreation

The landscape in Hedmark varies greatly with farmland in the south, to vast forests in the east, and mountain ranges in the north. Large areas of these mountain ranges are protected. Norway's largest lake, Mjøsa, the country's largest freshwater island, Helgøya, Norway's longest river, Glomma, and Norway's highest mountain, Galdhøpiggen (2,469 metres above sea level), are important elements of our cultural landscape.

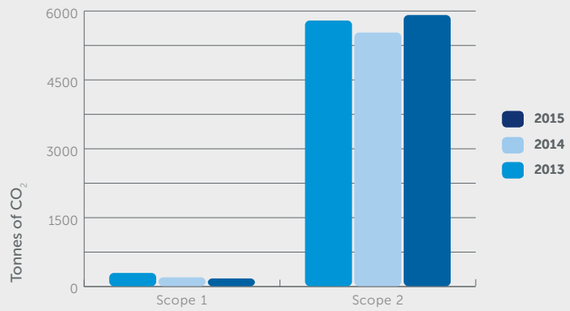
Co-owner of SpareBank 1

The Bank is a co-owner of SpareBank 1 Gruppen AS (11 per cent). This partnership ensures the Bank competitive advantages through good products, efficient IT services, purchasing arrangements and skills sharing. Pooling our resources through our national alliance ensures local strength. This provides the Bank's customers outside Hedmark and Oppland with good services throughout the country since they can now use all of the SpareBank 1 Alliance's bank branches.

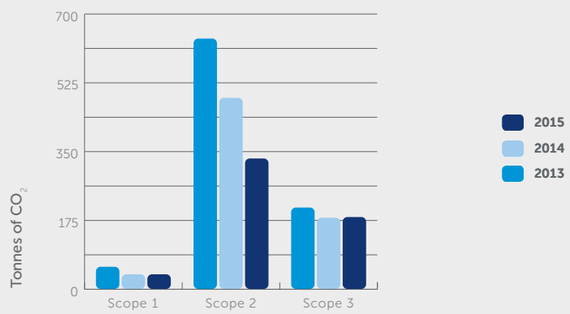
Climate Accounts for 2015

ENERGY AND CLIMATE INDICATORS	2015	15/14	2014	2013	2012
Total emissions (tonnes CO_2):	538	-14.9%	633	867	957
Total energy consumption scope 1 and 2 (MWh):	6016	-5.7%	6,102	6,400	7,147
Energy consumption per square metre (kWh/m²)	172	5.8%	183	193	193
CO_2 emissions per full time equivalent (tonnes CO_2/FTES):	1.2	-16.5%	1.4	1.9	2.1
CO_2 emissions by turnover (tonnes CO_2/NOK million):	0.3	-22.9%	0.8	1.4	2.0

Annual enegrgy consumption (MWh) Scope 1 og 2



Annual greenhouse gas emission per scope



REPORTING IN ACCORDANCE WITH THE GREENHOUSE GAS PROTOCOL

Scope 1: Direct emissions
Includes direct emissions from sources owned or controlled by the company, including the company's own cars or vehicles, or from processing or the transport of employees.

Scope 2: Indirect emissions
Emissions from purchased energy, mainly electricity and/or district heating.

Scope 3: Indirect emissions
Includes other indirect emissions. The emissions are a result of the company's activities, but emitted from sources not controlled by the company.

Socially responsible bank (CSR)

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

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

Close to decisions

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

Sustainable operations

Sparebanken Hedmark plays an important role in economic development and wants to be a model of good business practices, including when it comes to the environment, human resources and ethics. The financial group's goal is to ensure that all banking operations and creation of economic value are in accordance with nature's carrying capacity. The Group should be known for its high ethical standards and good corporate governance.

Labour and human rights

Sparebanken Hedmark therefore takes labour and human rights, basic social needs and nature's carrying capacity into consideration in its operations. Sparebanken Hedmark shall be an attractive and inclusive workplace for employees of all ages and life phases. We want employees to feel that they have a good balance between work, home, and free time. The financial group works on health-promoting measures and stimulates physical activity among its employees. There is a good balance between the genders, and the percentage of women in managerial positions is increasing. In collaboration with the Norwegian Labour and Welfare Service (NAV), the Bank welcomes employees who need training and work experience.

New reporting requirements

A specific strategy for corporate social responsibility was adopted by the Bank's Board of Directors early in 2014 to satisfy the new reporting requirements from the authorities. Many of the Bank's governing documents were updated during the year with reference to the adopted social strategy and this work will continue in 2016. The plan is to revise the social strategy during 2016.

Everyday ethics

Sparebanken Hedmark's operations depend on the confidence of customers, public authorities and society at large. Sparebanken Hedmark's employees must be known for their high ethical standards, expertise, trustworthiness, honesty and fairness. We must be impartial and maintain the necessary professional distance in all of our interactions. Value shall be created in accordance with good advice practices and within limits that do not require the individual employee to violate the code of conduct in order to satisfy financial targets.

Reviewing and discussing the code of conduct is part of the mandatory induction programme for new employees. All the employees must also confirm each year that they have reviewed and understood its contents. This is how the Group ensures that ethics, impartiality, loyalty, anti-corruption and integrity remain on the agenda.

In addition to this, an ethics week is arranged each year with seminars, activities, and discussions, both on a central and a local level, in which we focus on various topics that involve the entire organisation. In 2015, ethics week focused on relational courage and how one should react and respond wisely to situations that are perceived as wrong or difficult. The goal of ethics week is to establish a culture in which questions, openness, and debate contribute to the Group's development.

Donations to charitable causes

The Bank also ploughs funds back into communities, through for example, sponsorship of recreational sports and programmes for children and young people. Sparebanken Hedmark has a long tradition of returning part of its profit back to the local communities. Each year the Bank donates millions of kroner. These donations go to clubs, organisations and other good causes. Financial support can be sought through the Bank's website, and

the funds are allocated after the financial statements have been adopted at the beginning of the year.

Endowment fund

The Bank has a special endowment fund for major cultural, sporting, physical activity, research and education projects. The Bank has made donations from this fund to a number of projects within sports and culture, including:

- Hamar and Hedemarken Tourist Association – towards the renovation of the holiday cabin areas in Målia.
- Jordet og Tenaasen Skytterlag – towards the building of a new clubhouse for the shooting club.
- Turnékompaniet – towards upgrading the seating in Hamar Theatre.
- Kongsvinger Skøyteklubb – towards purchasing an ice machine for the skating club.
- Tynset Idrettsforening – towards a new sports hall for football for the sports club.

Sparebanken Hedmark's talent stipend scheme

The Bank's talent stipend scheme is intended to encourage young athletes and artists aged between 18 and 25 to develop their talent and commitment through training, education and expressing their creativity. The idea is to build pride, create good role models and highlight potential routes for developing talent. The talent stipend scheme is worth NOK 2 million, NOK 1 million for each of the two areas, art and sports. In 2015, 69 recipients received stipends of between NOK 25,000 and NOK 50,000. In October, the Bank arranged a special motivational day and talent party in Hamar cultural centre. Art stipends are restricted to Hedmark County.

Sports stipends are awarded within the Bank's geographic area of operations in Hedmark, Oppland and the Municipality of Nes in Akershus. Applicants must be resident in this area or have other ties to it and belong to a sports team or club in the region. Sports stipends are awarded by a jury consisting of representatives of sports environments in Hedmark and Oppland, Olympiatoppen Interior Region and Sparebanken Hedmark. Art stipends are awarded by the board of Sparebanken Hedmark's Art Fund. The talent stipend scheme will be continued in the same manner in 2016 as well.

Sparebanken Hedmark's Art Fund

The board of the Art Fund distributed NOK 1 million in talent stipends to 29 young artists within art and sculpture (as described in the section above). Approval was also given to spending NOK 3 million on works of art in Eidskog, Trysil and Engerdal. Work continues on previously approved art projects in Strandgateparken in Hamar, the roundabout on classified road 3 at the Aukrust Centre in Alvdal, and the roundabout on county road 30 in towards the centre of Tynset. The sculpture commemorating the migration of Finns to the municipality of Grue and the Big Elk at Bjøråa rest stop along classified road 3 in Stor-Elvdal were completed in 2015.

Business development

Active cooperation between the various actors in research, education and business is important for development of the region. The Bank established a special incubator fund in 2013 to improve access to risk capital for early phase companies. Our experience so far has been that there are too few qualified applicants and the Bank hopes to welcome more good projects. In 2015, we focused on entrepreneurship and in the autumn we collected information from our market area about what sort of businesses are missing via our campaign 'Ønsker meg 1' ('I want 1'). In 2016, we will continue to provide support for company start-ups based on the information we collected in 2015. Sparebanken Hedmark has a strategic goal of being a source of socially useful information in Hedmark. The financial group therefore established the Interior Region's own Economic Barometer in November 2013. This has been followed up by new editions in 2014 and 2015, and last year we garnered a lot of external attention both in connection with and after publication. The idea is to contribute factual information and insight that can stimulate growth and development in the Interior Region.

Environment

Sparebanken Hedmark takes account of the external environment in all of its operations. We have Eco-Lighthouse certified branches and produce annual energy and climate accounts in accordance with the Greenhouse Gas Protocol and ISO 14064 international standards. These cover consumption that results in the emission of greenhouse gases such as travel, waste management, and energy use. This analysis enables the Bank to identify the sources that impact the external environment and implement concrete measures to minimise this impact.

The Bank has now certified all of its branches in line with the head office model (19 plus 7 satellite branches) and tightened up its source separation routines. The Group is constantly developing new products that reduce its impact on the environment. Online home mortgages, mobile banking, mCASH, SMS services and the digital distribution of letters and publications are measures that reduce the need for transport and paper consumption.

It is an important principle that all companies, large and small, reduce their emissions and in this way contribute to preventing global warming of more than 2 degrees Celsius. Sparebanken Hedmark's total CO_2 emissions amounted to 538 tonnes and its energy consumption 5,919 MWh in 2015.

Relationship with suppliers

The Bank requires environmental certification in connection with tender processes. Environmental awareness is an important factor in both procurements and processes. The purchasing strategy of the SpareBank 1 Alliance also stipulates that purchasing shall be confidence-inspiring, environmentally aware and ethically correct in internal and external forums.

The Bank's stakeholders

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

Map of stakeholders for Sparebanken Hedmark

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



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

Factors that can affect reputation

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

Status 2015

		2015	2014
Strategy/finances	Group strategy	Strategy implemented according to plan.	Will be updated in new strategy in 2016.
	Development of CSR strategy	Incorporation in governing documents has started and will continue in 2016.	Adopted 2014, revised during 2015. Incorporation in governing documents has started and will continue in 2015.
	Consolidated profit before tax (NOK millions)	1,163	1,232
	Consolidated total assets (NOK millions)	55,971	49,934
	Consolidated return on equity after tax	11.4%	14.4%
	Consolidated capital adequacy ratio	17.2%	14.8%
	Annual review and confirmation of the Bank's code of conduct	Completed	Completed
Community/social affairs	Number of full-time equivalents, incl. subsidiaries	728	673
	Number of full-time equivalents, Bank	470	459
	Sick leave	4.00%	4.10%
	Percentage of women	57%	57%
	Percentage of women in managerial positions	43%	44%
	Average age	48	47
	Employee satisfaction, organisational survey	850	814
	Inclusive Workplace agreement	Continued	Renewed
	Average period of service	17	18
	Number recruited, internal	23	28
	Number recruited, external	36	34
	Turnover	2.50%	3.50%
Donations	Awarded to art and culture	2,026,000	1,950,000
	Awarded to sports	2,443,000	2,011,000
	Awarded to humanitarian work	725,000	716,000
	Awarded to other	1,012,000	1,012,000
Endowment Fund	Awarded to art and culture	5,752,000	6,075,000
	Awarded to sports and physical activity	13,138,000	7,425,000
	Awarded to education/research	2,700,000	3,960,000
	Awarded to other	2,090,000	4,998,000
Sparebanken Hedmark's Art Fund	Awarded to art and culture	3,000,000	4,070,000
Business development	Awarded to innovative projects	Sparebanken Hedmark made no investments via its incubator fund in 2015, but did conduct a marketing campaign called 'Ønskermeg1' ('I want 1') that focused on innovation.	NOK 500,000 from the Incubator Fund was granted to specific projects in 2014.
Environment*	*See also separate Climate Accounts		
	Total greenhouse gas emissions (tonnes CO_2):	538	633
	Greenhouse gas emissions per full time equivalent, Parent Bank (tonnes of CO_2/FTES)	1.2	1.4
	Number of video conferencing rooms	42 (All also has Skype and video access for personal PCs.)	42
	Number of Eco-Lighthouse certified branches	26 (19 branches and 7 satellite branches have been Eco-Lighthouse certified in line with the head office model.)	23

Highlights of 2015



From the Supervisory Board's discussions on the subject of becoming an equity certificate bank in 2015. From the left: Richard Heiberg and the chair of the Supervisory Board Pål Jan Stokke.

Established as equity certificate bank

In 2014 the Board of Sparebanken Hedmark decided to recommend to the Bank's Supervisory Board that equity certificates should be issued, a savings bank foundation established, and that the Bank should list on the stock exchange. Both the foundation and the equity certificates were put in place in 2015. According to the plan, Sparebanken Hedmark will list on the stock exchange in 2016, depending on how the stock market develops.

In 2015, the process started with the Bank's Supervisory Board considering the decision to convert primary capital into equity certificate capital. Becoming an equity certificate bank required two decisions in the Supervisory Board. Both the first and the second round of discussions resulted in positive decisions, in February and March 2015, respectively.

In May, the Financial Supervisory Authority of Norway approved the conversion of 60 per cent of the Bank's primary capital into equity certificate capital. At the same time, the Bank was given permission to establish its own foundation, Sparebanken Hedmark Sparebankstiftelse, which would become the initial owner of the equity certificate capital. The purpose of the savings bank foundation is to manage the equity certificate capital and be a long-term, stable owner of Sparebanken Hedmark. The foundation is also tasked with making donations to charitable causes in the Bank's main market area.

In September 2015, the Bank's Supervisory Board elected members to the board of the savings bank foundation and general meeting. The members were recruited from different regions of Hedmark in line with the foundation's articles of association. Nils Arne Nordheim was chosen as the foundation's first chair. Together with the board, he will manage the foundation's funds and tasks. Nordheim was Sparebanken Hedmark's director of retail market before he retired in 2014.

In November 2015, Sparebanken Hedmark Sparebankstiftelse was established with the registration in the Register of Business Enterprises of NOK 3,987,000,000 in equity share capital split between 79,740,000 equity certificates, each with a nominal value of NOK 50 and a subscription price of NOK 50, which were then transferred to the foundation for free. At the end of the year, Sparebanken Hedmark Sparebankstiftelse was the Bank's sole owner. The planned listing on the stock exchange in 2016 will give people, companies and others an opportunity to invest in the Bank.

The Bank converted to an equity certificate bank because links between the Oslo region and the Interior Region are growing ever stronger with respect to both where people live and business. Sparebanken Hedmark wants to take part in this development and size will be an important factor in this process. Equity certificates are important because they enable Sparebanken Hedmark to participate in future structural changes and continue to strengthen its position as one of the country's leading regional banks.

A subsequent listing on the stock exchange would make Sparebanken Hedmark the only listed company in Hedmark and the largest in the Interior Region.



From last year's press conference: Geir Egil Bolstad, Deputy CEO of Bank 1 Oslo Akershus, Richard Heiberg, and Tore Anstein Dobloug.

Bank 1 Oslo Akershus becomes a wholly owned subsidiary of Sparebanken Hedmark

At year-end 2015, Sparebanken Hedmark signed an agreement to buy all of the shares from the Norwegian Confederation of Trade Unions (LO) and the other SpareBank 1 banks. The acquisition is contingent on the permission of the authorities.

Ensuring stronger ownership

The acquisition was made because the other regional banks had for some time expressed a desire to sell their interests in Bank 1 Oslo Akershus because of the great geographical distance from their own home markets. Ensuring strong and more concentrated ownership in B1OA was also an important factor. Around 90 per cent of the remuneration for the shares will be settled by Sparebanken Hedmark conducting a private placement with LO and the other banks*. This means that they will become equity certificate holders in Sparebanken Hedmark. LO will become the second largest owner after Sparebanken Hedmark Sparebankstiftelse with a stake of 15.1 per cent.

Welcome to the team

Bank 1 Oslo Akershus is a well-run bank and together we will become a larger and more effective regional savings bank group in Eastern Norway with its head office in Hamar. Together we will become the fourth largest savings bank group in Norway.

Will be a 100 per cent owner subsidiary until merger

Bank 1 Oslo Akershus will be run as a subsidiary bank of Sparebanken Hedmark for up to 3 years. The agreement is contingent on the approval of the authorities. Sparebanken Hedmark used SpareBank 1 Markets as its financial adviser and the law firm Selmer as its legal adviser in connection with the transaction.

(*The SamSpar banks are 11 local SpareBank 1 banks, primarily located in Eastern Norway.)

The Economic Barometer in 2015

Sparebanken Hedmark Economic Barometer was published in November for the third year in a row. The Barometer gained a lot of attention both in the media and in other forums, including because the headline this year was that Hedmark, for the first time in 10 years, beat Norway in terms of employment growth. A lower Norwegian kroner exchange rate and better access to qualified employers because of the downturn in the oil sector are also helping to improve profitability. It appears we are in the process of stepping out of the shadow of oil, a term that has haunted the Interior Region for decades.





Sparebanken Hedmark launches micro saving

In February, the Bank launched micro saving, a joint venture for the SpareBank 1 banks in which customers save an amount set by them to an account of their choice every time they use their bank card. Customers choose the option in the online bank and then choose how much and how they will save when they use their card. Micro saving thus functions as a sort of electronic piggy bank. The idea is to offer simple, motivational savings products to our customers.

Young hopefuls invited to housing evening

In the autumn, the Bank invited young adults aged 19-34 to housing evenings; a partnership between employees from the Bank and estate agents from EiendomsMegler 1 Hedmark Eiendom AS. The goal was to make the target group more competent as they enter the housing market.

The housing evenings were held in the Bank's premises in Hamar, Brumunddal, Elverum and Kongsvinger, and represent part of our project aimed at increasing availability by having branches that are open in the evening. In addition to this, typical 'young adult flats' were recreated and used as show flats to illustrate what they should be interested in when viewing flats. The evenings proved very popular. There were long waiting lists and extra housing evenings had to be arranged for those interested.





SpareBank 1 – the new main sponsor for the national ski team

In March, the SpareBank 1 banks took over as the main partner of the national ski team. With 16 regional banks, SpareBank 1 Forsikring, and EiendomsMegler 1 behind them, the Norwegian Ski Federation is gaining a partner that wants to develop the sport of cross country skiing throughout Norway. The partnership agreement will last for 3 years.

Sparebanken Hedmark lowers rates

In January, Sparebanken Hedmark lowered its rates for mortgages and deposits by up to 0.40 per cent. Young customers with mortgages for young people (BFU) received the Bank's best rates from 2.90 per cent.

Remodelling in Tynset

In January, work started on remodelling the branch in Tynset. The old ventilation system had to be replaced and the premises were refurbished in line with a new branch concept. "We are remodelling our branches so they are better equipped for the future," says regional bank director Geir Schjølberg.

SpareBank 1 Regnskapshuset Østlandet AS acquires accounting firms

SpareBank 1 Regnskapshuset Østlandet AS acquired three accounting firms in 2015: Frostad & Skyrud AS, to strengthen its strategic position in Nedre Romerike. At the same time, we are strengthening our position in Hamar with the acquisition of Stenberg Regnskap og Økonomi AS and Hauge Regnskap AS.

10,000 new users

In February, the Bank passed 10,000 active customer agreements in the online bank for the corporate market. Around 500 of these are unique users of the mobile bank and these logged in more than 85,000 times in the space of one month. "The online bank for the corporate market, together with the mobile bank, is a very good aid for decision makers in their everyday work," says technical director Rune Bye.

Q1

A LOOK BACK 20 15

Q2

Q3

Q4



The world's largest elk unveiled

Sparebanken Hedmark's Art Fund contributed NOK 2 million to the elk, which was unveiled in October at Bjøraa rest stop. The elk is one of the road safety measures along classified road 3. It is made of highly polished steel and has become a popular roadside attraction.

SpareBank 1 acquires mCASH

In October, the SpareBank 1 banks bought the Norwegian part of mCASH and thus took over 100,000 users, more than 600 merchants, and the technological platform. mCASH enables users to pay online and in shops without using a card, just with the aid of a smart phone.

The Bank acquires EiendomsMegler 1 in Gjøvik

In December, Sparebanken Hedmark, via EiendomsMegler 1 Hedmark Eiendom AS, acquired EiendomsMegler 1 Ringerike Hadeland AS's business in Gjøvik. The Bank took over the bank branch in Gjøvik in 2011 and thus it was natural that the estate agent business followed since it is highly integrated into the bank.

SpareBank 1 Ringerike Hadeland co-owner of SpareBank 1 Finans Østlandet AS

In December, SpareBank 1 Ringerike Hadeland became a co-owner of SpareBank 1 Finans Østlandet AS (5 per cent). The companies have had a very good partnership for some time.
"Sparebanken Hedmark is pleased that Ringerike Hadeland wants to focus on financing and leasing services together with us. This will enable both parties to strengthen their businesses in Eastern Norway," says Richard Heiberg.

Ethics week focuses on relational courage

The year's ethics week focused on the relational courage to speak up and respond wisely in situations that are perceived as wrong or difficult. The goal of ethics week 2015 was to establish a culture in which questions, openness, and debate contribute to the Group's development.

The Bank arranges UNG seminars

In June, the Bank arranged UNG seminars in Kongsvinger, Tynset, Elverum, Brumunddal and Hamar. The target group was young people aged 19-20 that are leaving home for the first time. The aim was to raise awareness about topics such as consumption, income, expenses, loans, insurance, and saving.

Lower interest rates

For the second time in a year, Sparebanken Hedmark lowered its rates for mortgages and deposits, by up to 0.34 per cent. Young customers with mortgages for young people (BFU) received the Bank's best rates from 2.65 per cent.



Celebrated refurbished branch in Rena

The mayor of Åmot and chief executive Richard Heiberg were present when the newly refurbished premises were opened in Rena in May. The opening was marked by a red carpet, marzipan cakes, and a choir from the local nursery school. Rena is the eleventh branch that has been remodelled in line with the new branch concept.

Million kroner donation for training in life skills

In June, the Bank donated NOK 1.5 million to Young Entrepreneurs, a gift that will in part go towards the 'Sjef i eget liv' ('Boss of your life') training programme. The aim is to make pupils understand that even the choices they make now can have important consequences later on in life.

First evening open bank in Hedmark

In order to meet our customers' needs even better, the Bank started offering advice until 18:00 in the evening in Hamar, Brumunddal, Elverum and Kongsvinger.
"Expectations concerning greater availability are not confined to our industry. This is a society-wide trend that we have to take into account," says Kari Gisnås, Director of Retail Market.

Sparebanken Hedmark lowers rates

For the third time in a year, Sparebanken Hedmark lowered its rates for mortgages, by up to 0.25 per cent. Young customers with mortgages for young people (BFU) received the Bank's best rates from 2.40 per cent.



First master's course in business and economics starts in the Interior Region

In August, the Interior Region's first master's course in business and economics started at Hedmark University College. Sparebanken Hedmark has, together with a number of other business actors, supported the establishment of the new course financially. The Bank has also funded a professorship in economics.



A growing restaurant industry in Hedmarken. Hai Hang is one of the people who have introduced exciting new cuisine to Hamar and Hedmarken through a series of new restaurants. Hai got the inspiration and knowledge to do this while working at the fashionable hotel Raffles in Singapore. He worked here for free at the start of his career in 2002, but learned skills in return.

Source: Sparebanken Hedmark's customer magazine, autumn 2015.

Report of the board of directors

Sparebanken Hedmark is the leading financial institution in Hedmark and Oppland, and Norway's sixth largest savings bank. The bank is the only regional financial institution with its head office in the Interior Region.

Sparebanken Hedmark reinforced its position as the financially strongest regional bank in the country in 2015. At year-end, its unweighted equity ratio was 15.6 per cent and its common equity tier 1 ratio was 17.2 per cent.

Its market position in the region also improved further in 2015. The bank has a market share of around 50 per cent in its primary market area. In 2015, lending grew by 9.3 per cent and deposits by 7.7 per cent. The continuing stable macroeconomic situation in Hedmark and Oppland contributed to very low losses. The Interior Region's industry and commerce is dominated by farming and forestry, plus the associated processing industries, as well as small and medium-sized companies. It has almost no activity directly related to petroleum.

The Board of Directors is very satisfied with the financial statements for 2015. The Group posted a profit after tax of NOK 930 million. The return on equity was 11.4 per cent.

Conversion to an equity certificate bank

Sparebanken Hedmark was converted into an equity certificate bank in 2015. The bank converted 60 per cent of its primary capital to equity share capital. At the same time, a foundation was established, the Sparebanken Hedmark Sparebankstiftelse, to which all 79 740 000 issued equity certificates were transferred in connection with the conversion. The total assets transferred to the new foundation amounted to around NOK 5 billion based on The bank's book equity.

The foundation's purpose is to be a long-term, stable owner of Sparebanken Hedmark. The foundation may make use of part of the profit and distribute dividend funds to socially beneficial causes. The foundation shall, through its ownership of Sparebanken Hedmark, continue the savings bank tradition in Hedmark. According to its articles of association, the foundation may not own less than 50 per cent of the bank's equity certificates.

Acquisition of Bank 1 Oslo Akershus AS

On 12 December, Sparebanken Hedmark signed an agreement for the purchase of the remaining shares in Bank 1 Oslo Akershus AS. Following the acquisition, the foundation will own around 75 per cent of the equity certificates and the Norwegian Confederation of Trade Unions (LO) about 15 per cent. The remaining 10 per cent will be owned by other SpareBank 1 banks.

Implementation is contingent on the approval of the authorities. Final approval is expected in the second quarter of 2016.

Following the acquisition, the Sparebanken Hedmark Group will be Norway's fourth largest savings bank with total assets of around NOK 127 billion. The Group will have around 1,180 employees and 44 branches spread across four counties. The bank will have 23 offices in Hedmark, two in Oppland, ten in Akershus, and nine in Oslo. The aim is to develop the two banks such that together they are viewed as even more competent, with greater breadth and greater competitiveness, by customers and the capital markets. The overall risk for the bank's deposit customers and lenders will also decrease.

Stock exchange listing

Sparebanken Hedmark is planning to list on the stock exchange in the second half of 2016 if the market conditions are satisfactory.

The purpose of the listing is to enable the bank to play a more active role in the future restructuring of the industry. In addition to providing the bank with a means of settlement if acquiring other banks, the listing will help make the financial institution more attractive to both customers and employees. At the same time, it will give the bank an opportunity to raise new equity and offer ownership to customers, staff and investors.

SPAREBANKEN HEDMARK – CONSOLIDATED RESULT

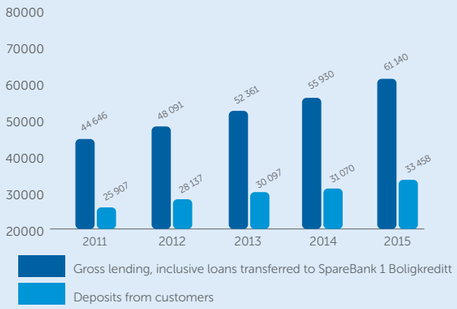
The Group prepares its financial statements in accordance with international accounting standards adopted by the EU (IAS 34).

Its head office is in Hamar, and the Group is active in Hedmark, Oppland and Akershus. The Group's operations are not regarded as polluting the external environment.

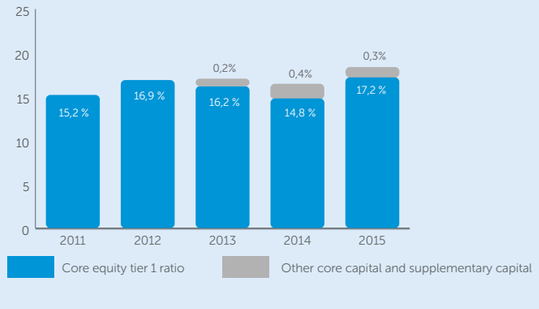
The Group consists of Sparebanken Hedmark and the consolidated, wholly owned subsidiaries EiendomsMegler 1 Hedmark Eiendom AS, SpareBank 1 Finans Østlandet AS, SpareBank 1 Regnskapshuset Østlandet AS and Vato AS.

The bank owns 40.5 per cent of Bank 1 Oslo Akershus AS, 11 per cent of SpareBank 1 Gruppen AS and 8.7 per cent of SpareBank 1 Kredittkort AS. The bank also owns 10 per cent of SpareBank 1 Boligkreditt AS and 3.8 per cent of SpareBank 1 Næringskreditt AS (the covered bond companies). The results from the above companies are recognised in the bank's consolidated financial statements proportionate to the bank's stake.

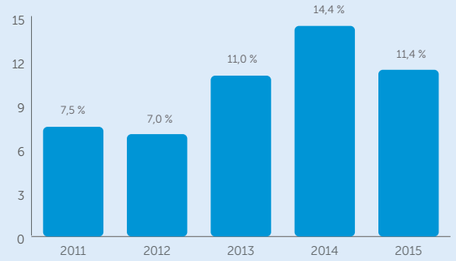
Gross lending and deposits (Group)



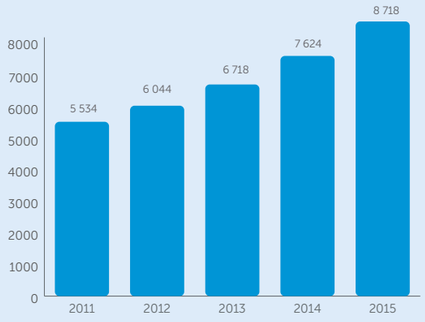
Core equity tier 1 ratio (Group)



Return on equity



Equity Capital (Group)



The Group's profit after tax for 2015 (previous year in brackets) totalled NOK 930 (1 040) million. The return on equity was 11.4 (14.4) per cent.

Specification of the consolidated profit after tax in NOK millions:

Parent Bank's profit after tax	796
Dividends received from subsidiaries/associated companies	- 259
Share of the result from:	
SpareBank 1 Gruppen AS	142
Bank 1 Oslo Akershus AS	103
SpareBank 1 Boligkreditt	46
EiendomsMegler 1 Hedmark Eiendom AS	5
SpareBank 1 Finans Østlandet AS	74
SpareBank 1 Regnskapshuset Østlandet AS	11
SpareBank 1 Kredittkort AS	10
Other associated companies/joint ventures	2
Consolidated profit after tax	**930**

Interest income and other operating income

Total net interest income, inclusive of commissions from loans and credit transferred to partly-owned covered bond companies (recognised as commissions), amounted to NOK 1,293 (1,271) million. This represents an increase of 1.7 per cent compared with 2014.

The Group's net interest income as a percentage of the average total assets was 2.08 per cent in 2015, compared with 2.14 per cent in 2014.

The Group's lending margin, inclusive of mortgages in the covered bond company, amounted to 2.68 (2.96) per cent. The deposit margin was -0.22 (-0.52) per cent. The Group's net interest margin was 2.46 (2.44) per cent.

Net commissions decreased from NOK 525 million in 2014 to NOK 461 million in 2015. This was primarily attributable to a NOK 40 million drop in commissions from loans transferred to the covered bond companies due to reduced margins. 2014 also saw the recognition of NOK 41 million in extraordinary income from SpareBank 1 Kredittkort AS.

Other operating income increased by NOK 52 million to NOK 190 million. This was largely due to SpareBank 1 Regnskapshuset AS's increased turnover.

The total income from the Group's accounting and estate agency business was NOK 253 million in 2015. This represents an increase of NOK 48 million or 23 per cent.

Net result from financial assets and liabilities

The net result from financial assets and liabilities fell by NOK 58 million to NOK 514 (572) million. Dividends were NOK 4 million lower and the net result from ownership interests fell by NOK 93 million. The profit from the sale of the shares in the payment systems company Nets Holding ASA contributed NOK 158 million in 2014. Changes in the market value of securities saw an improvement in the result of NOK 39 million in 2015.

The share of the profit from Bank 1 Oslo Akershus AS accounted for NOK 103 (183) million of the result from ownership interests and the share of the profit from SpareBank 1 Gruppen AS accounted for 142 (202) million.

The net result from other financial assets and liabilities amounted to NOK 205 (166) million.

The bank's securities issued, fixed-income investments, derivatives and fixed-rate products for customers are assessed at fair value through profit and loss pursuant to IAS 39, and changes in market value are recognised in profit and loss. The total net change in market value for fixed-income securities amounted to NOK 184 (-36) million, while the change in value for fixed-rate products for customers was NOK 15 (28) million. Other items amounted to NOK 6 (174) million. Nets accounted for NOK 158 million in 2014.

Secondary market trading spreads for Norwegian financial securities were volatile in 2015. For a five-year, senior issue in a Norwegian regional savings bank, the market's premium above NIBOR rose from around 60 basis points at the start of the year to around 135 basis points at year-end. All other things being equal, this results in the relevant discount rate on previously issued fixed income securities with fixed coupons increasing and thus their present value (price) sinking. The drop in prices for own debt results in an unrealised gain, but the drop in prices for purchased fixed income securities results in an unrealised loss. The net effect for Sparebanken Hedmark of a drop in prices for all fixed income securities, inclusive of hedging transactions, was positive in the amount of NOK 184 million in 2015. The positive effect of NOK 184 million comes from income on securities issued, NOK 252 million, and a loss from securities investments, NOK 68 million. Cumulatively, an unrealised loss of NOK 140 million as of year-end 2014 has turned into an unrealised gain of NOK 50 million as of year-end 2015. Assuming that all of the securities issued and all of the purchased fixed income securities are not realised until they mature, the bank will, over the duration of the securities, redeem this unrealised gain of NOK 50 million at a rate of around NOK 17 million per year.

Costs, losses and problem loans

The Group's operating costs were NOK 1,051 (981) million. This represents an increase of 7.1 (7.1) per cent compared with the year before. NOK 55 million of the NOK 70 million increase was due to increased costs in subsidiaries, primarily due to greater activity.

Personnel costs amounted to NOK 590 (543) million. This represents an increase of NOK 47 million, or 9 per cent, which is primarily attributable to increased staffing levels in subsidiaries and ordinary wage growth. The number of full-time equivalents in the Group increased by 54, from 673 in 2014 to 727 in 2015.

Other operating costs increased by 5.4 per cent and amounted to NOK 462 (438) million.

Operating costs as a percentage of total income were 46.3 (43.0) per cent.

Total loan losses amounted to NOK 56 (66) million. NOK 6 million of the losses were in the retail market division and NOK 29 million in the corporate market division. The losses in SpareBank 1 Finans Østlandet AS amounted to NOK 21 million. At year-end, the bank's total lending exposure to oil-related industries was less than 0.1 per cent.

Group write-downs to cover net loan loss provisions amounted to NOK 120 (116) million equivalent to 0.27 per cent of total lending.

The loan loss provision ratio, measured as total individual write-downs of NOK 147 million in relation to total non-performing and other impaired loans of NOK 544 million, was 27 (26) per cent at year-end.

Credit quality, measured as total problem commitments in relation to total lending, further improved in 2015. In total, the Group's problem commitments amounted to 1.1 (1.2) per cent of gross commitments on its balance sheet and 0.8 (0.9) per cent if one includes loans transferred to the covered bond companies.

Assets, funding and financial strength

Gross lending to customers, inclusive of loans transferred to the covered bond companies, totalled NOK 61.1 (55.9) billion. At year-end, loans totalling NOK 16.8 (15.4) billion had been transferred to SpareBank 1 Boligkreditt AS and loans totalling NOK 0.6 (0.6) billion had been transferred to SpareBank 1 Næringskreditt AS. The Group's twelve-month lending growth, inclusive of transferred loans, was 9.3 (6.8) per cent.

Retail customer loans transferred to the covered bond companies as a percentage of the overall retail customer loans (loans on it s balance sheet and transferred loans) was 42.7 (42.1) per cent.



Siri J. Strømmevold
(born 1961), Board Chairman, lives in Tynset.

Strømmevold is a qualified computer engineer, with 15 years experience from the oil industry with Mobil Expl., Statoil and Saga Petroleum. She is now the General Manager of Tynset Bokhandel. She was elected to the board in 2006.

Customer deposits totalled NOK 33.5 (31.1) billion. The growth over the past twelve-month period was 7.7 (3.2) per cent.

Deposits represented 76.4 (77.8) per cent of gross lending.

Senior debt to financial institutions and senior securities issued totalled NOK 12.2 (9.6) billion. The average term to maturity of the bank's long-term funding was 3.8 (4.0) years. The average term to maturity for all borrowing was 3.3 (3.6) years. The average risk premium on the bank's existing funding at the end of the fourth quarter was 81 (82) basis points. In addition to senior debt, the bank had NOK 0.5 billion outstanding in subordinated loans.

The bank continued to have easy access to senior funding. At year-end, the bank had enough reserves to maintain normal operations for 15 (18) months. The LCR (Liquidity Coverage Ratio) was 120,8 per cent.

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

The Group's equity amounted to NOK 8.7 (7.6) billion, which is equivalent to 15.6 (15.3) per cent of the balance sheet. The Leverage Ratio was 9.2 (8.2) per cent.

The Group's common equity tier 1 ratio at year-end was 17.2 per cent, an increase of 2.4 percentage points compared with the year before. The total capital adequacy ratio was 19.1 (17.1) per cent.

The most important reason for the increase in financial strength in 2015 was that the bank's profit, less deductions for donations, was allocated in full to the Bank's equity.

Furthermore, in February, the bank was granted permission by the Financial Supervisory Authority of Norway to use Advanced IRB to calculate capital requirements for its corporate customer portfolio. This means that the bank now uses internal models to calculate capital needs based on the individual customer's credit risk. The capital requirements will thus better match the actual risk in the bank's credit portfolio. At the same time, the authorities increased risk weightings for mortgages, meaning that the overall effect of these two changes was a 0.65 percentage point improvement in the common equity tier 1 ratio.

Rating

Sparebanken Hedmark is rated A2 by Moody's Investor Service. The rating has a 'stable outlook'. Moody's has changed the criteria it applies in its new rating methodology in order to assign banks a rating that is one or more grades higher due to the likelihood of government support. Applying the new method, Moody's has moved Sparebanken Hedmark down by one grade because in its opinion the likelihood of government support is low. According to Moody's method, the county of Hedmark is too small a county. In order to mark it up a grade, total lending in the county must amount to more than 5 per cent of the total lending in Norway.

In connection with the announcement of Sparebanken Hedmark's acquisition of Bank 1 Oslo Akershus AS, Moody's published an assessment of the acquisition that concluded that the acquisition was credit positive for Sparebanken Hedmark.

SPAREBANKEN HEDMARK – PARENT BANK

The profit after tax in 2015 totalled NOK 796 (676) 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 539 (521) million.

Interest income, commissions, and financial income

Net interest income, inclusive of loans transferred to the covered bond companies, amounted to NOK 1,068 (1,063) million. The NOK 5 million improvement is attributable to the increased net interest income of NOK 45 million due to growth. Commissions from transferred loans to the covered bond companies decreased by NOK 40 million due to reduced lending margins.

The net interest margin for loans on the balance sheet (exclusive of currency loans) was 2.42 (2.49) per cent. The lending margin was 2.64 (3.01) per cent and the deposit margin was -0.22 (-0.52) per cent. The net interest margin improved towards the end of the year.



Bjørnar Håkensmoen
(born 1969), Deputy Chairman, lives in Elverum.

Håkensmoen is qualified within teaching, management and communication. He has worked within the sports industry. He has been the Managing Director of Daldata since 2006. Became Deputy Chairman in 2012.



Erik Garaas
(born 1950), board member, lives in Oslo.

Garaas has a degree in social economics and has worked at the Central Bureau of Statistics, Finance Ministry, Gjensidige and DNB, mainly within finance and capital management. He was elected to the Board in 2013.

The interest margin for the retail market was 2.29 (2.38) per cent, and for the corporate market it was 2.69 (2.49) per cent.

NOK 188 (228) million of the NOK 429 (482) million in net commissions and other operating income came from commissions on loans transferred to the mortgage companies. The net margin for the portfolio transferred to SpareBank 1 Boligkreditt AS was 1.17 (1.47) per cent. The lending margin experienced a downward trend in 2015.

Income from financial assets and liabilities was NOK 473 (296) million. Income from dividends amounted to NOK 8 (13) million. The net result from ownership interests, primarily dividends, amounted to NOK 260 (117) million. Dividend receipts amounted to NOK 107 million from SpareBank 1 Gruppen AS, NOK 51 million from Bank 1 Oslo Akershus AS, and NOK 73 million from SpareBank 1 Finans Østlandet AS. The net result from other financial assets and liabilities amounted to NOK 205 (166) million. The profit from the sale of the shares in Nets Holding ASA was included in the result for 2014. The result for 2015 is explained in more detail in the corresponding section for the Group.

Operating costs

Total operating costs amounted to NOK 743 (726) million. Costs increased by 2.3 (6.6) per cent, or NOK 17 million, compared with the year before. Personnel costs increased by NOK 7 million. NOK 5 million of this increase was linked to services performed for the Alliance and which provide corresponding income. Other operating costs increased by NOK 9 million.

At year-end, the Parent Bank had 470 (459) full-time equivalents.

Operating costs represented 41.7 (45.0) per cent of total income.

Losses on loans and guarantees

The net loan loss provisions were NOK 35 (52) million. NOK 6 (15) million of this was in the retail market, while NOK 29 (36) million was in the corporate market. Group write-downs accounted for NOK 2 (8) million of total losses.

Loans and deposits

Gross lending to customers at year-end, inclusive of loans worth NOK 17.4 billion transferred to the covered bond companies, totalled NOK 55.5 (51.1) billion. The Parent Bank's lending growth for the last twelve months, inclusive of loans transferred to the covered bond companies, was 8.6 (6.5) per cent.

Growth, including transferred loans, was 7.6 (6.3) per cent in the retail market and 10.9 (7.0) per cent in the corporate market. The risk profile for the bank's granting of credit did not change during the year.

Deposits from and liabilities to customers totalled NOK 33.5 (31.1) billion at the end of the year. The growth in deposits over the past twelve months was 7.8 (3.2) per cent. NOK 21.6 (20.2) billion of deposits came from the retail market, while NOK 11.9 (10.9) billion came from the corporate market.

Subsidiaries and partly-owned companies

The financing company SpareBank 1 Finans Østlandet AS posted a profit after tax of NOK 74 (73) million. The company's gross lending totalled NOK 5.7 (4.8) billion. Gross lending growth over the past twelve months was 17.0 (16.1) per cent.

SpareBank 1 Regnskapshuset Østlandet AS posted earnings of NOK 172 (126) million and achieved a profit after tax of NOK 11 (4) million.

The estate agency EiendomsMegler 1 Hedmark Eiendom AS posted earnings of NOK 81 (79) million and achieved a profit after tax of NOK 5 (8) million.

SpareBank 1 Gruppen AS (11 per cent stake) achieved a consolidated profit after tax of NOK 1,287 (1,850) million. The return on equity was 16.9 (28.0) per cent.

Bank 1 Oslo Akershus AS (40.5 per cent stake) achieved a profit after tax of NOK 254 (452) million. This profit corresponds to a return on equity of 8.4 (15.4) per cent. The common equity tier 1 ratio was 15.3 (14.5) per cent.



Espen Bjørklund Larsen
(born 1976), board member, lives in Elverum.

Larsen has a degree in economics and administration and spent a year studying innovation. In addition he has an Executive Master of Management degree from BI Norwegian Business School.



Nina C. Lier
(born 1972), board member, lives in Ringsaker.

Lier has a degree in civil economics and is CFO of Sykehuset Innlandet HF. She was elected to the board in 2010.

Financial strength

The common equity tier 1 ratio was 24.1 (21.7) per cent at year-end.

The Parent Bank's equity was NOK 7.7 (6.8) billion. The equity share capital consists of 79,740,000 equity certificates, each with a face value of NOK 50. At year-end, the total equity in the Parent Bank amounted to 14.0 (13.9) of the balance sheet.

RISK MANAGEMENT

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

The Board of Directors has adopted the 'Risk and Capital Management Policy in Sparebanken Hedmark'. This document defines the principal framework for risk management, including the management of the various risks. The Board of Directors adopts the overall risk strategy, the governing documents for the credit area, as well as the bank's finance strategy for the areas of funding risk and market risk on an annual basis. Risk exposure and development are monitored and reported to the bank's Board of Directors and executive management team periodically.

Credit risk

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

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

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

The risk profile in the corporate market portfolio improved in 2015. Expected losses and risk-adjusted capital have been reduced in relative terms. Total defaults have decreased and loan losses remain at a very low level, and lower than in 2014. Lending growth was somewhat higher in 2015 than in 2014.

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

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

The Board of Directors believes that the bank's credit risk related to lending operations overall has developed positively in 2015. The Group's credit risk is considered to be moderate.

Market risk

Market risk is defined as the risk of losses due to changes in interest rates, share prices and foreign exchange rates.

Limits and guidelines for the management of market risk follow from the Group's financial strategy adopted by the Board of Directors. Risk exposure and development are continuously monitored and reported to the bank's Board of Directors and executive management team.

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

Guidelines and limits for investments in fixed-income securities are adapted to the regulatory requirements for funding management. Total investments in fixed income securities amounted to NOK 6.1 billion at year-end. The relative share of fixed income securities with the lowest credit risk increased throughout the year due to the gradual adaptation to regulatory funding requirements. 91.2 per cent of the portfolio was rated AA or better at year-end.

Securities issued increased during the year from a nominal value of NOK 8.9 billion to a nominal value of NOK 11.8 billion. The liabilities´ market value varies with changes in interest rates and credit spreads.

Interest rate risk arises as a result of the Group's balance sheet items having different remaining interest rate commitment terms. The bank manages interest rate risk in accordance with adopted risk limits by adapting the interest rate commitment terms for the aforementioned investments and funding. At year-end, an increase in the interest rate level of one percentage point through a parallel shift in the entire yield curve would have reduced the result by NOK 13.2 million.

Currency risk is managed by means of the adopted exposure limits. The positions were low throughout 2015.

The price risk for equity capital instruments is measured in relation to exposure to such instruments. The greatest part of the exposure concerns strategic investments in Alliance associated companies. In 2015, the bank experienced an increase in exposure to equity capital instruments of NOK 207.3 million.

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



Aud Christensen
(born 1956), board member, lives in Åsnes.

Christensen is qualified within economics and marketing, and has a degree in strategic board management from BI. She is a partner in AButvikling AS. She was elected to the board in 2012.



Morten Herud
(born 1959), board member, lives in Eidskog.

Herud has a degree in civil economics. He has worked within finance and industry and is the General Manager of 7sterke AS. He was elected to the board in 2013.

Funding risk

Funding risk is the risk that the bank is not able to fulfil its obligations when due, or finance assets, including desired growth, without significant extra costs. Management of the funding risk is based on the finance strategy. This sets limits for the net funding requirements at different time intervals, requirements for long-term and diversified funding, the size of the liquidity reserve and time horizons for which the bank must be independent of new external financing.

Deposits from customers represent the bank's main source of funding. Sparebanken Hedmark's goal is to maintain a broad base of deposits from both retail and corporate customers. At year-end 2015, the Group had a deposit coverage ratio of more than 76 per cent.

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

As part of the lequidity management, Sparebanken Hedmark maintains a portfolio of liquid securities. In addition to the securities portfolio, the bank has a liquidity reserve in the form of loans prepared for sale to the covered bond companies.

The bank satisfies the regulatory liquidity requirements by having liquid assets that satisfy heavy short-term stress in addition to survival in a longer perspective. At year-end, the bank had a liquidity coverage ratio (LCR) of 120.8 per cent, at the same time as the bank has enough liquid assets to survive for more than 15 months without the supply of external funding in an ordinary operating situation with budget growth.

Operational risk

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

The management of operational risk is based on the 'Policy for Operational Risk'. Risk assessments are carried out of various areas to which the financial institution is exposed at any given time. Special systems have been established for following up risk assessment control measures and improvement measures, as well as for reporting adverse events.

On the basis of the bank's earnings and financial strength, as well as the organisation's competence and management systems, the Board of Directors believes that the bank's overall risk exposure in relation to operational risk is acceptable.

ORGANISATION AND HR

Sparebanken Hedmark systematically works to recruit, develop and retain capable employees and develop a competent and adaptable organisation.

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

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

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

The bank improved its 'Management School' for developing both new and existing managers in 2015. In addition to this, there are specialist days for managers, half-yearly gatherings for all managers in the Group, and manager meetings within the individual divisions.

Organisational development and HSE

Some minor adaptations were made to the organisation's structure and a series of organisational development activities were implemented in 2015. Much of this has involved improving work processes and better interaction between parts of the Group.

An annual survey is conducted of the organisation. This plays an important role in the evaluation, follow-up and development of all of the organisation's managers. The results for the organisation in 2015 were, overall, at the highest level that has been measured using this method.

Sick leave was 4.0 per cent in 2015. Short-term sick leave was below 1.0 per cent and long-term sick leave was largely related to serious illnesses that were not work related. The bank is an Inclusive Workplace company and systematically strives to achieve the targets that are set. No occupational accidents were registered in 2015.

Equal opport unities

Women account for 57 per cent of the bank's employees, while the proportion of women in managerial positions is 43 per cent. The proportion of women in managerial positions has been increasing for years, but dropped from 44 to 43 per cent last year.

The chief executive's management team consists of two women and seven men. The bank's Board of Directors consists of three women and four men, while the Board of Representatives consists of 14 women and 26 men.

Sparebanken Hedmark is striving for a balance between the genders in different roles at all levels of the organisation, and facilitates equal opportunities through continuous personnel management and development measures.

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

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

Ethics

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

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

Reviewing the code of conduct is part of the mandatory introductory programme for new employees. An annual 'Ethics Week' is also arranged and involves the entire organisation. All the employees must also confirm each year that they have reviewed and understood the content of the code of conduct.

Outlook for 2016

Lower economic growth is expected in Norway in 2016. Sparebanken Hedmark's primary market is the Interior Region, which principally encompasses the counties of Hedmark and Oppland. The Interior Region has traditionally been less exposed to cyclical fluctuations than other regions. Its business sector has very little exposure to the oil and gas industry. However, international developments and developments in the rest of the country could affect the Interior Region over time. The Bank is well prepared for any setback with good funding, a high deposit coverage ratio, stable earnings and a high level of equity.
2016 will be an important year for Sparebanken Hedmark. Subject to the authorities' approval, Bank 1 Oslo Akershus AS will become a wholly owned subsidiary bank during the year. The banks will be merged as soon as conditions permit, but no later than within 3 years. The work of coordinating the two banks will be a high priority and will commence as soon as the authorities give their approval.

The Bank's plans to list on the stock exchange in the second half of the year provide a basis for the further development of the Group. Sparebanken Hedmark is very well capitalised and the main motive for listing is to have an attractive and liquid means of settlement for any structural transactions. One condition for the listing is that the market conditions are satisfactory, with the valuation of banks at a normalised level. The Board will assess this on an ongoing basis and possibly delay listing until after 2016 if the market is not regarded as satisfactory.

The Board of Directors of Sparebanken Hedmark
Hamar, 03. March 2016

Siri J. Strømmevold
Styremedlem

Bjørnar Håkensmoen

Erik Garaas

Espen Bjørklund Larsen

Nina C. Lier

Aud Christensen

Morten Herud

Richard Heiberg
Administrerende direktør

Income Statement

Local food production. Ola Eggen leads his cows home to his farm in Nord-Østerdal at the end of the mountain pasture season. In addition to farming, he and his family also make cheese. After many years of hard work, they have achieved a milestone by creating four jobs within farming and cheese making.

Source: Sparebanken Hedmark's Economic Barometer 2015.

Income statement

Parent bank 2014	Parent bank 2015	(NOK million)	Notes	Group 2015	Group 2014
1 894	1 748	Interest income	20	1 972	2 101
1 059	868	Interest expenses	20	867	1 058
835	**880**	**Net interest income**		**1 105**	**1 043**
497	435	Commission income	21	514	575
31	27	Commission expenses	21	53	50
16	21	Other operating income	21	190	138
482	**429**	**Net commission and other income**		**651**	**663**
13	9	Dividends	22	9	13
117	259	Net profit from ownership interests	22 40,42	301	394
166	205	Net profit from other financial assets and liabilities	22	205	166
295	**472**	**Net income from financial assets and liabilities**		**514**	**572**
1 613	**1 781**	**Total net income**		**2 270**	**2 279**
374	381	Personnel expenses	23,24	590	543
353	362	Other operating expenses	25	462	438
726	**743**	**Total operating expenses before losses on loans and guarantees**		**1 051**	**981**
886	**1 038**	**Profit before losses on loans and guarantees**		**1 219**	**1 298**
52	35	Losses on loans and guarantees	11	56	66
835	**1 003**	**Profit/loss before tax**		**1 163**	**1 232**
159	207	Tax charge	26	233	192
676	**796**	**Results for the accounting year**		**930**	**1 040**
		Majority interests		930	1 038
		Minority interests			2
		Profit per ECC		7.0	
676	**796**	**Statement of other comprehensive income**		**930**	**1 040**
-51	79	Actuarial gains / losses on pensions		85	-51
14	-20	Tax effect of actuarial gains / losses on pensions		-21	14
		Share of other comprehensive income from equity investments		34	-14
-37	**59**	**Total items not reclassified through profit or loss**		**98**	**-51**
142	67	Change in value of financial assets available for sale		67	142
	0	Financial assets available for sale transferred to profit and loss on realisation		0	
	0	Financial assets available for sale transferred to profit and loss on write-downs due to permanent impairment of value		0	
-158		Share of other comprehensive income from equity investments			-158
-16	**67**	**Total items reclassified through profit or loss**		**82**	**-14**
-53	**127**	**Total profit and loss items recognised in equity**		**180**	**-65**
623	**923**	**Total profit and loss for the accounting year**		**1 109**	**975**
		Majority interest of comprehensive income		1 109	973
		Minority interest of comprehensive income			2

Balance sheet

Parent bank 2014	Parent bank 2015	(NOK million)	Notes	Group 2015	Group 2014
		ASSETS			
748	264	Cash and deposits with central banks		264	748
4 856	5 701	Loans to and receivables from credit institutions	7	864	675
34 923	37 953	Loans to and receivables from customers	8	43 526	39 691
4 017	6 133	Certificates and bonds	30	6 133	4 017
531	455	Financial derivatives	31	455	531
239	294	Shares, units and other equity interests	32	294	239
2 323	2 457	Investments in associates and joint ventures	40	3 386	3 073
668	859	Investments in subsidiaries	40		
315	314	Property, plant and equipment	35	341	336
110	104	Goodwill and other intangible assets	33, 34	211	185
72	13	Deferred tax asset	26		33
260	314	Other assets	36	497	406
49 061	**54 861**	**Total assets**		**55 971**	**49 934**
		LIABILITIES			
667	661	Deposits from and liabilities to credit institutions	7	660	665
31 085	33 508	Deposits from and liabilities to customers	37	33 458	31 070
8 951	11 576	Liabilities arising from issuance of securities	38	11 576	8 951
330	320	Financial derivatives	31	320	330
146	163	Current tax liabilities	26	167	150
		Deferred tax liabilities	26	65	
581	440	Other debt and liabilities recognised in the balance sheet	39	510	639
505	496	Subordinated loan capital	38	496	505
42 265	**47 166**	**Total liabilities**		**47 253**	**42 310**
		EQUITY CAPITAL			
	3 987	Equity capital certificates		3 987	
	503	Dividend equalisation fund		503	
6 645	3 019	Primary capital		3 019	6 645
42	50	Endowment fund		50	42
109	135	Fund for unrealised gains		135	110
		Other equity		1 023	827
6 796	**7 695**	**Total equity capital**		**8 718**	**7 624**
49 061	**54 861**	**Total equity capital and liabilities**		**55 971**	**49 934**

The Board of Directors of Sparebanken Hedmark
Hamar, 03. March 2016

Siri J. Strømmevold
Chairperson

Bjørnar Håkensmoen

Erik Garaas

Espen Bjørklund Larsen

Nina C. Lier

Aud Christensen

Morten Herud

Richard Heiberg
Chief executive officer

Changes in equity capital

Parent bank		Earned equity capital				
(NOK million)	Equity certificates capital	Dividend equalisation fund	Primary capital	Endowment fund	Fund for unrealised gains	Total equity capital
Equity capital at 1 January 2014			**6 012**	**71**	**125**	**6 208**
Results for the accounting year			676			676
Actuarial gains / losses on pensions			-38			-38
Change in value of financial assets available for sale					-16	-16
Donations distributed from profit 2013			-6			-6
Grants from endowment fund in 2014				-29		-29
Equity capital at 31 December 2014			**6 644**	**42**	**109**	**6 796**
Equity capital at 1 January 2015	**0**	**0**	**6 644**	**42**	**109**	**6 795**
OB correction: Correction of previous years' errors			**57**		**-57**	
Adjusted equity capital at 1 January 2013	**0**	**0**	**6 701**	**42**	**52**	**6 795**
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 December 2015	**3 987**	**503**	**3 019**	**50**	**135**	**7 695**

Group		Earned equity capital						
(NOK million)	Equity certificates capital	Dividend equalisa-tion fund	Primary capital	Endowment fund	Fund for unrealised gains	Other equity	Minority interests	Total equity capital
Equity capital at 1 January 2014			**6 012**	**71**	**125**	**495**	**14**	**6 718**
Results for the accounting year			676			364		1 040
Actuarial gains / losses on pensions			-38					-37
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss						-14		-14
Change in value of financial assets available for sale					-16	1		-14
Adjusted equity capital in associated companies and joint ventures						-4		-4
Change in the group composition						-15	-14	-29
Donations distributed from profit 2013			-6					-6
Grants from endowment fund in 2014				-29				-29
Equity capital at 31 December 2014			**6 644**	**42**	**109**	**827**	**0**	**7 624**
Equity capital at 1 January 2015			**6 644**	**42**	**109**	**827**	**0**	**7 624**
OB correction: Correction of previous years' errors in associated companies and joint ventures						5		5
OB correction: Correction of previous years' errors			57		-57			
Adjusted equity capital at 1 January 2015	**0**	**0**	**6 701**	**42**	**52**	**832**	**0**	**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				0
Grants from endowment fund in 2015				-17				-17
Equity capital at 31 December 2015	**3 987**	**503**	**3 019**	**50**	**135**	**1 023**	**0**	**8 718**

Cash flow statement

Parent bank			Group	
2014	**2015**	(NOK million)	**2015**	**2014**
11 012	10 912	This year's downpayment on repayment loans etc. to customers	13 378	12 905
		Change in advance rent leasing	9	19
-10 394	-14 568	Newly discounted repayment loans etc. to customers for the year	-17 868	-12 979
-118	74	Change in balances of foreign currency lending	74	-118
-2 883	513	Change in balances of credits	511	-2 883
1 541	1 403	Interest and commission income on lending	1 726	1 848
5	4	Included in previous years' realised losses on lending	9	9
		Net cash flow from assets held for sale		1
-837	**-1 663**	**Cash flow from lending operations (A)**	**-2 161**	**-1 198**
715	2 146	Change in balances of deposits from customers at call	2 118	714
279	277	Change in balances of deposits from customers with agreed maturity dates	277	279
-766	-566	Interest payments to customers	-564	-763
228	**1 857**	**Cash flow from deposit operations (B)**	**1 831**	**231**
914	-2 184	Net cash flow from securities held short term	-2 184	914
122	39	Cash flow linked to exchange rate gains / losses on securities held short term	39	122
97	92	Interest received on certificates and bonds	92	97
1 134	**-2 053**	**Cash flow from investments in securities (C)**	**-2 053**	**1 134**
-592	-835	Change in receivables from credit institutions with agreed maturity dates	-170	33
116	126	Interest received on deposits in credit institutions	126	116
-476	**-709**	**Cash flow from deposits in credit institutions (D)**	**-44**	**149**
619	563	Other income	814	821
-696	-860	Operating expenses payable	-1 186	-979
-146	-128	Tax payments	-130	-159
-35	-24	Donations	-24	-35
	-40	Group contribution	-6	
68	-10	Net cash flow from change in other assets	-43	-37
248	57	Net cash flow from change in accruals	-45	147
14	-33	Net cash flow from change in other liabilities	-16	-121
72	**-475**	**Remaining cash flow from current operations (E)**	**-635**	**-361**
121	**-3 043**	**CASH FLOW FROM OPERATIONS (A+B+C+D+E=F)**	**-3 062**	**-46**
17	-6	Change in deposits from credit institutions	-10	33
2 053	4 000	Receipts arising from issuance of securities	4 000	2 053
-1 388	-658	Payments arising from redemption of securities issued	-658	-1 388
-262	-440	Buy-back of own securities	-440	-262
-225	-241	Interest payments on financing	-241	-225
195	**2 656**	**Cash flow from financing activities (G)**	**2 651**	**211**
-77	-31	Investments in fixed assets and intangible assets	-50	-83
1	2	Sales of fixed assets and intangible assets at sales price	2	1
-222	-178	Purchase of long-term securities	-178	-222
280	4	Sale of long-term securities	4	280
147	268	Share dividends from securities held long term	187	85
130	**64**	**Cash flow from investments (H)**	**-35**	**61**
-27		Liquidity effect of acquisition and sale of subsidiaries(I)	-28	-43
-235	-150	Payments arising from placements in subsidaries (L)		
184	**-474**	**CHANGE IN CASH AND CASH EQUIVALENTS (F+G+H+I+L)**	**-474**	**184**
599	783	Cash and cash equivalents at 1 January	783	599
783	**309**	**Cash and cash equivalents at 31 December**	**309**	**783**
		Cash and cash equivalents at 31 December comprise:		
748	264	Cash and deposits with central banks	264	748
35	**46**	**Deposits etc. at call with banks**	**46**	**35**
783	**309**	**Cash and cash equivalents at 31 December**	**309**	**783**



Like a medical miracle. It could have ended with the closure of the well-known pharmaceutical factory in Elverum. Instead, almost like a medical miracle, a new organisation has been established based on innumerable hours of free work and crucial partners. Finn Andersen, Solvår Nilsen, Leif Rune Skymoen, and Jane Molstad are well-placed to succeed in a demanding industry.

Source: Sparebanken Hedmark's customer magazine, autumn 2015.



Notes

Riding the road wave. Basse Aarstad (right) and Kjell Tore Bjørnhaug (middle) are often out in the field ensuring that their employees are satisfied with their work and equipment. Their company organises personnel for Norway's largest road projects and knows exactly where to find the best road workers in Scandinavia.

Source: Sparebanken Hedmark's Economic Barometer 2015.

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Boom for luxury cars. The car manufacturer Raufoss Technology AS is experiencing a new spring in cooperation with Mercedes, Jaguar, Land Rover and Volvo. Both the number of employees and profit have increased dramatically in the last 2 years. Anja Fredrikstad works on the newest assembly line for Volvo, where she produces wheel suspensions for the new Volvo XC90.

Source: Sparebanken Hedmark's Economic Barometer 2015.

Note 1 General information

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

Sparebanken Hedmark is domiciled in Norway and its head office is in Hamar. The Bank has a total of 26 branches spread across three counties. The branch network is primarily located in Hedmark, but the Bank also has two branches in Oppland and one in Akershus. All of the subsidiaries have a head office in Hedmark County.

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

Joint ventures
Sparebanken Hedmark owns 11 percent of SpareBank 1 Gruppen AS. The stake is classified as an investment in a joint venture. Other owners are SpareBank 1 SR-bank ASA, SpareBank 1 Nord-Norge, SpareBank 1 SMN, and Samarbeidende Sparebanker AS, each of which owns a 19.5 percent stake, as well as the Norwegian Federation of Trade Unions (LO) with a 9.6 percent stake and Bank 1 Oslo Akershus AS with a 1.4 percent stake. The Alliance's management structure is regulated by an agreement between the owners.

The Bank also owns 50 percent of Torggata 22 AS and 11.3 percent of SpareBank Banksamarbeidet DA. These investments are also classified as joint ventures. The other owners of the SpareBank 1 Banksamarbeidet DA are the banks in the SpareBank 1 Alliance.

Associated companies
Sparebanken Hedmark owns 40.5 percent of Bank 1 Oslo Akershus AS, 8.66 percent of SpareBank 1 Kredittkort AS, 12.6 percent of SpareBank 1 Mobilbetaling AS, and 23.1 percent of KOMMIN AS. The Bank also owns 9.96 percent of SpareBank 1 Boligkreditt AS and 3.84 percent of SpareBank 1 Næringskreditt AS. The above companies are classified as associated companies.

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

Changes in the composition of the Group and strategic investments

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

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

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

2014
In the first quarter, Sparebanken Hedmark sold its shares in Verdipapirservice AS (8.90 percent) and SpareBank 1 Kundesenter AS (9.70 percent) to SpareBank 1 Banksamarbeidet DA. The companies are still owned indirectly by Sparebanken Hedmark through SpareBank 1 Banksamarbeidet DA (11.3 percent). Sparebanken Hedmark increased its stake in SpareBank 1 Markets AS from 14.7 to 16.64 percent in the second quarter.

In the third quarter, its stake in SpareBank 1 Markets AS was increased to 16.8 percent. There has been an ongoing restructuring process in the company in the last year.

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

Note 2 Accounting policies

Basis for preparation of the consolidated financial statements-
The company and the consolidated financial statements for Sparebanken Hedmark have been prepared in accordance with the International Financial Reporting Standards (IFRS), which the EU has ruled shall be used as of 31 December 2015. These include interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and the preceding interpretations committee, the Standing Interpretations Committee (SIC). Sparebanken Hedmark has not taken advantage of the opportunity to start applying new standards or changes in standards, which are mandatory from 1 January 2016 or later.

No new standards were adopted in the annual financial statements for 2015. The implementation of IFRIC 21, an interpretation of IAS 37, has, however, resulted in some changes in the interim financial statements compared with earlier periods.

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

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

In 2015, Sparebanken Hedmark chose to continue the earlier practice of accruing the fee monthly. The annual cost to the Bank in 2015 was NOK 22.4 million.

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

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

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

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

On achieving a controlling influence in an enterprise (business combination), all identifiable assets and liabilities are shown at fair value in accordance with IFRS 3. Any positive difference between fair value of the payment on acquisition and fair value of identifiable assets and liabilities is recognised as goodwill, whereas any negative difference is recognised as income at the time of acquisition.The accounting of goodwill after the initial recognition is commented on under the section on intangible assets. The Bank has not applied IFRS 3 retrospectively on business combinations that were implemented before 1 January 2006.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other immaterial assets are depreciated on a straight-line basis over their estimated useful life.

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

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

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

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

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

Pensions
The Group has applied IAS 19R Eployee Benefits since 1 January 2013.

The Sparebanken Hedmark Group has established various pension schemes for it´s employees. These pension schemes satisfy the mandatory occupational pension requirements.

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

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

The pension scheme is administered by a separate pension fund and gives entitlement to future pension benefits from the age of 62. The Group's defined benefit pension scheme guarantees most of the members a pension of approximately 70 percent of their final salary for retirement at age 67, up to a maximum of 12G. The defined benefit scheme is closed to new members.

DEFINED CONTRIBUTION SCHEME
A defined contribution pension scheme entails that the Group does not guarantee a future pension of a given size, the Group pays instead an annual contribution to the employees' collective pension savings plan. The future pension will depend on the size of the contribution and the annual return on the pension savings. The Group

does not have any further obligation related to work performed after the annual contribution has been paid. There are no provisions for accrued pension liabilities in such schemes. Defined contribution pension schemesare recognised directly as an expense.

The Group has offered a defined contribution pension scheme to it´s employees since 01/07/2008.

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

The Act on state subsidies to employees who take out an early retirement pension in the private sector (Early Retirement Subsidy Act) entered into force on 19 February 2010.

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

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

Funding
Bond loans and certificate-based loans, in addition to fixed-rate deposits and term deposits, are valued at fair value through profit and loss using the Fair Value Option (FVO) in IAS 39. Changes in fair value and realised gains and losses are recognised on a net basis from other financial assets and liabilities. Other liabilities are shown in the accounts at their borrowing cost, which is the fair value of the amount received after deduction of transaction costs. Loans are subsequently assessed at amortised cost. Any difference between the borrowing cost and settlement amount upon maturity is subject to accrual accounting over the life of the loan, by applying the loan's effective rate of interest. The debt is presented inclusive of accrued interest (dirty price).Subordinated loans have priority after all other liabilities and are classified as a liability on the balance sheet and measured at fair value in the same manner as debt securities.

Certificates and bonds
Purchased certificates and bonds are assessed at fair value through profit and loss in accordance with the FVO in IAS 39 in a manner similar to that for debt securities. Changes in fair value and realised gains and losses are recognised in the income statement under "Net profit from other financial assets and liabilities". The fixed-income papers are presented inclusive of accrued interest (dirty price).

Shares, units and other equity interests
Shares, units and other equity interests are classified in compliance with IAS 39 as either financial assets held for trading or financial assets available for sale.

Equity interests classified as available for sale are assessed at fair value on the basis of listed prices or using different valuation methods. Unrealised gains and losses on equity interests available for sale are included in other comprehensive income in compliance with IAS 1. Realised gains and losses, dividends and write-downs are included under "Net profit from other assets and liabilities".

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

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

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

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

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

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

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

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

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

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

Standard/ interpretation	Subject (main changes)	Approved by the EU	In effect from
New IFRS 9	IASB published the final version of IFRS 9 Financial Instruments in July 2014. IFRS 9 will replace the existing IAS 39 Financial Instruments – Recognition and Measurement. IFRS 9 involves changes in relation to the current standard with respect to the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. The standard comes into effect in the financial year starting on 1 January 2018. Early adoption is permitted. The standard has not been approved by the EU yet. With the exception of hedge accounting, the standard must be applied retrospectively, but it is not compulsory to provide comparable figures, As far as hedge accounting is concerned, the standard must be applied prospectively with some limited exceptions. The Bank expects to apply the standard from when it comes into effect, from and including the financial year 2018. The Bank carried out an overall assessment of the effect of the standard in 2015. This preliminary assessment was based on the information available when the assessment was carried out and may be subject to changes due to further detailed analyses or further information that becomes available to the Bank in the future. The Bank is not expecting the new standard to have a material impact on the balance sheet or equity, with the exception of the effect from applying the standard's provisions concerning the impairment of loans. New impairment principles could result in higher loss provisions, which could in turn have a negative impact on equity. The Bank will carry out a detailed assessment to determine the level of provisions more exactly in 2016. Furthermore, the Bank has it´s own securities issued that are designated for measurement at fair value. If the fair value option is continued, the change in value due to own credit risk will in most cases be recognised as other operating income and costs and not in the operating result like today. This has no effect on equity or the balance sheet, but the result may be affected such that there will be lower volatility in the ordinary result and an equivalent increase in other operating income and costs.	Expected	Financial year 2018
New IFRS 15	A new standard for recognising income in which the general rule is that income can first be recognised when the company transfers control of a performance obligation to the customer. The effect of this standard on the Bank's financial statements is regarded as negligible.	Expected Q1 2016	Financial year 2018 (postponed by a year)
Amendments to IAS 19	Clarifies that contributions from employees that are a fixed percentage of salary reduce the period's pension costs. The effects of this amendment will not affect the Bank's financial statements.	Yes	Financial year 2016
Amendments to IAS 16 and IAS 38	Clarifies that the depreciation method based on income profile cannot be applied to tangible fixed assets and intangible assets. The effects of this amendment will not affect the Bank's financial statements.	Yes	Financial year 2016
Amendments to IAS 28 and IFRS 10	Clarifies that the elimination of gains pursuant to IAS 28 for stakes that are still owned shall only apply to assets that are not companies. For companies, the gain shall be calculated as if 100 per cent was sold. The effect of this amendment on the Bank's financial statements is regarded as negligible.	No	Financial year 2016
Amendments to IAS 27	Suggests opportunities for applying the equity method for subsidiaries, associated companies and joint ventures. Is expected to have no, or a negligible, effect on the Bank's financial statements.	No	Financial year 2016
Amendment to IFRS 11	Clarification that the acquisition method must be applied in an analogue fashion when acquiring stakes in joint ventures that in themselves constitute a company. Is expected to have no, or a negligible, effect on the Bank's financial statements is regarded as negligible.	Yes	Financial year 2016
Disclosure initiative	IAS 1 has been amended to clarify the materiality principle, the use of subtotals and division of line items, and that the order in which notes are presented can be freely chosen. Items in comprehensive income from equity method investments must be divided in two depending on whether they are reclassified or not. The changes will mean that less important information can be toned down and that other ways of organising the notes information may be relevant. Otherwise, the amendments will not affect the financial statements.	No	Financial year 2016

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

Management's assessments in connection with the choice of accounting policies

Financial assets and liabilities
Derivatives and financial assets and liabilities classified as held for trading (HFT) are recognised and assessed at fair value through profit and loss in accordance with IAS 39. The following financial assets and liabilities are also stated at fair value through profit and loss pursuant to the Fair Value Option (FVO) in IAS 39, section 9: Bonds, and certificates, fixed-rate loans and loans with interest-rate guarantees for customers, securities debt, fixed-rate deposits for customers, and term deposits. FVO is applied with a view to achieving a consistent assessment of assets and liabilities that are assessed together. Moreover, assessment at fair value reduces the accounting disparity that would otherwise have arisen if assets and liabilities were recognised on a basis other than as derivatives. Equity instruments are classified as available for sale (AFS). Changes in the fair value of assets classified as AFS are recognised directly in equity. In the event of a prolonged, major decrease in fair value of an AFS asset, the cumulative loss recognised directly in equity is removed and recognised in profit and loss. What is to be interpreted as a significant or long-term impairment in value is a question of judgement. In deciding this question, Sparebanken Hedmark follows the IFRIC guidelines, recommendations from the auditing profession and professional standards. This assessment is made at the instrument level and has been operationalised to apply to an impairment in value that values the asset to less than 80 per cent of the cost price on the date of the balance sheet or if a market price lower than the cost price lasts for more than twelve months. Further reductions in value on previously written-down AFS assets are subsequently recognised continuously in profit and loss each time the financial statements are published.

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

CRITICAL ESTIMATES

Losses on loans
The Bank examines both it´s retail market portfolio and it´s corporate portfolio in order to identify credit risk and the need for provisions for losses. Substantial and especially exposed commitments are followed up at least twice a year. Both the corporate and retail banking portfolios are subject to assessment, with default older than 62 days triggering forwarding for collection and an assessment of the basis for individual write-down for losses. Individual write-down for losses on individual commitments is done when objective events entail a loss for the Bank. Individual write-down is calculated as the difference between the commitment's book value and the present value of discounted cash flows based on the effective interest rate at the time of initial write-down. This means that the commitment is placed in the highest risk class. The same method is used regardless of whether the loan is recognised at amortised cost or fair value (fixed-rate loans). Estimating impairment can be complicated as the prediction of future events always involves uncertainty. Importance is attached to concrete information in value assessment as the basis for realisation of collateral assets pledged as security. Cash flow is updated periodically, at least once a year. Group write-down comprises the Bank's assessment of the basis for impairment in groups of loans with practically identical risk characteristics. This also includes loans assessed for individual write-down, but where there is no objective proof of impairment. All loans are consequently assessed with the exception of those that have been subject to individual write-downs. The model for the calculation of group write-down is based on the Bank's risk classification system.

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

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

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

DEBT SECURITIES ISSUED
Issued certificates and bonds are valued against the yield curve (bid), adjusted for indicated spread curve from DnB NOR Markets for Sparebanken Hedmark's issued debt securities.

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

OTHER FINANCIAL ASSETS AND LIABILITIES ASSESSED AT FAIR VALUE (FIXED-RATE DEPOSITS AND FIXED-RATE LOANS).
Fair value is assessed as the value of the agreed cash flows discounted by the market interest rate adjusted for a discretionary trading spread on the balance sheet date. For fixed-rate deposits and loans, the trading spread is set at the difference between the Bank's price lists on the balance sheet date and the relevant swap interest rate. For term deposits, the trading spread is assessed on a discretionary basis.

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

Impact on the net pension liabilities

	Change in an assumption	Increase in an assumption	Reduction in an assumption
Discount rate	0.5 %	-6.9 %	7.7 %
Wage inflation	0.5 %	3.0 %	2.8 %
Estimated economic life	1 år	5.6 %	-4.8 %

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

Note 4 Segment information

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

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

2015	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	SpareBank 1 Regnskaps-huset Østlandet	Other	Total
Income statement							
Net interest income	482	390	227	1	-2	7	1 105
-of which internal items			*-1*		*-2*	*3*	
Net commission and other income	350	78	-26	81	172	-3	651
-of which internal items			*-1*			*1*	
Net return on financial investments						514	514
Operating expenses*	534	210	86	74	155	-7	1 051
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 tax	**292**	**229**	**95**	**7**	**15**	**526**	**1 163**
Tax	79	62	20	2	4	67	233
Profit / loss per segment after tax	**213**	**167**	**75**	**5**	**11**	**459**	**930**
Balance sheet							
Gross lending to customers	21 270	16 174	5 643			693	43 779
-of which internal items					*23*	*-23*	
Individual loan write-downs	-32	-87	-13				-132
Collective loan write-downs	-27	-76	-17				-120
Other assets	128	1	67	43	135	12 070	12 444
Total assets per segment	**21 338**	**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	25 513
Total equity capital and liabilities per segment	**21 339**	**16 011**	**5 680**	**43**	**135**	**12 761**	**55 971**

2014	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	SpareBank 1 Regnskaps-huset Østlandet	Other	Total
Income statement							
Net interest income	420	368	210		-3	48	1 043
-of which internal items			*-1*		*-3*	*4*	
Net commission and other income	390	74	-20	79	126	14	663
-of which internal items			*-1*			*1*	
Net return on financial investments						572	572
Operating expenses*	247	100	75	67	118	374	981
Profit before losses by segment	**563**	**342**	**115**	**12**	**5**	**260**	**1 298**
Losses on loans and guarantees	15	37	14				66
Profit / loss per segment before tax	**548**	**305**	**101**	**12**	**5**	**260**	**1 232**
Tax	148	82	28	4	1	-71	192
Profit / loss per segment after tax	**400**	**223**	**73**	**8**	**4**	**332**	**1 040**
Balance sheet							
Gross lending to customers	20 037	14 474	4 827			598	39 936
-of which internal items					*39*	*-31*	
Individual loan write-downs						-129	-129
Collective loan write-downs			-15			-101	-116
Other assets	50	-153	51	26	108	10 161	10 243
Total assets per segment	**20 087**	**14 321**	**4 863**	**26**	**108**	**10 529**	**49 934**
Deposits from and liabilities to customers	19 727	10 897				446	31 070
-of which internal items			*-2*	*-4*	*-9*	*15*	
Other liabilities and equity	360	3 424	4 863	26	108	10 083	18 864
Total equity capital and liabilities per segment	**20 087**	**14 321**	**4 863**	**26**	**108**	**10 529**	**49 934**

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

Note 5 Capital adequacy and capital management

Parent Bank Basel III 2014	Parent Bank Basel III 2015		Group Basel III 2015	Group Basel III 2014
	3 987	Equity certificate capital	3 987	
	503	Dividend equalisation fund	503	
6 645	3 019	Primary capital	3 019	6 645
42	50	Endowment fund	50	42
109	135	Fund for unrealised gains	135	110
		Minority interests	1 023	827
6 796	**7 695**	**Total equity carried**	**8 718**	**7 624**
		Tier 1 capital		
		Results for the accounting year not included		
		Minority interests that can not be included in core capital		
	-119	Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	-119	
-110	-104	Goodwill and other intangible assets	-217	-197
-109		Revaluation reserve available for sale (Basel II / transitional rule)		-110
-230	-155	Positive value of expected losses under the IRB approach	-182	-271
-109	-264	CET1 instruments of financial sector entities where the institution does not have a significant investment		
		CET1 instruments of financial sector entities where the institution does have a significant investment	-1 720	-1 602
-7	-10	Value adjustments due to the requirements for prudent valuation	-13	-10
-229	-220	Excess of deduction from AT1 items over AT1 Capital		
6 003	**6 823**	**Total common equity Tier 1 capital**	**6 467**	**5 434**
		Additional Tier 1 capital		
		Hybrid capital	162	162
-229	-220	AT1 instruments of financial sector entities where the institution does not have a significant investment		
		AT1 instruments of financial sector entities where the institution does have a significant investment	-32	-2
		Excess of deduction from T2 items over AT1 Capital		
229	220	Excess of deduction from AT1 items over AT1 Capital		
0	**0**	**Total additional Tier 1 capital**	**130**	**160**
		Supplementary capital in excess of core capital		
39		36 percent (45 percent under Basel II) of unrealised gain on shares classified as available for sale		40
500	500	Subordinated loan capital	783	783
-297	-277	T2 instruments of financial sector entities where the institution does not have a significant investment		
		T2 instruments of financial sector entities where the institution does have a significant investment	-202	-144
		Excess of deduction from T2 items over AT1 Capital		
242	**223**	**Total supplementary capital**	**581**	**679**
6 245	**7 047**	**Net subordinated capital**	**7 179**	**6 273**
4 323	4 257	Corporates - SME	4 639	4 791
6 953	6 253	Corporates - Specialised Lending	8 270	9 019
675	763	Corporates - Other	847	855
682	905	SME exposure	939	723
5 683	6 301	Retail mortgage exposure	8 538	7 738
591	624	Other retail exposure	704	669
18 907	**19 103**	**Risk-weighted assets credit risk IRB**	**23 937**	**23 795**
6 513	7 068	Exposures calculated using the standardised approach	10 237	9 534
		Market risk		
292	199	CVA	234	338
1 923	1 989	Operational risk	3 269	3 038
27 635	**28 359**	**Risk-weighted assets**	**37 677**	**36 705**
2 211	**2 269**	**Capital requirements (8%)**	**3 014**	**2 936**

Parent Bank Basel III 2014	Parent Bank Basel III 2015		Group Basel III 2015	Group Basel III 2014
		Buffer requirements		
691	709	Conservation buffer (2.5%)	942	918
276	284	Countercyclical capital buffer (1%)	377	367
829	851	Systemic risk buffer (3%)	1 130	1 101
1 520	**1 843**	**Total buffer requirements for common equity (6.5%)**	**2 449**	**2 019**
3 239	**3 704**	**Available common equity (net minimum requirement of 11%)**	**2 323**	**1 764**
		Capital adequacy ratio		
21.7 %	**24.1 %**	Common equity Tier 1 capital ratio	**17.2 %**	**14.8 %**
21.7 %	**24.1 %**	Tier 1 Capital ratio	**17.5 %**	**15.2 %**
22.6 %	**24.8 %**	Capital adequacy ratio	**19.1 %**	**17.1 %**

Capital management
Sparebanken Hedmark's capital management shall ensure:

- effective funding and use of capital funds in relation to the Group's strategic goals and approved business strategy
- competitive returns
- satisfactory capital adequacy in relation to the Bank's chosen risk profile
- competitive terms and good long-term access to funding in capital markets
- exploitation of the growth opportunities in the Group's defined market area
- that no individual negative events can seriously harm the Group's financial status

On the basis of the strategic goals, a capital plan is drawn up each year for the following three years to ensure long-term and targeted capital management. The capital plan shall take into account projections of the Group's financial development over the next three years. These projections are based on the expected developments in the period, as well as a situation with a serious economic downturn over a minimum of three years.

Based on the projections of the total capital requirements, the management and Board make an overall assessment about whether the capital requirements are sufficient and adapted to Sparebanken Hedmark's current and future risk profile and strategic goals.

Sparebanken Hedmark's aim to be the most solid regional savings bank, and therefore has a target for common equity of 16 percent and an overall goal of total capital of 17 percent.

There is more detailed information concerning Sparebanken Hedmark's management of capital and risk in the document "Basel II – Pilar III" on the Bank's website.

Note 6 Financial risk management

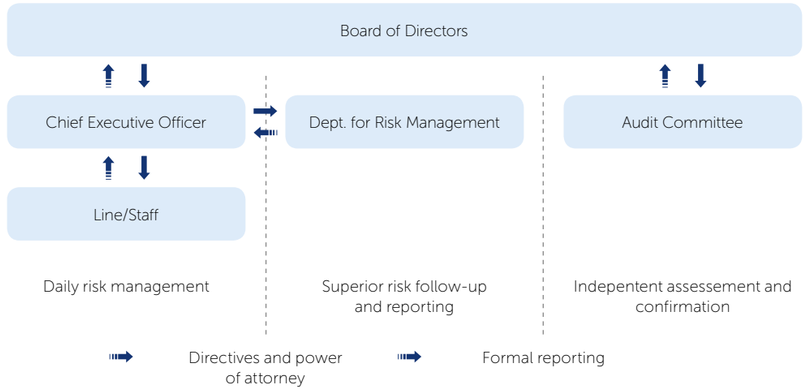
Overall responsibility and supervision
Sparebanken Hedmark's risk management shall support the Bank's strategic development and the attainment of it´s goals. Risk management shall also ensure financial stability and satisfactory asset management. This is to be achieved by:

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

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

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

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



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

Sparebanken Hedmark shall have a moderate to low risk profile. The risk profile shall ensure the Group has access to long-term funding at attractive prices. The size of and composition of the Group's risk-adjusted capital shall reflect this ambition.

The Board of Directors is responsible for making sure that Sparebanken Hedmark has an appropriate level of subordinated capital in relation to the desired risk profile and regulatory requirements stipulated by the authorities. The Board of Directors stipulates the overall objectives, including the overall limits, authorisations and guidelines for risk management. The Chief Executive Officer is responsible for risk management. This means that the CEO is responsible for the introduction of effective risk management functions and systems and for the monitoring of the risk exposure. The business areas and branches are responsible for the day-to-day risk management within their own areas of responsibility and must ensure that risk management and risk exposure are within the limits and authorisations provided by the Board of Directors or CEO.

The Credit Management Department is responsible for ensuring that the decision-making process and the basis on which decisions are made in relation to applications for credit are in accordance with the Bank's governing documents and routines. The department shall prepare proposals for revised targets and management principles within the area.

The Risk Management Department is independent and reports directly to the CEO. The department is responsible for the development of effective risk management systems, including the Bank's risk models. The department is also responsible for the overall risk monitoring and for periodic risk reporting to the Board of Directors. The Internal Audit reports to the Board of Directors and is primarily the Board of Directors', but also the management's, tool for monitoring the effectiveness and appropriateness of the risk management process. The Internal Audit's improvement recommendations are considered on an on-going basis.

Sparebanken Hedmark's risk is quantified by calculating expected losses and risk-adjusted capital. Sparebanken Hedmark uses the SpareBank 1 Alliance's models for the calculation of credit risk. The models use statistical calculations and are based on the fact that the risk-adjusted capital shall cover 99.9 percent of possible, unexpected losses. The calculation of risk-adjusted capital for other types of risk are largely based on qualitative methods. A more detailed description of financial risk management relating to credit risk, liquidity risk and market risk is provided below.

Credit risk
Sparebanken Hedmark's biggest financial risk exposure is credit risk in it´s lending portfolio. Credit risk is the risk of loss relating to customers or other counterparties not being able or willing to meet their obligations to the Sparebanken Hedmark. Each year, the Board of Directors reviews the Bank's governing documents and credit regulations. The governing documents define the Bank's credit policy and overall targets for exposure relating to portfolios, sectors and individual customers. Together they provide the basis for determining the desired risk profile. Through the Bank's credit regulations, authority to grant credit is delegated to the CEO within certain limits. The CEO may delegate this authority to other employees. The delegated authorisations are related to the size and risk of individual commitments.

Sparebanken Hedmark uses statistical models in it´s calculation of risk and categorisation of the credit portfolio. The Bank makes every effort to price credit risk correctly and has established price matrices based on the risk classification system.

The Bank's portfolio of interest-bearing securities also entails credit risk for the Bank. Each year, the Board of Directors examines the Bank's financial strategy and sets limits for the maximum exposure to interest-bearing securities.

For further information see notes 7 – 15.

Market risk
Market risk is the risk of loss due to changes in interest rates, the price of share / securities and foreign exchange rates. Market risk arises primarily in connection with the Bank's investments in securities and as a result of funding activities, and in connection trading in currencies and interest rate instruments. Market risk is managed through limits agreed by the Board of Directors. These limits are set each year by the Board of Directors in connection with the revision of the financial strategy. Sparebanken Hedmark's positions in relation to limits are reported regularly to the Board of Directors and management.

The Board of Directors has agreed limits for the total interest rate risk, both with regard to basis risk and yield curve risk. Sparebanken Hedmark manages interest rate risk towards the desired level by means of interest rate commitments for investments and funding loans and through the use of interest rate derivatives.

For equity price risk maximum limits have been established for exposure to the stock market, while, for currency risk, limits have been established for the maximum aggregate exposure and exposure for each individual currency.

For further information, see notes 16 and 17.

Concentration risk
Risk concentrations occur when financial instruments with corresponding characteristics are affected in the same way by changes in economic or other conditions. Identifying concentration risk involves exercising judgement. Sparebanken Hedmark seeks to control the concentration of risk by setting limits for various areas. In the case of credit risk, larger risk concentrations are limited via restrictions on major commitments, high risk commitments and sector exposure. The actual exposure, classified by risk groups, sector, industry and geographic area, is presented in notes 8, 13, 15 and 30. In the case of market risk, concentration risk is limited via restrictions on maximum interest rate risk, currency risk and equity exposure. The concentration of interest rate risk is presented in note 16. Currency exposure is specified in notes 7 and 17. The Group's largest investments in equity instruments are presented in note 32. The Group has not identified any significant risks other than those presented in the aforementioned notes.

Liquidity risk
Liquidity risk is the risk that Sparebanken Hedmark is unable to refinance its debt or fund an increase in assets without incurring significant additional expense. The financing strategy approved by the Board of Directors each year provides the basis for managing liquidity risk. The strategy establishes a framework for liquidity risk by defining limits for net liquidity requirements in various time intervals and requirements for long-term financing. In addition, the strategy sets limits on the size of the liquidity reserve and stipulates how long the Bank must be able to maintain its operations without new market funding. The size of the liquidity reserve is set to cover 12 months of ordinary banking activities at any given time without requiring additional external funding. In a stress scenario, which is defined as a "major crisis in the market and in our own bank", the Bank will also be in a position to maintain its ordinary activities for a minimum period of three months.

The liquidity reserves consist of deposits with Norges Bank, depositable bonds, unused committed drawing facilities and listed shares. The reserve totalled NOK 9.7 billion as at 31 December 2015. At year-end, the average maturity of the Bank's funding was 3.3 years.

The finance department is responsible for managing liquidity, while the risk management department monitors and reports on the utilisation of limits in accordance with the liquidity strategy.

For further information, see notes 18 and 19.

Other
More detailed market information (Basel III – Pilar III) is available in a separate document on the Bank's website (in Norwegian).

Note 7 Credit institutions – claims and liabilities

Parent bank			Group	
2014	**2015**	**Loans to and receivables from credit institutions**	**2015**	**2014**
37	48	Loans and receivables at call	48	35
4 819	5 654	Loans and receivables with agreed maturities or notice	817	640
4 856	**5 701**	**Total**	**864**	**675**
		Loans and receivables specified by major currencies		
4 819	5 667	NOK	830	640
11	11	EUR	11	11
1	4	CHF	4	1
17	4	JPY	4	17
5	14	Other	14	6
4 856	**5 701**	**Total**	**864**	**675**

2014	**2015**	**Liabilities to credit institutions**	**2015**	**2014**
35	28	Loans and deposits at call	28	35
632	633	Loans and deposits with agreed maturities or notice	631	630
667	**661**	**Total**	**660**	**665**
		Liabilities specified by major currencies		
641	619	NOK	618	639
1	1	EUR	1	1
25	41	Other	41	25
667	**661**	**Total**	**660**	**665**
2.0 %	1.6 %	**Average interest rate**	1.6 %	2.0 %

Deposits with and loans from / to credit institutions tend to have floating interest rates.
Receivables from and liabilities to credit institutions are classified as loans and receivables pursuant to IAS 39 and are stated at amortised cost.

Average interest rate is calculated on the actual interest expense during the year as a percentage of the average outstanding debt to credit institutions.

Note 8 Loans to and receivables from customers

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
		Loans by type of receivable		
		Financial leasing	2 490	2 114
10 868	10 940	Overdraft facilities and operating credits	10 940	10 868
1 450	860	Building loans	847	1 450
22 738	26 295	Repayment loans	29 412	25 406
88	80	Accrued interest	90	98
35 144	**38 175**	**Gross loans to and receivables from customers**	**43 779**	**39 936**
221	222	Write-downs	253	245,46
34 923	**37 953**	**Loans to and receivables from customers**	**43 526**	**39 691**
		Loans by type of market		
20 496	21 814	Private customers	24 289	22 797
14 642	16 354	Corporate	19 287	16 958
6	6	Public sector	203	181
35 144	**38 175**	**Gross loans to and receivables from customers**	**43 779**	**39 936**
221	2 222	Write-downs	253	245
34 923	**35 953**	**Loans to and receivables from customers**	**43 527**	**39 691**
		Of repayment loans, loans stated at fair		
		value through profit and loss (FVO):		
1 782	*2 758*	*- Fixed-rate loans to customers, book value*	*2758*	*1 782*
1 745	*2 707*	*- Fixed-rate loans to customers, face value*	*2707*	*1 745*
1		*- Loans with interest-rate guarantees, book value*		*1*
1		*- Loans with interest-rate guarantees, face value*		*1*

Parent bank 2014	Parent bank 2015	Total commitments by risk group	Group 2015	Group 2014
25 639	29 215	Low risk	31 115	28 277
11 243	12 052	Medium risk	15 224	13 421
2 429	2 000	High risk	2 654	2 754
486	452	Defaults	532	487
39 797	**43 719**	**Total commitments by risk group**	**49 525**	**44 939**

Commitment means the customer's total commitment including guarantee ceilings and unused credit facilities.

In addition are loans approved not disbursed to a value to NOK 226 million in the Retail Division and worth NOK 317 million in the Corporate Division on 31 December 2015 in the Bank. These have not been paid and are therefore not included in total commitments.

Parent bank 2014	Parent bank 2015	Gross loans by risk group	Group 2015	Group 2014
22 082	25 119	Low risk	26 901	24 565
10 496	10 853	Medium risk	13 957	12 500
2 103	1 760	High risk	2 398	2 408
463	442	Defaults	522	463
35 144	**38 175**	**Gross loans by risk group**	**43 779**	**39 936**

Parent bank 2014	Parent bank 2015	Individual write-downs by risk group	Group 2015	Group 2014
120	**119**	**Defaults (internal definition)**	**132**	**129**

In the bank's internal risk classification system, all commitments with individual write-downs are classified as defaults, regardless of external definitions of defaults (see note 2). They are not distributed into the various risk groups like the other commitments. Distribution by risk group is based on the Bank's estimation of the default probability for all customers in the loans portfolio based on objective historical data. Customers are rescored monthly in the Bank's portfolio system.

Parent bank 2014	Parent bank 2015	Expected annual average net loss by risk group	Group 2015	Group 2014
9	14	Low risk	14	9
44	63	Medium risk	67	46
48	66	High risk	75	61
33	28	Defaults	33	33
134	**171**	**Total expected annual average net loss by risk group**	**189**	**149**

Expected annual average net loss is the amount that the parent bank expects statistically to lose on the loans portfolio over a 12 month period. It is calculated using historical data. During cyclied upturns, the actual annual loss is lower than average expected loss. Similarly, in periods of recession, actual losses may be higher.

Parent bank 2014	Parent bank 2015	Total commitments by sector and industry	Group 2015	Group 2014
22 088	23 870	Private customers	26 345	24 389
156	177	Public sector	374	331
3 835	4 304	Primary industries	4 543	4 072
291	336	Paper and pulp industries	357	307
769	858	Other industry	1 136	1 035
1 369	1 491	Building and construction	2 140	1 876
220	258	Power and water supply	404	361
1 115	1 214	Wholesale and retail trade	1 589	1 404
180	185	Hotel and restaurants	197	211
7 405	8 286	Real estate	8 345	7 505
2 064	2 386	Commercial services	2 937	2 466
284	334	Transport and communications	1 138	953
21	21	Other	21	29
39 797	**43 719**	**Total commitments by sector and industry**	**49 525**	**44 939**

Parent bank 2014	Parent bank 2015	Gross loans by sector and industry	Group 2015	Group 2014
20 496	21 814	Private customers	24 289	22 797
6	6	Public sector	203	181
3 357	3 731	Primary industries	3 970	3 557
246	275	Paper and pulp industries	292	262
509	534	Other industry	777	739
874	836	Building and construction	1 417	1 317
190	228	Power and water supply	374	299
743	804	Wholesale and retail trade	1 128	1 010
161	169	Hotel and restaurants	181	172
6 988	7 667	Real estate	7 722	7 033
1 342	1 836	Commercial services	2 365	1 659
211	254	Transport and communications	1 041	880
21	21	Other	21	30
35 144	**38 175**	**Total gross loans by sector and industry**	**43 779**	**39 936**

Parent bank 2014	Parent bank 2015	Expected annual average net loss by sector and industry	Group 2015	Group 2014
39	32	Private customers	38	44
2	5	Primary industries	5	2
1	1	Paper and pulp industries	1	1
6	5	Other industry	9	7
9	9	Building and construction	9	9
1	1	Power and water supply	1	1
21	20	Wholesale and retail trade	20	21
1		Hotel and restaurants		1
16	20	Real estate	21	16
24	25	Commercial services	25	25
		Transport and communications	2	1
120	**119**	**Total expected annual average net loss by sector and industry**	**132**	**129**

Parent bank 2014	2015	Expected annual average net loss by sector and industry	Group 2015	2014
42	38	Private customers	42	49
11	9	Primary industries	9	12
4	9	Paper and pulp industries	9	5
		Other industry	2	1
8	13	Building and construction	15	10
	1	Power and water supply	3	
8	9	Wholesale and retail trade	12	9
2	2	Hotel and restaurants	2	2
43	59	Real estate	59	43
14	29	Commercial services	31	14
2	2	Transport and communications	4	4
134	**171**	**Total expected annual average net loss by sector and industry**	**189**	**149**

Parent bank 2014	2015	Gross loans by geographic area	Group 2015	2014
24 715	25 847	Hedmark County	27 479	26 201
2 670	3 542	Oppland County	4 361	3 346
2 497	3 102	Akershus County	4 111	3 386
5 087	5 534	Rest of Norway	7 671	6 828
86	69	Abroad	69	86
88	80	Accrued interest, undistributed	88	89
35 144	**38 175**	**Total gross loans by geographic area**	**43 779**	**39 936**

Parent bank 2014	2015		Group 2015	2014
597	731	Loans to employees	906	734
273	*292*	*-Of which loans in SpareBank 1 Boligkreditt AS*	*397*	*338*

Repayment loans are granted to employees with up to 30 years repayment period and monthly instalments. The rate of interest for repayment loans for employees is 75 percent of the lowest ordinary interest rate for private market loans. Per 31.12.15 the total loan amount on these terms is limited to NOK 2.5 million per individual employee.

Loans to and receivables from customers linked financial leasing agreements (Group only)	2015	2014
Gross receivables linked to financial leasing agreements		
- Up to 1 year	239	433
- 1 to 5 years	1 822	1 516
- More than 5 years	429	166
Total gross receivables	**2 490**	**2 114**
Not accrued income linked to financial leasing agreements	7	6
Net investments linked to financial leasing agreements	2 483	2 108
Net investments in financial leasing agreements can be analysed thus:		
- Up to 1 year	238	432
- 1 to 5 years	1 817	1 511
- More than 5 years	428	165
Total net receivables	**2 483**	**2 108**

Note 9 Classification of financial assets

Sparebanken Hedmark has signed agreements for the legal sale of loans with high collateral and security in real estate to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. According to the management agreements signed with these two companies in the Alliance, the Bank manages the loans and is responsible for the contact with the customers. The Bank receives compensation in the form of commissions for the obligations associated with managing the loans. The Bank has assessed the accounting implications of this as meaning that the majority of the risk and benefits of ownership associated with the sold loans has been transferred. This entails full derecognition. The remuneration received for the loans that have been transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS matches the book value and is assessed to match the loans fair value at the time of transfer. The Bank recognises all rights and obligations that were generated or retained upon transfer separately as assets or liabilities.

If the mortgage companies experience a loss on transferred loans, they are entitled to offset these against commissions from all banks that have transferred loans. A residual involvement associated with the sold loans therefore exists with a possible limited settlement of losses against commissions. However, the nature of this right to offset is not regarded as meaning that it changes the conclusion that the majority of the risk and benefits associated with ownership have been transferred. The Bank's maximum exposure to losses is represented by the highest amount that could be claimed covered under the agreements.

The mortgage companies can resell the loans bought from the Bank, while the Bank's right to manage customers and receive commissions remains attached. If the Bank is unable to service the customers, the right to earnings and commissions lapses. Furthermore, the Bank has an option to buy back loans under certain conditions.

SpareBank 1 Boligkreditt AS

SpareBank 1 Boligkreditt AS is owned by the banks that make up the SpareBank 1 Alliance. The Bank owned a 9.96 per cent stake as at 31 December 2015 (9.5 per cent as at 31 December 2014). SpareBank 1 Boligkreditt AS acquires loans with collateral in housing and issues covered bonds in accordance with the regulations established for this in 2007. Loans sold to SpareBank 1 Boligkreditt AS are secured by collateral in housing up to a ceiling of 75 per cent of their valuation. The sold loans are legally owned by SpareBank 1 Boligkreditt AS and Sparebanken Hedmark has, apart from the right to administer them and receive commissions, as well as the right to take over fully or partially written down loans, no right to use the loans. The Bank administers the sold loans and receives commissions based on the net return on the loans the Bank has sold less the company's costs.

Home mortgages worth a net NOK 1.4 billion were sold to SpareBank 1 Boligkreditt AS in 2015. A total of NOK 16.8 billion had been derecognised in home mortgages sold to SpareBank 1 Boligkreditt AS at the end of the financial year. The remaining involvement is as follows:

	Book value asset	Fair value asset	Book value liability	Fair value liability	Maximum exposure to loss
Remaining involvement	0	0	0	0	183 MNOK

The Bank has, together with the other owners of SpareBank 1 Boligkreditt AS, signed an agreement on the establishment of liquidity facilities for SpareBank 1 Boligkreditt AS. This entails an obligation on the part of the banks to buy SpareBank 1 Boligkreditt AS's bonds, limited to the combined value of the amount due in the next 12 months in SpareBank 1 Boligkreditt AS. In principle, each owner is liable for it´s share of the need, secondarily for twice the primary liability under the same agreement. The bonds can be deposited with Norges Bank and thus entail no material increase in risk for the Bank. In accordance with it´s internal guidelines, SpareBank 1 Boligkreditt AS retains liquidity for the amount due in the next 12 months. This is deducted when valuing the banks' liabilities. Therefore, it is only in the event that the company no longer has liquidity for the amount due in the next 12 months that the Bank will report any commitment in connection with this.

Together with the other owners of SpareBank 1 Boligkreditt AS, the Bank has also signed an agreement concerning ensuring that SpareBank 1 Boligkreditt AS has a minimum core capital ratio of 9 per cent at any given time. The shareholders must supply sufficient core capital within 3 months after receiving a written request to do so. The shareholders' obligation to supply such core capital is pro rata and not joint and must correspond to each shareholder's pro rata share of the shares in SpareBank 1 Boligkreditt AS.

SpareBank 1 Næringskreditt AS

SpareBank 1 Næringskreditt AS is owned by the banks that make up the SpareBank 1 Alliance. The Bank owned a 3.84 percent stake as at 31 December 2015 (3.84 percent as at 31 December 2014). SpareBank 1 Næringskreditt AS acquires loans with security in commercial real estate and issues covered bonds under the regulations for this established in 2007. Loans sold to SpareBank 1 Næringskreditt AS are secured by security in commercial real estate within 60 percent of it´s valuation. Sold loans are legally owned by SpareBank 1 Næringskreditt AS and the Bank has, beyond the right to manage and receive commissions for this and the right to take over part or all of written down loans, no right to use the loans. Sparebanken Hedmark manages the sold loans and the Bank receives commissions based on the net returns on the loans the Bank has sold and the costs in the company.

No commercial loans were sold to SpareBank 1 Næringskreditt in 2015. A total of NOK 0.6 billion was derecognised in loans to SpareBank 1 Næringskreditt at the end of the financial year. The remaining involvement is as follows:

	Book value asset	Fair value asset	Book value liability	Fair value liability	Maximum exposure to loss
Remaining involvement	0	0	0	0	5 MNOK

The Bank has, together with the other owners of SpareBank 1 Næringskreditt AS, signed agreements on the establishment of liquidity facilities for SpareBank 1 Næringskreditt AS. This means that the banks have committed to purchase covered bonds in the event that SpareBank 1 Næringskreditt AS is unable to refinance it´s activities in the market. The purchase is limited to the total value of the amount due in the company for the next 12 months at any given time. Previous purchases under this agreement are deducted from future obligations to purchase. In principle, each owner is liable for it´s share of the need, secondarily for twice the primary liability under the same agreement. The bonds can be deposited with Norges Bank and thus entail no material increase in risk for the Bank. In accordance with it´s internal policy, SpareBank 1 Næringskreditt AS retains liquidity for the amount due in the next 12 months. This is deducted when valuing the banks' liabilities. Therefore, it is only in the event that SpareBank 1 Næringskreditt AS no longer has liquidity for the amount due in the next 12 months that the Bank will report any commitment here in relation to capital adequacy or large commitments.

Together with the other owners of SpareBank 1 Næringskreditt AS, the Bank has also signed an agreement concerning ensuring that SpareBank 1 Næringskreditt AS has a minimum core capital ratio of 9 percent at any given time. The shareholders must supply sufficient core capital within 3 months after receiving a written request to do so. The shareholders' obligation to supply such core capital is pro rata and not joint and must correspond to each shareholder's pro rata share of the shares in SpareBank 1 Næringskreditt AS.

Note 10 Distribution by age of defaulted loans not written down

The table shows amounts due on loans and overdraft facilities / deposits that are not caused by delays in payment transmission, by number of days after due date.

Parent bank

2015	Up to 30 days	31–60 days	61–90 days	More than 91 days	Total
Loans to and receivables from customers					
- Retail market	9	1	1	10	**19**
- Corporate market	3	1	9	5	**18**
Total	**12**	**2**	**9**	**15**	**37**

Group

2015	Up to 30 days	31–60 days	61–90 days	More than 91 days	Total
Loans to and receivables from customers					
- Retail market	12	2	1	12	**27**
- Corporate market	6	10	9	7	**32**
Total	**18**	**12**	**10**	**19**	**59**

Parent bank

2014	Up to 30 days	31–60 days	61–90 days	More than 91 days	Total
Loans to and receivables from customers					
- Retail market	4	2	1	8	**15**
- Corporate market	2	2		17	**21**
Total	**6**	**4**	**1**	**25**	**36**

Group

2014	Up to 30 days	31–60 days	61–90 days	More than 91 days	Total
Loans to and receivables from customers					
- Retail market	8	3	2	11	**24**
- Corporate market	9	8		23	**40**
Total	**17**	**11**	**2**	**34**	**64**

Note 11 Losses on loans and guarantees

Parent bank 2014 RM	Parent bank 2014 CM	Parent bank 2014 Total	Parent bank 2015 RM	Parent bank 2015 CM	Parent bank 2015 Total		Group 2015 RM	Group 2015 CM	Group 2015 Total	Group 2014 RM	Group 2014 CM	Group 2014 Total
-7		**-7**	-4	5	**1**	Change in individual write-downs in the period	-2	7	**5**	-2	-4	**-5**
6	2	**8**	-6	8	**2**	+ Change in collective write-downs in the period	-5	9	**4**	8	2	**10**
12	23	**35**	7	14	**21**	+ Realised losses on commitments previously written down	14	22	**36**	17	28	**46**
8	13	**21**	12	3	**15**	+ Realised losses on commitments not previously written down	15	6	**21**	10	15	**25**
-4	-1	**-5**	-3		**-3**	- Recoveries on loans and guarantees previously written down	-6	-3	**-9**	-8	-2	**-9**
15	**37**	**52**	**7**	**29**	**35**	**Total losses on loans and guarantees**	**16**	**40**	**56**	**26**	**40**	**66**

Parent bank 2014 RM	Parent bank 2014 CM	Parent bank 2014 Total	Parent bank 2015 RM	Parent bank 2015 CM	Parent bank 2015 Total	Individual write-downs	Group 2015 RM	Group 2015 CM	Group 2015 Total	Group 2014 RM	Group 2014 CM	Group 2014 Total
43	100	**143**	35	99	**134**	Individual write-downs to cover losses on loans and guarantees at 1 January	41	101	**143**	44	105	**149**
12	23	**35**	7	14	**21**	Realised losses in the period on loans and guarantees previously written down individually	14	22	**35**	17	28	**45**
4	19	**23**	5	9	**14**	Reversal of write-downs in previous years	9	14	**24**	17	24	**41**
2	15	**17**		3	**3**	Increase in write-downs on commitments previously written down individually	2	6	**8**	3	16	**19**
6	26	**32**	9	23	**32**	Write-downs on commitments not previously written down individually	19	36	**55**	29	32	**61**
35	**99**	**134**	**31**	**102**	**134**	**Individual write-downs to cover losses on loans and guarantees at 31 December ***	**39**	**107**	**147**	**41**	**101**	**143**

*Guarantee provisions are included under "Other liabilities" in the balance sheet and at 31 December 2015 amounted to NOK 14.4 million. The corresponding figures in 2014 are NOK 14.1 million.

Parent bank 2014 RM	Parent bank 2014 CM	Parent bank 2014 Total	Parent bank 2015 RM	Parent bank 2015 CM	Parent bank 2015 Total	Collective write-downs	Group 2015 RM	Group 2015 CM	Group 2015 Total	Group 2014 RM	Group 2014 CM	Group 2014 Total
27	66	**93**	33	68	**101**	Collective write-downs to cover losses on loans and guarantees at 1 January	39	77	**116**	31	75	**106**
6	2	**8**	-6	8	**2**	Collective write-downs to cover losses on loans and guarantees in the period	-5	9	**4**	8	2	**10**
33	**68**	**101**	**27**	**76**	**103**	**Collective write-downs to cover losses on loans and guarantees at 31 December**	**34**	**86**	**120**	**39**	**77**	**116**

Parent bank 2014	Parent bank 2015	Losses by sector and industry	Group 2015	Group 2014
11	14	Private customers	19	15
		Public sector		1
	6	Primary industries	6	
		Paper and pulp industries		
8		Other industry	2	8
1		Building and construction	2	3
1		Power and water supply	2	1
9		Wholesale and retail trade	3	9
		Hotel and restaurants		
-1	5	Real estate	5	-1
15	8	Commercial services	10	15
		Transport and communications	2	4
8	2	Collective write-downs	4	10
52	**35**	**Losses on loans to customers**	**56**	**66**

Parent bank 2011	2012	2013	2014	2015	Defaulted (more than 90 days) and doubtful commitments	Group 2015	2014	2013	2012	2011
368	382	257	263	233	Defaulted commitments	287	339	340	459	424
418	270	271	205	234	Other doubtful commitments	257	209	271	270	420
786	**652**	**528**	**468**	**467**	**Total defaulted and doubtful commitments**	**544**	**548**	**611**	**729**	**844**
216	138	134	134	134	Individual write-downs	147	143	143	150	228
570	**514**	**394**	**468**	**333**	**Net defaulted and doubtful commitments**	**397**	**548**	**468**	**579**	**616**
43	29	28	25	**20**	**Interest income from written-down loans charged to income**	**20**	25	28	29	43

Commitment means the customer's total commitment including guarantee ceilings and unused credit facilities. Until 2014, Sparebanken Hedmark had credit card portfolio on it´s own balance sheet, and the historic figures therefore include the defaults and doubtfull commitments for these credit cards.

Note 12 Credit risk exposure for each internal risk rating

Sparebanken Hedmark uses its own classification system that it uses to monitor credit risk in the portfolio. Categorisation into risk classes is based on each individual commitment's probability of default: In addition to default probability, the Bank uses estimated value of collateral (collateral classes) in its classification of customers. Customers are categorised into different risk groups on the basis of default probability and collateral class.

Parent bank	Average unsecured exposure (%) 2015	Total commitment 2015	Average unsecured exposure (%) 2014	Total commitment 2014
Low risk	2.9 %	29 215	3.8 %	25 639
Medium risk	7.3 %	12 052	8.6 %	11 243
High risk	6.5 %	2 000	5.1 %	2 429
Defaulted and written down	18.8 %	452	26.1 %	486
Total	**4.5 %**	**43 719**	**5.5 %**	**39 797**

Group	Average unsecured exposure (%) 2015	Total commitment 2015	Average unsecured exposure (%) 2014	Total commitment 2014
Low risk	4.9 %	31 115	5.3 %	28 122
Medium risk	17.3 %	15 224	11.8 %	13 595
High risk	9.2 %	2 654	12.3 %	2 734
Defaulted and written down	19.2 %	532	21.9 %	487
Total	**9.1 %**	**49 525**	**7.9 %**	**44 939**

Average unsecured exposure is calculated on the basis of average security coverage in each collateral class.
Sparebanken Hedmark's policy is that a conservative evaluation of collateral security shall be used as a main principle.
The bank has an unsecured credit card portfolio, which is included in this table.

Note 13 Maximum credit risk exposure, not taking into account assets pledged as security

The table below shows maximum exposure to credit risk. Exposure is shown gross before any assets pledged as security or permitted off-sets.

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
		Assets		
642	148	Deposits with central banks	148	642
4 856	5 701	Loans to and receivables from credit institutions	864	675
35 144	38 175	Gross loans to and receivables from customers	43 779	39 936
-120	-119	- Individual write-downs	-132	-129
-101	-103	- Write-downs to cover groups of loans	-120	-116
34 923	37 953	Net loans to and receivables from customers	43 526	39 693
4 017	6 133	Certificates and bonds	6 133	4 017
531	455	Financial derivatives	455	531
44 969	**50 390**	**Credit risk exposure, balance sheet**	**51 127**	**45 557**
		Liabilities		
1 062	1 049	Contingent liabilities (guarantees provided)	929	942
4 074	5 123	Unutilised credit lines	4 604	4 061
459	542	Loans approved not disbursed	542	459
5 595	**6 714**	**Total financial guarantees, off balance sheet items**	**6 075**	**5 462**
50 564	**57 105**	**Total credit risk exposure**	**57 202**	**51 019**

Credit risk exposure on financial assets distributed by geographic area

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
		Banking activities		
32 983	35 331	Hedmark	31 306	29 943
3 059	4 140	Oppland	4 992	3 777
2 861	3 626	Akershus	4 676	3 804
7 113	7 436	Rest of Norway	9 658	8 960
133	126	Abroad	126	133
-221	-222	Provisions for losses, undistributed	-252	-245
88	80	Accrued interest, undistributed	109	98
46 016	**50 517**	**Total banking activities**	**50 614**	**46 470**
		Financial market activities		
3 898	4 843	Norway	4 843	3 898
597	1 689	Europe	1 689	597
53	57	USA	57	53
4 548	**6 588**	**Total financial market activities**	**6 588**	**4 548**
50 564	**57 105**	**Total distributed by geographic area**	**57 202**	**51 019**

Note 14 Financial instruments and offsetting

In accordance with IFRS 7.13 A-F it should be disclosed about the financial instruments the bank considers to fulfill the requirements for off-setting, cf.IAS 32.42, and what financial instruments they have signed netting on.

The Bank has no financial instruments booked on a net basis in the financial statesments.

Sparebanken Hedmark has two sets of agreements which regulate counterparty risk and netting of derivatives. For retail and corporate customers, use is made of framework agreements requiring provision of collateral. For customers engaged in trading activity, only cash deposits are accepted as collateral. The agreements are unilateral, i.e it is only the customers that provide collateral. As regards financial institutions, the bank enters into standardised and mainly bilateral ISDA agreements. Additionally the bank has entered into supplementary agreements on the provision of collateral (CSA) with two institutional counterparties.

The assets and liabilities below may be offset.

				Amounts not presented on the balance sheet on a net basis		
31.12.2015	**Gross financial assets/(liabilities)**	**Recognised on a net basis**	**Net financial assets/(liabilities) on the balance sheet**	**Financial instruments**	**Cash collateral given/(received)**	**Net amount**
Derivatives as assets	455	0	455	-48	0	407
Derivatives as liabilities	-320	0	-320	48	116	-157

31.12.2014	**Gross financial assets/(liabilities)**	**Recognised on a net basis**	**Net financial assets/(liabilities) on the balance sheet**	**Financial instruments**	**Cash collateral given/(received)**	**Net amount**
Derivatives as assets	531	0	531	-57	0	474
Derivatives as liabilities	-330	0	-330	57	112	-161

All figures are identical for the parent bank and the Group.

Note 15 Credit quality per class of financial assets

Parent bank 2015	Notes	Neither defaulted nor written down: Low risk	Medium risk	High risk	Defaulted or individually written down	Total
Loans to and receivables from credit institutions	7	5 701				**5 701**
Gross loans to and receivables from customers measured to amoritisert cost						
Retail market	8	16 373	2 495	442	182	**19 492**
Corporate market	8	6 523	7 938	1 256	258	**15 975**
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value through profit and loss on initial recognition						
Retail market	8	1 970	297	53	2	**2 322**
Corporate market	8	253	123	9		**385**
Total gross lending		**30 820**	**10 853**	**1 760**	**442**	**43 875**
Financial investments						
Certificates and bonds	30	6 122	8	4		**6 133**
Total financial investments		**6 122**	**8**	**4**		**6 133**
Total lending-related assets		**36 942**	**10 861**	**1 764**	**442**	**50 008**

Group		Neither defaulted nor written down				
2015	Notes	**Low risk**	**Medium risk**	**High risk**	**Defaulted or individually written down**	**Total**
Loans to and receivables from credit institutions	7	864				**864**
Gross loans to and receivables from customers measured to amoritisert cost						
Retail market	8	17 305	3 815	610	209	**21 939**
Corporate market	8	6 689	8 377	1 351	263	**16 679**
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value through profit and loss on initial recognition						
Retail market	8	1 996	365	61	7	**2 429**
Corporate market	8	1 027	1 395	362	44	**2 828**
Total gross lending		**27 881**	**13 952**	**2 384**	**523**	**44 740**
Financial investments						
Certificates and bonds	30	6 122	8	4		**6 133**
Total financial investments		**6 122**	**8**	**4**		**6 133**
Total lending-related assets		**34 003**	**13 960**	**2 387**	**523**	**50 873**

Parent bank		Neither defaulted nor written down				
2014	Notes	**Low risk**	**Medium risk**	**High risk**	**Defaulted or individually written down**	**Total**
Loans to and receivables from credit institutions	7	4 856				**4 856**
Gross loans to and receivables from customers measured to amoritisert cost						
Retail market	8	14 876	3 051	616	210	**18 753**
Corporate market	8	5 637	7 117	1 427	252	**14 433**
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value through profit and loss on initial recognition						
Retail market	8	1 413	279	51	1	**1 744**
Corporate market	8	157	48	9		**214**
Total gross lending		**26 939**	**10 495**	**2 103**	**463**	**40 000**
Financial investments						
Certificates and bonds	30	3 999	8	10		**4 017**
Total financial investments		**3 999**	**8**	**10**		**4 017**
Total lending-related assets		**30 938**	**10 503**	**2 113**	**463**	**44 017**

Group		Neither defaulted nor written down				
2014	Notes	**Low risk**	**Medium risk**	**High risk**	**Defaulted or individually written down**	**Total**
Loans to and receivables from credit institutions	7	675				**675**
Gross loans to and receivables from customers measured to amoritisert cost						
Retail market	8	15 671	4 519	616	246	**21 052**
Corporate market	8	7 331	7 756	1 565	273	**16 925**
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value through profit and loss on initial recognition						
Retail market	8	1 413	279	51	1	**1 744**
Corporate market	8	157	48	9		**214**
Total gross lending		**25 247**	**12 602**	**2 241**	**520**	**40 610**

Financial investments					
Certificates and bonds	30	3 999	8	10	**4 017**
Total financial investments		**3 999**	**8**	**10**	**4 017**
Total lending-related assets		**29 246**	**12 610**	**2 251**	**520**	**44 627**

Classification of financial investments into different risk groups is based on ratings from Standard Poor's, Moody's, Fitch or a recognised Norwegian brokerage house according to the conversion table shown below. No official rating from the rating agencies or shadow rating from a brokerage house is available for some issues. These amount to NOK 210 million in 2014 and consist of certificates and bonds in Norwegian local authorities and county councils (NOK 202 million), as well as a subordinated loan to SpareBank 1 Kredittkort AS (NOK 8 million). The issues to Norwegian local authorities and county councils have been classified as low risk and the subordinated loan has been classified as medium risk.

Credit quality	**Rating (using S&P's system)**			
Low risk	AAA	AA	A	BBB
Medium risk	BB			
High risk	B	CCC	CC	C

Note 16 Market risk related to interest rate risk

Interest risk arises because the individual assets and liabilities have different remaining fixed rate terms.

The Board has agreed limits for the total interest rate risk, both with regard to basis risk and yield curve risk. The Bank steers interest rate risk towards the desired level on investments and funding by means of fixed interest rates and through the use of interest rate derivatives.

Basis risk is the change in the value of the Group's assets and liabilities that arises when there is a parallel shift in the entire yield curve. This risk is shown in the table below by calculating the interest rate risk as the effect on the financial instruments' fair value of a change in interest rates assuming a parallel shift in the entire yield curve of one percentage point. Administrative interest rate risk has not been taken into account, i.e. the effect of the fact that in practice there will be a lapse between a change in market interest rates and the bank having adjusted the terms and conditions for deposits and loans at floating rates of interest.

The Group's interest rate risk is related primarily to shifts in the yield curve for Norwegian kroner (NOK).

All figures are identical for the parent bank and the Group.

	Interest rate risk, 1 percent change	
Basis risk	**2015**	**2014**
Certificates and bonds	-43	-16
Fixed-rate loans	-53	-32
Fixed-rate deposits	1	0
Certificate-based loans	1	0
Bond loans	144	126
Other fixed-rate funding and investments	1	1
Derivatives	-62	-90
Total interest rate risk, effect on profit after tax and equity	**-10**	**-11**

Negative figures indicates that the Bank incurs a loss on an increase in interest rates.

Although the calculations above show that the Bank will incur a loss from an increase in interest rates, the way in which the increase in interest rates happens is not insignificant. The table below shows yield curve risk, i.e. the risk of the yield curve shifting differently within the different time periods when there is a change in interest rates, by measuring the Bank's net interest rate exposure within the different periods

	Interest rate risk, 1 percent change	
Yield curve risk	**2015**	**2014**
0–1 month	1	1
1–3 months	2	4
3–6 months	1	-2
6–12 months	0	0
1–3 years	-11	-12
3–5 years	-2	9
5–10 years	0	-11
Total interest rate risk, effect on profit after tax and equity	**-10**	**-11**

Note 17 Market risk related to currency exposure

Currency risk is the risk of the Group incurring a loss as a result of changes in currency exchange rates. Currency risk arises when the Group has differences in assets and liabilities in an individual currency.

Foreign exchange trading shall always comply with adopted guidelines, limits and authorisations. The Group's limits define quantitative goals for maximum currency exposure, measured in NOK. The Group has set limits for the net exposure in each individual currency and limits for aggregate net currency exposure and total absolute sum of net positions per currency:

- The absolute total of each net position in any single currency must not exceed NOK 75 million overnight.
- The absolute total of each net position in any single currency must not exceed NOK 100 million intraday.

Currency risk is quantified and monitored at all times. The Group's currency risk throughout the year and at year-end is limited. At 31 December, the net positions in the most important currencies, based on fair value of the underlying assets, was as follows:

All figures are identical for the parent bank and the Group.

Net currency exposure NOK	2015	2014
USD	4	5
EUR	3	2
SEK	2	2
GBP	2	3
CHF	2	
DKK	1	-1
PLN	1	1
Other		
Total	**14**	**14**
Effect on after-tax profit/loss and equity of a 3 percent change in Fx-rates		
Effect on after-tax profit/loss and equity of a 10 percent change in Fx-rates	1	1

Note 18 Liquidity risk

Parent bank

2015	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Cash flows related to liabilities						
Liabilities to credit institutions		-2	-6	-95	-592	-695
Deposits from and liabilities to customers	-31 620	-1 740	-148			-33 501
Liabilities arising from issuance of securities		-516	-1 658	-8 407	-1 667	-12 247
Subordinated loan capital		-4	-11	-521		-535
Derivatives related to liabilities		19	50	124	30	224
Current tax liabilities			-163			-163
Other liabilities		-97	-47	-34	-263	-440
Total cash flows related to liabilities	**-31 620**	**-2 340**	**-1 982**	**-8 931**	**-2 492**	**-47 365**

Group

2015	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Cash flows related to liabilities						
Liabilities to credit institutions		-2	-6	-95	-592	-695
Deposits from and liabilities to customers	-31 570	-1 740	-148			-33 458
Liabilities arising from issuance of securities		-516	-1 658	-8 407	-1 667	-12 247
Subordinated loan capital		-4	-11	-521		-535
Derivatives related to liabilities		19	50	124	30	224
Current tax liabilities			-167			-167
Other liabilities		-128	-69	-34	-280	-510
Total cash flows related to liabilities	**-31 570**	**-2 371**	**-2 008**	**-8 932**	**-2 509**	**-47 390**

Parent bank

2014	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Cash flows related to liabilities						
Liabilities to credit institutions	-35	-20	-8	-104	-613	-780
Deposits from and liabilities to customers	-31 036		-49			-31 085
Liabilities arising from issuance of securities		-74	-1 217	-7 051	-987	-9 329
Subordinated loan capital		-4	-12	-539		-556
Derivatives related to liabilities		19	49	124	31	223
Current tax liabilities			-146			-146
Other liabilities		-77	-123	-19	-362	-581
Total cash flows related to liabilities	**-31 071**	**-156**	**-1 506**	**-7 590**	**-1 930**	**-42 254**

Group

2014	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Cash flows related to liabilities						
Liabilities to credit institutions	-35	-20	-6	-104	-613	-778
Deposits from and liabilities to customers	-31 021		-49			-31 070
Liabilities arising from issuance of securities		-74	-1 217	-7 051	-987	-9 329
Subordinated loan capital		-4	-12	-539		-556
Derivatives related to liabilities		19	49	124	31	223
Current tax liabilities			-150			-150
Other liabilities		-61	-175	-19	-384	-639
Total cash flows related to liabilities	**-31 056**	**-140**	**-1 560**	**-7 590**	**-1 952**	**-42 299**

Cash flows relating to liabilities with agreed maturity based on notional contract sizes including estimated interest payments until maturity.

Note 19 Maturity analysis of assets and liabilities

Parent bank

2015	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	264					264
Loans to and receivables from credit institutions	4 883	2	499	317		5 701
Gross loans to and receivables from customers	14 280	403	1 338	5 334	16 820	38 175
- Individual write-downs	-44	-2	-11	-32	-31	-119
- Write-downs of groups of loans				-103		-103
Net loans to and receivables from customers	14 236	401	1 327	5 199	16 789	37 953
Certificates and bonds		435	848	3 878	973	6 133
Financial derivatives		92	5	215	143	455
Shares, units and other equity interests					294	294
Investments in associates and joint ventures					2 457	2 457
Investments in subsidiaries					859	859
Property, plant and equipment				76	237	314
Goodwill and other intangible assets			9	30	65	104
Deferred tax asset				13		13
Other assets		17	101	123	73	314
Total assets	**19 383**	**947**	**2 789**	**9 851**	**21 890**	**54 861**
Liabilities						
Deposits from and liabilities to credit institutions	27	1	19	65	549	661
Deposits from and liabilities to customers	31 620	1 740	148			33 508
Liabilities arising from issuance of securities	6	439	1 704	7 827	1 600	11 576
Financial derivaties	43	46	23	-6	216	320
Current tax liabilities			163			163
Other debt and liabilities recognised in the balance sheet		56	106	16	263	440
Subordinated loan capital				496		496
Total liabilities	**31 696**	**2 282**	**2 162**	**8 397**	**2 628**	**47 166**

Group

2015	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	264					264
Loans to and receivables from credit institutions	46	2	499	317		864
Gross loans to and receivables from customers	14 190	514	1 685	8 733	18 656	43 779
- Individual write-downs	-44	-2	-11	-45	-31	-132
- Write-downs of groups of loans				-120		-120
Net loans to and receivables from customers	14 147	512	1 674	8 569	18 625	43 526
Certificates and bonds		435	848	3 878	973	6 133
Financial derivatives		92	5	215	143	455
Shares, units and other equity interests					294	294
Investments in associates and joint ventures					3 386	3 386
Property, plant and equipment				91	250	341
Goodwill and other intangible assets			10	31	170	211
Deferred tax asset						0
Other assets		17	283	123	73	497
Total assets	**14 457**	**1 058**	**3 319**	**13 223**	**23 913**	**55 971**
Liabilities						
Deposits from and liabilities to credit institutions	27	1	18	65	549	660
Deposits from and liabilities to customers	31 569	1 740	148			33 458
Liabilities arising from issuance of securities	6	439	1 704	7 827	1 600	11 576
Financial derivatives	43	46	23	-6	216	320
Current tax liabilities			167			167
Defered tax liabilities				65		65
Other debt and liabilities recognized in the balance sheet		92	123	16	280	510
Subordinated loan capital					496	496
Total liabilities	**31 645**	**2 317**	**2 183**	**7 966**	**3 141**	**47 253**

Parent bank

2014	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	748					748
Loans to and receivables from credit institutions	4 216	2	80	558		4 856
Gross loans to and receivables from customers	14 705	335	1 124	4 587	14 393	35 144
- Individual write-downs	-58	-7	-14	-12	-29	-120
- Write-downs of groups of loans				-101		-101
Net loans to and receivables from customers	14 647	328	1 110	4 474	14 364	34 923
Certificates and bonds		307	445	2 732	533	4 017
Financial derivatives		23	41	224	244	531
Shares, units and other equity interests					239	239
Investments in associates and joint ventures					2 323	2 323
Investments in subsidiaries					668	668
Property, plant and equipment				65	249	315
Goodwill and other intangible assets			8	30	72	110
Deferred tax asset				72		72
Other assets		16	55	116	73	260
Total assets	**19 611**	**675**	**1 739**	**8 271**	**18 766**	**49 061**
Liabilities						
Deposits from and liabilities to credit institutions	33	1	18		615	667
Deposits from and liabilities to customers	31 036		49			31 085
Liabilities arising from issuance of securities			1 045	6 881	1 025	8 951
Financial derivatives		66	7	102	155	330
Current tax liabilities			146			146
Other debt and liabilities recognised in the balance sheet		77	123	19	362	581
Subordinated loan capital				505		505
Total liabilities	**31 069**	**144**	**1 389**	**7 506**	**2 156**	**42 265**

Group

2014	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	748					748
Loans to and receivables from credit institutions	35	2	80	558		675
Gross loans to and receivables from customers	14 705	541	1 666	7 597	15 427	39 936
- Individual write-downs	-58	-7	-14	-21	-29	-129
- Write-downs of groups of loans				-116		-116
Net loans to and receivables from customers	14 647	534	1 652	7 460	15 398	39 691
Certificates and bonds		307	445	2 732	533	4 017
Financial derivatives		23	41	224	244	531
Shares, units and other equity interests					239	239
Investments in associates and joint ventures					3 073	3 073
Property, plant and equipment				80	256	336
Goodwill and other intangible assets			9	33	143	185
Deferred tax asset				33		33
Other assets		16	201	116	73	406
Total assets	**15 430**	**882**	**2 428**	**11 235**	**19 959**	**49 934**
Liabilities						
Deposits from and liabilities to credit institutions	33	1	16		615	665
Deposits from and liabilities to customers	31 021		49			31 070
Liabilities arising from issuance of securities			1 045	6 881	1 025	8 951
Financial derivatives		66	7	102	155	330
Current tax liabilities			150			150
Other debt and liabilities recognised in the balance sheet		61	175	19	384	639
Subordinated loan capital				505		505
Total liabilities	**31 054**	**128**	**1 442**	**7 506**	**2 179**	**42 310**

Note 20 Net interest income

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
		Interest income		
154	165	Interest on loans to and receivables from credit institutions	68	70
1 611	1 475	Interest on loans to and receivables from customers	1 796	1 902
104	88	Interest on certificates and bonds	88	104
25	20	Interest income from written-down loans charged to income	20	25
1 894	**1 748**	**Total interest income**	**1 972**	**2 101**
		Interest expenses		
36	31	Interest on debt to credit institutions	31	36
764	567	Interest on deposits from and liabilities to customers	564	759
220	232	Interest on securities issued	232	220
18	15	Interest on subordinated loan capital	15	18
21	22	Fees to the Banks' Guarantee Fund	25	21
		Other interest expenses and similar expenses		5
1 059	**868**	**Total interest expenses**	**867**	**1 058**
835	**880**	**Total net interest income**	**1 105**	**1 043**

Note 21 Net commission income and other operating income

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
		Commission income		
14	17	Guarantee commissions	16	13
6	7	Securities trading	7	6
164	132	Payment transmission	132	163
75	81	Insurance services	81	75
228	188	Commission from loans transferred to covered bond companies	188	228
		Commission from real estate brokerage	80	79
11	10	Other commission income	10	11
497	**435**	**Total commission income**	**514**	**575**
		Commission expenses		
23	21	Payment transmission	21	23
8	6	Other commission expenses	32	27
31	**27**	**Total commission expenses**	**53**	**50**
		Other operating income		
5	7	Operating income from real estate	5	2
		Income from accounting	164	127
1	1	Rental income	1	1
	7	Income payroll	7	5
	1	Gains on fixed assets	10	
11	6	Other operating income	5	3
16	**21**	**Total other operating income**	**190**	**138**
482	**429**	**Total net commission income and other operating income**	**651**	**663**

Note 22 Net income from financial assets and liabilities

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
		Change in value of interest rate instruments		
21	-75	Bonds and certificates at fair value through profit and loss	-75	21
-181	294	Securities at fair value through profit and loss	294	-181
28	15	Fixed-rate loans to customers at fair value through profit and loss	15	28
00	0	Fixed-rate deposits from customers at fair value through profit and loss	0	0
		Change in value of derivatives		
-5	7	Net change in value of derivatives related to bonds (assets)	7	-5
129	-42	Net change in value of derivatives related to funding loans	-42	129
5	-3	Guarantee liability – Eksportfinans ASA	-3	5
1	-3	Net change in value of other derivatives	-3	1
-2	**193**	**Total net income from financial assets and liabilities at fair value**	**193**	**-2**
13	9	Net income from equity instruments available for sale	9	13
158		Gains / losses on realisation of equity instruments available for sale		158
0		Write-down of and reversal of previous write-down of equity instruments available for sale		0
170	**8**	**Total net income from equity instruments available for sale**	**8**	**170**
117	**259**	**Net income from ownership interests, see note 40**	**301**	**394**
10	**12**	**Net income from currency trading**	**12**	**10**
295	**472**	**Total net income from financial assets and liabilities**	**514**	**572**

Note 23 Payroll expenses and payments to senior employees and elected officers

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
260	271	Payroll	440	397
40	43	Employers' National Insurance contribution	67	58
47	46	Pension costs (note 24)	54	54
26	22	Social security expenses	30	34
374	**381**	**Total personnel expenses**	**590**	**543**
482	484	Average no. of employees	735	715
459	470	No. of fulltime equivalents at 31 December	728	673
478	490	No. of employees at 31 December	762	707

Payments to Group management 2015 (NOK thousands)

2015 Title / name	Salaries and other short-term benefits	Other remuneration	Accrued pension entitlements in the last 12 months	Board fees in subsidiaries etc.	Loans	Guarantees
Chief Executive Officer Richard Heiberg *)	2 940	134	1 563	529	800	
Director, Corporate Market Vegard Sæten *)	1 491	31	88	95	1 135	
Director, Retail Market Kari E. Gisnås	1 422	33	317	260	3 397	
CFO Tore Anstein Dobloug	1 356	33	268	256		
Director of Organisation and HR Eldar Kjendlie	1 311	29	169	45		
Director, Operations and IT Dag-Arne Hoberg	1 311	34	364	50	1 865	
Director, Risk Management Vidar Nordheim	1 272	33	194	55	3 239	
Bank Manager Tor Morten Nygård	1 115	35	267		3 593	
Director of PR and Communications Siv Stenseth	1 140	34	304		5 242	
Managing Director, EiendomsMegler 1 Hedmark Eiendom AS Magnus Aasen	1 107	33	211	50	1 832	
Managing Director, SpareBank 1 Finans Østlandet AS Hans Olav Wedvik	1 317	33	224		18 692	
Managing Director, SpareBank 1 Regnskapshuset Østlandet AS Ove Jahnsen *)	1 456	73	72			

*)Managers with defined contribution scheme. Other managers have defined benefit scheme.

2014 Title / name	Salaries and other short-term benefits	Other remuneration	Accrued pension entitlements in the last 12 months	Board fees in subsidiaries etc.	Loans	Guarantees
Chief Executive Officer Richard Heiberg *)		160	1 430		2 700	
Director, Corporate Market Vegard Sæten - from 01.10.2013 *)		27	63		1 184	
Director Nils Arne Nordheim - to 30.04.2014		9			1 992	
Director, Retail Market Kari E. Gisnås		23	234	85	1 999	
CFO Tore Anstein Dobloug		30	200			
Director of Organisation and HR Eldar Kjendlie		23	123			
Director, Operations and IT Dag-Arne Hoberg		27	281	50	2 036	
Director, Risk Management Vidar Nordheim		30	135	55	1 724	
Bank Manager Tor Morten Nygård		30	206		3 349	
Director of PR and Communications Siv Stenseth		23	196		3 355	
Managing Director, EiendomsMegler 1 Hedmark Eiendom AS Magnus Aasen		24	135		1 949	
Managing Director, SpareBank 1 Finans Østlandet AS Hans Olav Wedvik		24	161		15 936	
Managing Director, Consis AS Ove Jahnsen *)		6	65			

*)Managers with defined contribution scheme. Other managers have defined benefit scheme.
Of the total lending to Group management, NOK 0.5 million was transferred to SpareBank 1 Boligkreditt AS in 2015 (NOK 9 million in 2014).

Remuneration to the Board and the Control Committee (NOK thousands)

2015 Title / name	Fees	Other remuneration	Loans	Guarantees
Board:				
Chairman Siri J. Strømmevold	293		1 955	
Vice Chairman Bjørnar Håkensmoen	209		10 000	
Board member Aud Christensen	162			
Board member Nina Cecilie Lier	219		2 049	
Board member Erik Garaas	225			
Board member Morten Herud	149			
Board member Espen B. Larsen (employee, incl. in salary)	766	58	4 408	
Deputy Sverre Andreas Lang-Ree			4 861	
Deputy Alexander S. Lund	31			
Deputy Ola Reidar Gulli (employee, incl. in salary)	602	28	1 448	
Control Committee:	141			
Chairman Vidar Brobakken	71			
Vice Chairman Mikael Løken	76			
Bodil Helene Andersen	65			
Ingunn Gråbergsveen	54			
Jan Erik Myrvold	5			
Deputy Marit Johnsrud				
Deputy Anne Kristin Sandnes				
Deputy Svein Nymoen				
Deputy Anne Grete Melbye				
Deputy Gry Torgals				

2014 Title / name	Fees	Other remuneration	Loans	Guarantees
Board:				
Chairman Siri J. Strømmevold	260	4	2 041	
Vice Chairman Bjørnar Håkensmoen	177			
Board member Aud Christensen	144			
Board member Nina Cecilie Lier	165		2 292	
Board member Erik Garaas	175			
Board member Morten Herud	146			
Board member Espen B. Larsen (employee, incl. in salary)	723	31	4 422	
Deputy Sverre Bjørnstad				
Deputy Alexander S. Lund	7			
Deputy Ola Reidar Gulli (employee, incl. in salary)	572	25	1 779	
Control Committee:				
Chairman Vidar Brobakken	136			
Vice Chairman Mikael Løken	62			
Bodil Helene Andersen	47			
Ingunn Gråbergsveen	53			
Jan Erik Myrvold	69			
Gro Svarstad from 27.04.2014	16			
Valborg Berthelsen to 27.04.2014	16			
Deputy Marit Johnsrud			2 970	
Deputy Anne Kristin Sandnes				
Deputy Svein Nymoen			2 307	
Deputy Anne Grete Melbye				
Deputy Gry Torgals			1 218	

Remuneration to the Board of Representatives (NOK thousands)	2015	2014
Chairman Pål Jan Stokke	0	0
Other members	2-36	2-50

All of the above-mentioned remuneration for executive personnel and elected officers, apart from loans and guarantees, are liable to employers' National Insurance contributions.

Remuneration in accordance with the 'Regulation on Remuneration Arrangements in Financial Institutions, Investment Firms and Management Companies'

Sparebanken Hedmark's remuneration for executive personnel complies with the rules and guidelines laid down in the 'Regulation on Remuneration Arrangements in Financial Institutions, Investment Firms and Management Companies'.

Executive personnel and others covered by the regulation's definition receive remuneration in the form of a fixed salary. They are members of the Bank's ordinary pension schemes. No schemes involving variable pay elements or other special administrative schemes have been established for this group of employees. The company has no form of bonus scheme or any obligations concerning considering bonuses for the chief executive or chairman of the board. There are no incentive schemes in the company or obligations concerning share value based remuneration for the benefit of employees or elected officers.

The pay conditions are assessed via annual processes at the end of the year and any changes normally come into effect on 1 January the following year. The assessments are based on the Bank's pay policy and described processes. The chief executive's assessments and proposals on limits and conditions for changes for the members of the Bank's executive management team are presented to the Remuneration Committee before any decision is made by the chief executive.

The Remuneration Committee also receives a briefing on the assessments that have been made concerning the pay conditions of the managing directors of the Bank's subsidiaries. The chief executive's terms are set by the Board following recommendations from the Remuneration Committee.

Note 24 Pensions

Defined benefit scheme
The pension scheme is administered by a separate pension fund and gives entitlement to future pension benefits from the age of 67, but it is possible to receive a pension from age 62 The scheme also covers a disability pension subject to specific rules. The Group's defined benefit pension scheme guarantees most of the members a pension of approximately 70 percent of their final salary, up to a maximum of 12G. The defined benefit scheme is closed to new members.

Defined contribution scheme
Defined contribution pension schemes entail that the Group does not guarantee a future pension of a given size, and that the Group pays instead an annual contribution to the employees' collective pension savings plan. The future pension will depend on the size of the contribution and the annual return on the pension savings. The Group does not have any further obligation related to work performed after the annual contribution has been paid. There are no provisions for accrued pension liabilities in such schemes. Defined contribution pension schemes are recognised directly as an expense. The Group has offered a defined contribution pension scheme to its employees since 1 July 2008.

Early retirement pension scheme
The banking and financial services industry has entered into an early retirement pension (AFP) scheme contract. This scheme covers early retirement from the age of 62 to 67. The Bank is responsible for 100 percent of the pension that is paid from the age of 62 to 64 and 60 percent of the pension that is paid from the age of 65 to 67. Admission of new pensioners ceased with effect from 1 January 2011. There is no one left in the scheme per 31.12.2015.

New early retirement pension scheme
The Act on state subsidies to employees who take out an early retirement pension in the private sector (Early Retirement Subsidy Act) entered into force on 19 February 2010. Employees who take out early retirement from an implementation date in 2011 or later, will receive benefits in accordance with the new scheme. The new early retirement pension (AFP) scheme is a lifelong addition to National Insurance benefits and can be taken out from age 62. The employers' premium is determined as a percentage of salary payments up to 7.1G. In accordance with the recommendations of the Norwegian Accounting Standards Board, no provisions have been set aside for the Group's real early retirement pension (AFP) scheme liabilities.

In addition, the Group has pension liabilities in relation to early retirement pensioners and employees with a salary over 12G.

For further details of the Group's pension plans see note 2 Accounting Principles and note 23 Payroll expenses.

Defined-contribution pension from 1 July 2008	
Salary between 1 and 6 times the National Insurance basic amount (G)	5 %
Salary between 6 and 12 times the National Insurance basic amount (G)	8 %

Salary includes regular supplements, but does not include overtime, taxable benefits in kind and other remuneration of expenses.

The discontinued pension scheme includes	Parent bank	Group
Employees	267	299
Pensioners	282	289

The calculation of costs and liabilities for the closed pension scheme is based on the following assumptions:

Assumptions 31 December	01.01.2016	01.01.2015	01.01.2014
Discount rate	2.70 %	2.30 %	4.00 %
Expected return on assets	2.70 %	2.30 %	4.00 %
Expected future wage development	2.25 %	2.50 %	3.75 %
Expected adjustment of the basic amount (G)	2.25 %	2.50 %	3.50 %
Expected pension adjustment	2.25 %	2.50 %	3.50 %
Employers' National Insurance contribution	14.10 %	14.10 %	14.10 %
Expected voluntary retirement	2.00 %	2.00 %	2.00 %
Expected contractual early retirement from 62 years	0.00 %	0.00 %	0.00 %
Disability table applied	IR02	IR02	IR02
Mortality table applied	K2013 BE	K2013 BE	K2013 BE

The dates used above indicate the date from which the liability is calculated with changed assumptions. For example, this means that the pension liability at 31 December 2015 has been discounted on the basis of the assumptions that apply on 1 January 2016, whereas the annual cost for 2015 is based on the assumptions that applied at the beginning of the year.

The Norwegian Accounting Standards Board (NASB) reassessed the market for corporate bonds in 2012 as a result of input form market actors with regard to the growth of the covered bond market. These actors had found that the covered bond market was deep enough and that the pricing was reliable. The NASB can accordingly not deny use of the covered bond market interest rate for calculation of the discount rate. Sparebanken Hedmark decided on this basis to use the covered bond interest rate as its discount rate as of 31 December 2012.

Pension cost

SECURED SCHEME

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
21	21	Present value of pension accruals for the year	26	26
29	18	Interest cost of pension liability	19	30
-18	-11	- Return on pension assets	-11	-18
		Adminstrative cost		
3	4	Accrued employer contributions	4	3
35	**33**	**Net pension cost**	**39**	**41**

Actual return on pension assets:

3,2 %	3,2 %	3.2 %	3.2 %

UNSECURED PENSION SCHEME

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
2	2	Present value of pension accruals for the year	2	2
1	1	Interest cost of pension liability	1	1
5	6	Defined-contribution pension charged to profit and loss	6	5
4	4	Effect of new AFP scheme charged to profit and loss	4	4
1		Accrued employer contributions		1
13	**13**	**Net pension cost**	**13**	**13**

TOTAL SECURED AND UNSECURED SCHEMES

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
23	23	Present value of pension accruals for the year	28	28
30	19	Interest cost of pension liability	20	31
-18	-11	Return on pension assets	-11	-18
5	6	Defined-contribution pension charged to profit and loss	7	6
4	4	Effect of new AFP scheme charged to profit and loss	4	4
4	4	Accrued employer contributions	5	4
47	**46**	**Net pension cost**	**53**	**54**

Pension liability

SECURED SCHEME

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
791	869	Gross liabilities at 1 January	912	825
20	21	Pension accruals for the year	25	25
29	18	Interest on pension liability	19	30
-20	-24	Benefits paid	-24	-20
49	-82	Actuarial differences included in equity	-87	52
869	**802**	**Gross liability at 31 December**	**844**	**912**
557	583	Pension assets at 1 January	605	578
21	44	Paid into the scheme	48	26
21	11	Expected return on pension assets	11	18
-20	-24	Benefits paid	-24	-20
4	-14	Actuarial gains and losses included in equity	-14	4
583	**599**	**Pension assets at 31 December**	**626**	**605**
33	40	Employers' National Insurance contribution liability at 1 January	42	35
-3	-6	Employers' National Insurance contribution on pension premium paid in	-6	-3
6	-10	Employers' National Insurance contribution on actuarial differences	-10	6
4	4	Employers' National Insurance contribution on the pension cost for the year	4	4
40	**28**	**Employers' National Insurance contribution liability at 31 December**	**30**	**42**
267	326	Net pension liability secured scheme at 1 January	348	282
326	231	Net pension liability secured scheme at 31 December	249	348

Premium transfers in 2016 are estimated to NOK 40 million for the parent bank and NOK 43 million for the Group.

UNSECURED PENSION SCHEME

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
32	30	Gross liabilities at 1 January	30	32
2	2	Pension accruals for the year	2	2
1	1	Interest on pension liability	1	1
-6	-4	Benefits paid	-4	-6
2	-2	Actuarial differences included in equity	-2	2
30	**27**	**Gross liability at 31 December**	**27**	**30**
5	5	Employers' National Insurance contribution liability at 1 January	5	5
-1	-1	Employers' National Insurance contribution on paid benefits	-1	-1
		Employers' National Insurance contribution on actuarial differences		
		Employers' National Insurance contribution on the pension cost for the year		
5	**4**	**Employers' National Insurance contribution liability at 31 December**	**4**	**5**
37	35	Net pension liability unsecured scheme at 1 January	35	37
35	31	Net pension liability unsecured scheme at 31 December	31	35

TOTAL SECURED AND UNSECURED SCHEMES

Parent bank 2014	Parent bank 2015	Summary of pension liability	Group 2015	Group 2014
304	361	Net pension liability at 1 January	383	319
361	262	Net pension liability at 31 December	280	383

ACTUARIAL GAINS AND LOSSES (CHANGES IN ESTIMATES)

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
-51	79	Actuarial gains and losses and pre-tax losses in equity capital for the period	85	-87
194	115	Cumulative actuarial gains and losses and pre-tax losses in equity capital	140	225

Parent bank	2015	2014	2013	2012	2011
Present value of pension liability	862	944	861	773	885
Fair value of pension assets	599	583	558	524	490
Deficit / surplus	**262**	**361**	**303**	**249**	**395**
Experienced adjustments to pension liabilities	-74	63	73	-129	90
Experienced adjustments to pension assets	-17	6	-3	-18	-23

Group	2015	2014	2013	2012	2011
Present value of pension liability	906	989	897	801	925
Fair value of pension assets	626	605	578	541	507
Deficit / surplus	**280**	**384**	**319**	**260**	**418**
Experienced adjustments to pension liabilities	-78	65	78	-148	93
Experienced adjustments to pension assets	-16	5	-5	-24	-24

See note 3 for sensitivity analysis of pension liabilities.

Composition of the Group's pension assets	2015	2014
Fixed income funds	47.2 %	55.4 %
Shares	6.4 %	5.8 %
Short-term bonds	24.6 %	14.4 %
Certificates/bonds	5.7 %	5.7 %
Money market	15.7 %	17.7 %
Other	0.5 %	1.0 %

Note 25 Other operating expenses

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
44	53	External services	59	48
45	46	External data processing	47	46
43	47	Marketing	71	69
22	21	Postage, courier, telephone, computer lines	27	26
76	81	IT equipment, software	85	79
33	36	Depreciation (notes 33 and 34)	46	41
13	14	Rent	33	29
16	15	Operating expenses property	16	16
22	7	Wealth tax	7	22
38	42	Other operating expenses	71	62
353	**362**	**Total other operating expenses**	**462**	**438**
		Auditor's fee (NOK thousands)		
1 885	809	Statutory audit	1 547	3 169
		Other attestation services	18	
		Other services	295	111
1 885	**809**	**Total, including VAT**	**1 860**	**3 280**

Note 26 Taxes

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
835	1 003	Profit before taxes	1 163	1 232
-262	-255	+/- permanent differences *	-295	-519
-40		+/- group contribution		-40
54	-248	+/- changes in temporary differences	-368	-60
-51	79	+/- tax effect recorded directly against equity	85	-53
536	**579**	**Tax base / taxable income for the year**	**585**	**560**
146	156	Of which is tax payable 27 %	161	150
-1	71	Change in deferred tax	104	28
1		Tax at source		1
	1	Excess/insufficient tax allocation in previous years	1	
-1	-2	Excess/insufficient deferred tax allocation in previous years	-2	-1
14	-20	- of which change not recorded in income statement	-31	14
159	**207**	**Total tax charge**	**233**	**192**
		Explanation of why the tax charge for the year is not 27 % of the year's profit before tax		
225	271	27% tax on profit before tax	314	332
-67	-66	27% of permanent differences*	-77	-140
1		Tax at source		1
	1	Excess/insufficient tax allocation in previous years	1	
-1	-2	Excess/insufficient deferred tax allocation in previous years	-2	-1
	3	Reduction in the tax rate for deferred tax assets from 27% to 25%	-3	
159	**207**	**Estimated tax charge**	**233**	**192**
19 %	**21 %**	**Effective tax rate (%)**	**20 %**	**16 %**
		Deferred tax assets		
-131	-66	Deferred tax assets that reverses in more than 12 months	-70	-138
-2	-1	Deferred tax assets that reverses within 12 months	-6	-15
-132	**-67**	**Total deferred tax assets**	**-77**	**-153**
60	53	Deferred tax that reverses in more than 12 months	141	121
		Deferred tax that reverses within 12 months		
60	**53**	**Total deferred tax**	**141**	**121**
-72	**-14**	**Net deferred tax/deferred tax asset**	**65**	**-33**
		Specification of temporary differences		
12	10	Gains and loss account	17	12
-362	-263	Pension liabilities	-280	-384
99	78	Operating equipment	408	324
40		Group contribution		40
-71	93	Differences in finacial items	93	-71
15	27	Other temporary differences	42	14
		Carry forward tax loss	-23	-54
-267	**-54**	**Total temporary differences**	**257**	**-120**
27 %	25 %	Tax rate applied	25 %	27 %

*) Includes tax-exempted dividends, non-tax-deductible expenses, net tax-exempt gains on realisation of shares in the European Economic Area (EEA), and tax allowances for profit attributable to associated companies (the percentage of the profit is extracted as it has already been taxed in the individual company).

Note 27 Determination of fair value of financial instruments

The table below shows the financial instruments at fair value by the measurement method.
The different levels are defined as follows:

- Level 1: Quoted prices for similar asset or liability on an active market.
- Level 2: Valuation based on other observable factors either direct (price) or indirect (deduced from prices) than the quoted price (used on level 1) for the asset or liability.
- Level 3: Valuation based on factors not based on observable market data (non-observable inputs).

All figures are identical for the parent bank and the Group.

2015 **Assets**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit and loss				
- Derivatives		455		455
- Bonds and certificates		6 133		6 133
- Fixed-rate loans to customers		2 771		2 771
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	**Nivå 1**	**Nivå 2**	**Nivå 3**	**Total**
Financial liabilities at fair value through profit and loss				
- Derivatives		317	3	320
- Securities issued		11 576		11 576
- Subordinated loan capital		496		496
- Fixed-rate deposits from customers		89		89
- Term deposits			61	61
Total liabilities	**0**	**12 479**	**64**	**12 543**

2014 **Assets**	**Nivå 1**	**Nivå 2**	**Nivå 3**	**Total**
Financial assets at fair value through profit and loss				
- Derivatives		529	3	531
- Bonds and certificates		4 017		4 017
- Fixed-rate loans to customers		1 793		1 793
- loans with interest-rate guarantees to customers			1	1
Financial assets available for sale				
- Equity instruments	131		108	239
Total assets	**131**	**6 339**	**112**	**6 581**

Liabilities	**Nivå 1**	**Nivå 2**	**Nivå 3**	**Total**
Financial liabilities at fair value through profit and loss				
- Derivatives		330		330
- Securities issued		8 951		8 951
- Subordinated loan capital		505		505
- Fixed-rate deposits from customers		50		50
Total liabilities	**0**	**9 835**	**0**	**9 835**

Fair value of financial instruments traded on active markets is based on the market value on the balance sheet day. A market is considered active if the market prices are easily and regularly available, and these prices represent actual and regularly occurring arm's-length market transactions. The market price used for financial assets is the current purchase price; for financial liabilities the current selling price is used. Instruments included in level 1 include only equity instruments listed on Oslo Børs or the New York Stock Exchange.

Fair value value of financial instruments that are not traded in an active market (such as individual OTC derivatives) is determined using valuation methods. These valuation methods make maximum use of observable data where available and try to avoid using the Group's own estimates. If all the significant data required to determine the fair value of an instrument is observable data, the instrument is included in level 2.

If one or more important inputs required to determine the fair value of an instrument are observable market data, the instrument is included in level 3.

Valuation methods used to determine the value of financial instruments include:

- Fair value of interest rate swaps is calculated as the present value of the estimated future cash flow based on observable yield curves.
- Fair value forward contracts in a foreign currency is determined by looking at the present value of the difference between the agreed forward exchange rate and the foreign exchange rate on balance sheet day.
- Fair value of bonds and certificates (assets and liabilities) is calculated as the present value of the estimated future cash flow based on observable yield curves, including an indicated credit spread on issuers from a Nordic Bond Pricing or Reuters pricing service.
- Fair value of fixed-rate deposits and loans is calculated as the present value of the estimated future cash flow based on an observable swap yield curve, plus an implicit mark-upcalculated as the difference between the reference rate and the interest rate indicated by the Bank's price list on balance sheet day.
- Other methods, such as multiplier models, have been used to determine the fair value of the remaining financial instruments..

The table below presents the changes in value of the instruments classified in level 3:

2015	**Loans with interest-rate guarantees**	**Equity instru-ments**	**Derivatives**	**Fixed-rate deposits from customers**	**Other financial assets**	**Total**
Opening balance	1	108	3			**112**
Investments in the period		30		-61		**-30**
Sales / redemption in the period	-1	-2	-3			**-6**
Gains / losses recognised through profit and loss			-3			**-3**
Gains / losses recognised directly against comprehensive income		3			40	**43**
Closing balance	0	139	-3	-61	40	**116**
Gains / losses for the period included in the profit for assets owned on the balance sheet day			-3			**-3**

2014	**Loans with interest-rate guarantees**	**Equity instruments**	**Derivatives**	**Fixed-rate deposits from customers**		**Total**
Opening balance	3	256	3	-51		**210**
Investments in the period		16				**16**
Sales / redemption in the period	-2	-271	-5	51		**-226**
Gains / losses recognised through profit and loss		157	5			**163**
Gains / losses recognised directly against comprehensive income		-51				**-51**
Closing balance	1	108	3	0		**112**
Gains / losses for the period included in the profit for assets owned on the balance sheet day		-1	5			**4**

Gains and losses on instruments classified in level 3 recognised in profit and loss are included in their entirety under Net profit from other financial assets and liabilities in the income statement.

A realistic change in the observable factors linked to the valuation of loans with a guaranteed interest rate, derivatives and terms deposits at level 3, will only have an insignificant effect on profit or loss. Unlisted equity instruments will be valued in accordance with the valuation hierarchy in Note 3. There is a great deal of uncertainty related to establishing the fair value for these instruments. However, sensitivity considerations cannot be linked to specific valuation factors. All equity instruments at level 3 are also classified as available for sale with changes in value recognised under other comprehensive income.

For fixed-rate loans to customers, the higher credit markups in 2015 have reduced the fair value of the Bank's receivables by an estimated NOK 10 million. This estimate is the difference between the book value of the loans and the estimated fair value of the contractual cash flows at the balance sheet date discounted at the balance sheet interest rate curve and applicable credit spreads at the beginning. For fixed-rate deposits from customers the same effect is insignificant.

Note 28 Classification of financial instruments

Parent bank 2015	Financial investments at fair value through profit and loss Held for trading	 To be recognised at fair value	 Financial investments held to maturity	 Financial instruments assessed at amortised cost	 Total
Assets					
Cash and deposits with central banks				264	264
Loans to and receivables from credit institutions				864	864
Gross loans to and receivables from customers		2 771		35 404	38 175
- Individual write-downs				-119	-119
- Write-downs of groups of loans				-103	-103
Net loans to and receivables from customers	0	2 771	0	35 182	37 953
Certificates and bonds		6 133			6 133
Financial derivatives	455				455
Shares, units and other equity interests			294		294
Total assets	**455**	**8 904**	**294**	**36 310**	**45 963**
Liabilities					
Deposits from and liabilities to credit institutions				659	659
Deposits from and liabilities to customers		150		33 359	33 508
Liabilities arising from issuance of securities		11 576			11 576
Financial derivatives	320				320
Subordinated loan capital		496			496
Total liabilities	**320**	**12 222**	**0**	**34 018**	**46 561**

Parent bank 2014	Financial investments at fair value through profit and loss Held for trading	 To be recognised at fair value	 Financial investments held to maturity	 Financial instruments assessed at amortised cost	 Total
Assets					
Cash and deposits with central banks				748	748
Loans to and receivables from credit institutions				675	675
Gross loans to and receivables from customers		1 793		33 351	35 144
- Individual write-downs				-120	-120
- Write-downs of groups of loans				-101	-101
Net loans to and receivables from customers	0	1 793	0	33 130	34 923
Certificates and bonds		4 017			4 017
Financial derivatives	531				531
Shares, units and other equity interests			239		239
Total assets	**531**	**5 810**	**239**	**34 553**	**41 133**
Liabilities					
Deposits from and liabilities to credit institutions				665	665
Deposits from and liabilities to customers		50		31 035	31 085
Liabilities arising from issuance of securities		8 951			8 951
Financial derivatives	330				330
Subordinated loan capital		505			505
Total liabilities	**330**	**9 505**	**0**	**31 700**	**41 535**

Group 2015	Financial investments at fair value through profit and loss Held for trading	 To be recognised at fair value	 Financial investments held to maturity	 Financial instruments assessed at amortised cost	 Total
Assets					
Cash and deposits with central banks				264	264
Loans to and receivables from credit institutions				864	864
Gross loans to and receivables from customers		2 771		41 009	43 779
- Individual write-downs				-132	-132
- Write-downs of groups of loans				-120	-120
Net loans to and receivables from customers	0	2 771	0	40 757	43 526
Certificates and bonds		6 133			6 133
Financial derivatives	455				455
Shares, units and other equity interests			294		294
Total assets	**455**	**8 904**	**294**	**41 885**	**51 538**
Liabilities					
Deposits from and liabilities to credit institutions				659	659
Deposits from and liabilities to customers		150		33 309	33 458
Liabilities arising from issuance of securities		11 576			11 576
Financial derivatives	320				320
Subordinated loan capital		496			496
Total liabilities	**320**	**12 222**	**0**	**33 968**	**46 511**

Group 2014	Financial investments at fair value through profit and loss Held for trading	 To be recognised at fair value	 Financial investments held to maturity	 Financial instruments assessed at amortised cost	 Total
Assets					
Cash and deposits with central banks				748	748
Loans to and receivables from credit institutions				675	675
Gross loans to and receivables from customers		1 793		38 143	39 936
- Individual write-downs				-129	-129
- Write-downs of groups of loans				-116	-116
Net loans to and receivables from customers	0	1 793	0	37 898	39 691
Certificates and bonds		4 017			4 017
Financial derivatives	531				531
Shares, units and other equity interests			239		239
Total assets	**531**	**5 810**	**239**	**39 321**	**45 901**
Liabilities					
Deposits from and liabilities to credit institutions				665	665
Deposits from and liabilities to customers		50		31 021	31 070
Liabilities arising from issuance of securities		8 951			8 951
Financial derivatives	330				330
Subordinated loan capital		505			505
Total liabilities	**330**	**9 505**	**0**	**31 686**	**41 521**

Note 29 Information about fair value

Parent bank	Book value 2015	Fair value 2015	Level in the valuation hierarchy	Book value 2014	Fair value 2014	Level in the valuation hierarchy
ASSETS						
Loans to and receivables from credit institutions	5 701	5 701	2	4 856	4 856	2
Net loans to and receivables from customers						
RM	21 756	21 756	3	20 428	20 428	3
CM	16 196	16 196	3	14 495	14 495	3
Securities	6 427	6 427	1,2,3	4 255	4 255	1,2,3
Derivatives	455	455	2	531	531	2
Total financial assets	**50 535**	**50 535**		**44 565**	**44 565**	
LIABILITIES						
Liabilities to credit institutions	661	661	2	667	667	2
Deposits from and liabilities to customers	33 508	33 508	3	31 085	31 085	3
Liabilities arising from issuance of securities	11 576	11 576	2	8 951	8 951	2
Derivatives	320	320	2	330	330	2
Subordinated loan capital	496	496	2	505	505	2
Total financial liabilities	**46 563**	**46 563**		**41 537**	**41 537**	

Group	Book value 2015	Fair value 2015	Level in the valuation hierarchy	Book value 2014	Fair value 2014	Level in the valuation hierarchy
ASSETS						
Loans to and receivables from credit institutions	864	864	2	675	675	2
Net loans to and receivables from customers						
RM	24 215	24 215	3	22 717	22 717	3
CM	19 311	19 311	3	16 975	16 975	3
Securities	6 427	6 427	1,2,3	4 256	4 256	1,2,3
Derivatives	455	455	2	531	531	2
Total financial assets	**51 272**	**51 272**		**45 154**	**45 154**	
LIABILITIES						
Liabilities to credit institutions	660	660	2	665	665	2
Deposits from and liabilities to customers	33 458	33 458	3	31 070	31 070	3
Liabilities arising from issuance of securities	11 576	11 576	2	8 951	8 951	2
Derivatives	320	320	2	330	330	2
Subordinated loan capital	496	496	2	505	505	2
Total financial liabilities	**46 511**	**46 511**		**41 521**	**41 521**	

GENERAL

Financial instruments assessed at fair value

Financial instruments – with the exception of loans to and deposits from customers with floating rates of interest, and debts to credit institutions – are assessed at fair value. For a more detailed description, see notes 2 and 3.

Financial instruments assessed at amortised cost

Financial instruments that are not assessed at fair value are recognised at amortised cost. See note 2 for a more detailed description. Amortised costs entails assessing balance sheet items after originally agreed cash flows and, as applicable, adjusted for write-downs.

Assessment at fair value will always be subject to uncertainty.

Assessment at fair value of items recognised at amortised cost

In connection with assessment at fair value of items recognised at amortised cost, we divide items into the following categories: loans to and receivables from credit institutions, loans to retail and corporate customers, deposits from and liabilities to customers, and liabilities to credit institutions.

Differing pricing methods are used for loans to customers and loans to credit institutions. Below is a summary of the various pricing models for the different categories:

- Loans to and receivables from credit institutions are priced using NIBOR.
- Loans to retail market customers are priced using floating and fixed customer interest rates.
- Loans to corporate market customers are priced using floating and fixed customer interest rates, and a number of loans are priced using NIBOR.

All fixed-rate loans are recognised at fair value in the bank's accounts.

It is the Bank's view that loans in the retail and corporate market with floating interest rates always have a fair market price. The justification for this is that floating interest is subject to continuous assessment and adjustment to the interest rates in the capital market and changes in the competition situation. In the banks opinion the portfolio has a correct marketprice. The other NIBOR loans can be renegotiated continuously. The bank endevaors that these loans have the right market value at any time.

Liabilities to credit institution and deposits from customers

For deposits to customers and liabilities to credit institutions, fair value is estimated to be equal to book value, since they generally have floating rates of interest.In the light of these assessments, there is no difference between book value and fair value in the table above.

Note 30 Certificates, bonds and fixed-income funds

All figures are identical for the parent bank and the Group.

Certificates and bonds by sector of issuers	2015	2014
Government		
nominal value	150	150
fair value	159	160
Other public sector issuers		
nominal value	1 082	505
fair value	1 080	527
Financial institutions		
nominal value	4 658	3 084
fair value	4 686	3 161
Non-financial institutions		
nominal value	209	172
fair value	207	169
Total fixed-income, nominal value	**6 098**	**3 911**
Total fixed-income at fair value through profit	**6 133**	**4 017**

Fair value is presented including accrued interest (dirty price). Accrued interest amounts to NOK 26 million i 2015 and NOK 27 million in 2014.

See note 15 for a more detailed specification of risk linked to fixed-income securities.

Note 31 Financial derivatives

All figures are identical for the parent bank and the Group.

Assessment at fair value through profit and loss	2015		
Currency instruments	**Contract sum**	**Fair value Assets**	**Fair value Liabilities**
Currency forward contracts	626	12	10
Currency swaps	1 988	3	27
Total currency instruments	**2 614**	**15**	**37**
Interest rate instruments			
Interest rate swaps (including cross currency swaps)	10 465	435	281
Others	150	6	
Total interest rate instruments	**10 615**	**441**	**281**
Other derivatives			
Guarantee liability in respect of Eksportfinans ASA	66	0	3
Total currency and interest rate instruments			
Total currency instruments	**2 614**	**15**	**37**
Total interest rate instruments	**10 615**	**441**	**281**
Total other derivatives	**66**	**0**	**3**
Total	**13 295**	**455**	**320**

Assessment at fair value through profit and loss	2014		
Currency instruments	**Contract sum**	**Fair value Assets**	**Fair value Liabilities**
Currency forward contracts	881	18	11
Currency swaps	1 386	14	57
Total currency instruments	2 267	32	67
Interest rate instruments			
Interest rate swaps (including cross currency swaps)	8 763	486	263
Others	150	10	
Total interest rate instruments	**8 913**	**497**	**263**
Other derivatives			
Guarantee liability in respect of Eksportfinans ASA	66	3	0
Total currency and interest rate instruments			
Total currency instruments	**2 267**	**32**	**67**
Total interest rate instruments	**8 913**	**497**	**263**
Total other derivatives	**66**	**3**	**0**
Total	**11 247**	**531**	**330**

Note 32 Shares, units and other equity interests

All figures are identical for the parent bank and the Group.

	2015	2014
Available for sale (AFS)	**294**	**239**
– Listed	154	131
– Unlisted	139	108
Total shares and units	**294**	**239**

Listed companies	Classification	Ownership (%)	No. of shares	Cost of acquisition (NOK thousands)	Market value/ book value (NOK thousands)
Visa Inc. (Shares, NYSE)	AFS	0.0 %	54 840	5 891	37 802
Totens Sparebank (Equity capital certificates, OSE)	AFS	23.5 %	1 440 530	94 782	116 683
Total listed shares and equity certificates				**100 673**	**154 485**

Unlisted companies	Classification	Ownership (%)	No. of shares	Cost of acquisition (NOK thousands)	Market value/ book value (NOK thousands)
Eiendomskreditt AS	AFS	1.1 %	32 510	3 446	4 064
Eksportfinans ASA	AFS	1.3 %	3 499	52 127	74 179
Norgesinvestor IV AS	AFS	1.7 %	79 000	7 308	7 426
Norgesinvesto Proto AS	AFS	16.9 %	150 000	15 000	16 437
SpareBank 1 Markets AS	AFS	6.2 %	139 454	47 485	29 285
Other	AFS			7 106	7 870
Total unlisted shares and units				**132 472**	**139 261**
Total shares, units and equity certificates				**233 145**	**293 746**

Note 33 Goodwill and other intangible assets

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
		Goodwill		
22	22	Acquisition cost at 1 January	115	99
		Acquisitions	32	16
		Disposals	19	
22	22	Acquisition cost at 31 December	128	115
		Accumulated write-downs at 1 January	20	20
		Current year's write-downs		
		Accumulated write-downs at 31 December	20	20
22	**22**	**Goodwill incorporated in the balance sheet at 31 December**	**108**	**95**

Parent Bank
Goodwill was recognised in the balance sheet of the Parent Bank due to the acquisition of the Hamar branch of in Bank 1 Oslo Akershus AS in 2006.

On acquisition of the portfolio from Bank 1 Oslo Akershus AS in 2006, the names of the customers who were transferred to Sparebanken Hedmark were noted to enable them to be identified at a later time. The remaining customers in the portfolio are therefore regarded as the smallest identifiable group of assets for a cash-generating unit. When testing the value of this portfolio for impairment, in principle an estimate is made of the net cash flows expected to arise from the portfolio by determining it´s earnings from loans and deposits, and the costs and revenues derived from mutual funds and insurance products. Furthermore, an estimate is made of expected losses on the portfolio. The cash flow is calculated over 20 years and is discounted using a risk free interest rate with the addition of a premium that reflects the risk associated with similar businesses. The calculations show that the present value of the discounted future cash flows connected to the portfolio acquired from Bank 1 Oslo Akershus AS exceeds the carrying value of goodwill.

Group
Goodwill in the group is linked to the acquisition of office from Bank 1 Oslo Akershus AS in 2006, a minor post goodwill EiendomsMegler 1 Hedmark Eiendom AS, and the goodwill of the subsidiary SpareBank 1 Regnskapshuset Østlandet AS that have arisen in connection with various acquisitions of new offices. There is also a goodwill item linked to the Bank's acquisition of SpareBank 1 Regnskapshuset Østlandet AS in April 2011. The residual value of this item is NOK 4 million.

The value of goodwill in subsidiaries, associated companies and joint ventures has been tested as at 31 December 2015. Given the equity and expected future earnings of the companies, goodwill was not written down in the consolidated profit for 2015. Disposals of goodwill due to sale of accounting offices that belonged to SpareBank 1 RegnskapshusetAS.

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
		Other intangible assets		
130	130	Acquisition cost at 1 January	133	133
	2	Acquisitions	21	
		Disposals		
130	132	Acquisition cost at 31 December	154	133
35	43	Accumulated depreciation at 1 January	43	35
		Disposals accumulated depreciation		
8	8	Current year's depreciation	8	8
43	51	Accumulated depreciation at 31 December	51	43
87	**82**	**Other intangible assets at 31 December**	**103**	**90**

Other intangible assets consist primarily of NOK 43 million related to the acquisition of the customer portfolio of Bank 1 Oslo Akershus AS's Hamar office in 2006, NOK 19 million related to the acquisition of the customer portfolio from SpareBank1 Ringerike Hadeland in October 2011, as well as NOK 17 million related to the acquisition of the customer portfolio from Bank1 Oslo Akershus AS in Årnes in October 2012. The portfolios will be amortised over 20 years and 14 years, respectively.

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
110	**104**	**Total intangible assets at 31 December**	**211**	**185**

See note 3 for a description of the valuation models used for goodwill and intangible assets.

Note 34 Acquisition of businesses/business combinations

On 1 January 2015, Sparebanken Hedmark's subsidiary SpareBank 1 Regnskapshuset Østlandet AS required 100 percent of the shares in the three accounting firms Hauge Regnskap AS, Stenberg Regnskap & Økonomi AS, and Frostad & Skyrud AS. The objective of the acquisition is to secure the company's assets, protect local jobs and contribute to long-term operations and development.

Frostad & Skyrud AS is treated as a subsidiary of SpareBank 1 Regnskapshuset Østlandet AS. SpareBank 1 Regnskapshuset AS has paid the following remuneration at fair value in connection with the acquisitions:

Acquisition analysis	
Remuneration 1 January 2015	38
The book value of identifiable assets and liabilities as a result of the acquisition	
Intangible assets	
Property, plant and equipment	1
Current assets	5
Bank deposits, cash, etc.	11
Long-term debt to credit institutions	
Current debt to credit institutions	
Other current liabilities	-16
Total identifiable net assets	**1**

Excess value of NOK 37 million was paid for the company. Of this excess value, NOK 22 million is classified as goodwill.
The remaining NOK 15 million is classified as an intangible asset and linked to the aquired customer portfolio in Frostad & Skyrud AS.
Including the tax effect of the excess value in the customer portfolio, the intangible asset is worth NOK 18 million.

Hauge Regnskap AS and Stenberg Regnskap & Økonomi AS have been merged with other units in Hamar and will together make up a departmental account. The acquisitions have resulted in goodwill in the Sparebanken Hedmark Group of a total of NOK 10 million. See the acquisition analysis below.

SpareBank 1 Regnskapshuset AS has paid the following remuneration at fair value in connection with the acquisitions:

Acquisition analysis Hauge Regnskap AS	
Remuneration 1 January 2015	2
The book value of identifiable assets and liabilities as a result of the acquisition	
Current assets	1
Other current liabilities	-1
Total identifiable net assets	**0**

Excess value of NOK 2 million was paid for the company. The entire amount of excess value is classified as goodwill.

Acquisition analysis Stenberg Regnskap & Økonomi AS	
Remuneration 1 January 2015	9
The book value of identifiable assets and liabilities as a result of the acquisition	
Current assets	2
Bank deposits, cash, etc.	1
Other current liabilities	-2
Total identifiable net assets	**1**

Excess value of NOK 8 million was paid for the company. Of this excess value, NOK 5 million is classified as goodwill and NOK 3 million is classified as an intangible asset.

Costs related to the acquisition are recognised in the Bank's income statement for 2015.

Note 35 Property, plant and equipment

Parent bank				Group		
Buildings, land and other property	**Fixtures, fittings and vehicles**	**Total**		**Buildings, land and other property**	**Fixtures, fittings and vehicles**	**Total**
350	228	578	Acquisition cost at 1 January 2014	414	278	692
62	20	81	Acquisitions	62	25	86
8	28	36	Disposals	8	28	36
404	**219**	**622**	**Acquisition cost at 31 December 2014**	**468**	**274**	**742**
145	167	312	Accumulated depreciation and write-downs at 1 January 2014	201	203	404
10	16	26	Current year's depreciation	10	23	33
6	25	31	Current year's disposal	6	25	31
149	**157**	**307**	**Accumulated depreciation and write-downs at 31 December 2014**	**205**	**201**	**406**
254	**61**	**315**	**Book value at 31 December 2014**	**263**	**73**	**336**
404	219	622	Acquisition cost at 1 January 2015	468	274	742
7	22	29	Acquisitions	17	27	44
1	8	9	Disposals	1	8	9
409	**233**	**642**	**Acquisition cost at 31 December 2015**	**483**	**294**	**777**
307			Accumulated depreciation and write-downs at 1 January 2015	205	201	406
11	18	28	Current year's depreciation	14	24	38
1	6	7	Current year's disposal	1	6	7
10	**12**	**328**	**Accumulated depreciation and write-downs at 31 December 2015**	**218**	**219**	**438**
399	**221**	**314**	**Book value at 31 December 2015**	**265**	**75**	**341**

Collateral security
The bank has not pledged or accepted any other limitations on it´s right to dispose of the fixed assets.

Acquisition cost of depreciated assets
The acquisition cost of fully depreciated assets still in use in the Bank in 2015 was NOK 172 million.
The corresponding figure for 2014 was NOK 158 million.

Gross value of fixed assets temporarily not in operation
The Group did not have any fixed assets temporarily out off operation at 31 December 2015.

Investment properties (NOK thousands)

Parent bank						Group				
Value 01.01.15	**Acqu./ depr.**	**Value 31.12.15**	**Rent**	**Rented on 31.12.2015**		**Value 01.01.15**	**Acqu./ depr.**	**Value 31.12.15**	**Rent**	**Rented on 31.12.15**
6 722	-132	6 590	559	100 % Brugata 7 – Brumunddal		6 722	-132	6 590	445	66 %
6 722	**-132**	**6 590**	**559**	**Total**		**6 722**	**-132**	**6 590**	**445**	
		8 391		Fair value				8 391		

Parent bank						Group				
Value 01.01.14	**Acqu./ depr.**	**Value 31.12.14**	**Rent**	**Rented on 31.12.2014**		**Value 01.01.14**	**Acqu./ depr.**	**Value 31.12.14**	**Rent**	**Rented on 31.12.14**
6 827	-105	6 722	436	100 % Brugata 7 – Brumunddal		6 827	-105	6 722	223	66 %
6 827	**-105**	**6 722**	**436**		**Total**	**6 827**	**-105**	**6 722**	**223**	
		9 036		Fair value				9 036		

Fair value of investment properties is based on an appraisal by an independent appraiser.

Note 36 Other assets

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
73	73	Capital payments into pension fund	73	73
19	17	Accrued income, not yet received	21	19
23	27	Prepaid costs, not yet incurred	27	15
144	197	Other assets	376	299
260	**314**	**Other assets**	**497**	**406**

Note 37 Deposits from and liabilities to customers

Parent bank 2014	Parent bank 2015	**Deposits from and liabilities to customers**	Group 2015	Group 2014
31 035	31 618	Deposits from and liabilities to customers at call	31 570	31 021
49	1 888	Deposits from and liabilities to customers with agreed maturity dates	1 888	49
1	2	Accrued interest		
31 085	**33 508**	**Total deposits from and liabilities to customers**	**33 458**	**31 070**
		Of total deposits, deposits stated at fair value through profit and loss (FVO):		
50	89	Fixed-rate deposits, book value	89	50
49	88	Fixed-rate deposits, nominal value	88	49
	61	Term deposits, book value	61	
	60	Term deposits, nominal value	60	

2014	2015	**Deposits by sector and industry**	2015	2014
19 047	20 396	Private customers	20 396	19 047
3 666	4 126	Public sector	4 126	3 666
927	921	Primary industries	921	927
101	104	Paper and pulp industries	104	101
514	503	Other industry	503	514
671	806	Building and construction	806	671
118	124	Power and water supply	124	118
665	882	Wholesale and retail trade	882	665
95	131	Hotel and restaurants	131	95
1 565	1 487	Real estate	1 487	1 565
3 452	3 756	Commercial services	3 706	3 437
258	268	Transport and communications	268	258
6	4	Other operations	4	6
31 085	**33 508**	**Total deposits by sector and industry**	**33 458**	**31 070**

2014	2015	**Deposits by geographic area**	2015	2014
26 012	27 683	Hedmark County	27 635	25 997
691	1 002	Oppland County	1 002	691
1 259	1 393	Akershus County	1 393	1 259
2 748	2 995	Rest of Norway	2 995	2 748
375	433	Abroad	433	375
0	2	Accrued interest, undistributed		
31 085	**33 508**	**Total deposits by geographic area**	**33 458**	**31 070**

Note 38 Liabilities arising from issuance of securities

Parent bank and Group	**2015**	**2014**
Certificate-based debt		
- nominal value	500	
- fair value	501	
Bond debt		
- nominal value	10 814	8 410
- fair value	11 076	8 951
Subordinated loan capital		
- nominal value	500	500
- fair value	496	505
Total liabilities arising from issuance of securities, nominal value	**11 314**	**8 410**
Total subordinated loan capital, nominal value	**500**	**500**
Total liabilities arising from issuance of securities, fair value	**11 576**	**8 951**
Total subordinated loan capital, fair value	**496**	**505**
Average interest rate on certificate-based debt	1.3 %	1.9 %
Average interest rate on bond debt	2.3 %	2.8 %
Average interest rate on subordinated loan capital	3.2 %	3.6 %

Liabilities from issuance of securities by maturity date	**2015**	**2014**
2015		1 012
2016	1 884	1 468
2017	1 900	1 900
2018	2 680	2 480
2019	1 650	1 150
2020	2 100	300
2021	1 000	
2022	200	200
2023	400	400
Total liabilities from issuance of securities, nominal value	**11 814**	**8 910**

Parent bank and Group

Changes in liabilities from issuance of securities	**31.12.15**	**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**

Changes in liabilities from issuance of securities	**31.12.2014**	**Issued**	**Due / redeemed**	**Other changes**	**31.12.2013**
Certificate-based debt, nominal value	0		-300		300
Bond debt, nominal value	8 410	2 050	-1 250	-108	7 718
Subordinated loan capital, nominal value	500				500
Accrued interest	131			-33	164
Adjustments	415			196	219
Total debt raised through issuance of securities and subordinated loan capital, fair value	**9 455**	**2 050**	**-1 550**	**54**	**8 901**

Securities issued are presented net own holdings. Fair value includes accrued interest (dirty price). All debts from issuance of securities are raised in Norwegian kroner (NOK).

Increased level of revenue spreads in 2015 in isolation reduced the real value of the bank's securities by an estimated NOK 222 million. The estimate corresponds to the calculated difference between the market value of the debt securities based on the spread curve on the date of the balance sheet and the estimated market value of the same holdings based on the spread curve at the end of 2014, possibly with initial recognition of debt that was issued in 2015. All other factors remain the same.

By comparison resulted in narrower spreads in 2014 led to an increase in the fair value of debt securities by an estimated 46 million.

As of 31.12.2015 a cumulative realized gains was recorded, including hedging derivatives, 81 million relating to the assessment of the bank's securities at fair value.

Note 39 Other debt and liabilities

Parent bank 2014	Parent bank 2015		Group 2015	Group 2014
		Other debt and liabilities recognised in the balance sheet		
362	263	Pension liabilities (note 24)	280	384
14	14	Guarantee provisions	14	14
9	7	Banker's drafts	7	9
37	34	Accounts payable	41	42
159	121	Other	167	190
581	**440**	**Total other debt and liabilities recognised in the balance sheet**	**510**	**639**
		Guarantee commitments etc. (amounts guaranteed)		
627	593	Payment guarantees	473	507
385	363	Contract guarantees	362	385
5	5	Guarantees for taxes	5	5
45	88	Other guarantees	88	45
1 062	**1 049**	**Total guarantees**	**928**	**942**
		Other liabilities - not on the balance sheet		
4 074	5 123	Unutilized credit lines	4 818	4 061
459	542	Loans approved (not discounted)	542	459
		Other liabilities		
4 533	**5 665**	**Total other liabilities**	**5 360**	**4 520**
6 176	**7 155**	**Total liabilities**	**6 798**	**6 101**

Buildings	Securities	Total	Assets pledged as security	Buildings	Securities	Total
	3 275	3 275	Assets pledged as security in 2014*		3 275	3 275
			Related liabilities 2014			
	2 575	2 575	Assets pledged as security in 2013*		2 575	2 575
			Related liabilities 2013			

* Bonds in escrow as collateral for loan access from Norges Bank.

SpareBank 1 Boligkreditt AS
Together with the other shareholders of SpareBank 1 Boligkreditt AS, Sparebanken Hedmark agreed in 2010 to provide a liquidity facility to SpareBank 1 Boligkreditt AS. This involves the banks committing themselves to buying residential mortgage bonds with a maximum total value corresponding to SpareBank 1 Boligkreditt's debt maturing over the next twelve months minus the firm's own holdings of liquidity. The agreement means that each shareholderhas principal responsibility for his share of the requirement, and secondary responsibility for double the value of his principal responsibility. The bonds can be deposited with Norges Bank, which means that they do not significantly increase the Bank's risk exposure.

Ongoing lawsuits
The Group is involved in some legal disputes whose financial implications are deemed not to have significant impact on its financial position. The Group has made provisions for losses in the cases in which there is a probability that it will suffer losses as a consequence of the lawsuits..

Note 40 Investments in subsidiaries, associates and joint ventures

Company	Type of business	Date of acquisition	Business office, [2] headquarters	Percentage [1] ownership
Investments in subsidiaries				
Shares owned by the parent bank				
EiendomsMegler 1 Hedmark Eiendom AS	Real estate	1988	Hamar, Norway	100.00 %
SpareBank 1 Finans Østlandet AS	Financing	1995	Hamar, Norway	100.00 %
SpareBank 1 Regnskapshuset Østlandet AS	Accounting	2011	Hamar, Norway	100.00 %
Vato AS	Rental of real estate	1981	Hamar, Norway	100.00 %
Investments in associated companies				
Bank 1 Oslo Akershus AS	Banking	2010	Oslo, Norway	40.50 %
SpareBank 1 Boligkreditt AS	Coverd bond company	2007	Stavanger, Norway	9.96 %
SpareBank1 Næringskreditt AS	Coverd bond company	2012	Stavanger, Norway	3.84 %
SpareBank 1 Kredittkort AS	Credit card	2012	Trondheim, Norway	8.66 %
SpareBank 1 Mobilbetaling AS	Payment services.	2015	Oslo, Norway	12.60 %
KOMM-IN AS	Consulting	2013	Raufoss, Norway	23.10 %
Investments in joint ventures				
Torggt 22 AS	Rental of real estate	2001	Hamar, Norway	50.00 %
SpareBank 1 Gruppen AS	Financial holding company	2006	Tromsø, Norway	11.00 %
SpareBank 1 Banksamarbeidet DA	Develop and coordinate cooperation in SpareBank 1 Alliansen	2006	Oslo, Norway	11.30 %

[1] The voting share corresponds to the ownership interest in all the companies.
[2] Registered office and head quarters are the same for all companies exept SpareBank 1 Gruppen AS whose headquarters is placed in Oslo.

Shares in subsidiaries parent bank
Investments are recognised at cost in the parent bank. The figures are fully consolidated in the consolidated financial statements.

2015	The company's share capital	No. of shares	Assets *)	Short-term debt	Long-term debt	Total income	Total expenses	Company profit	Book value 2015
SpareBank 1 Finans Østlandet AS	750.0	750 000	5 766	92	4 846	226	111	74	750
Total investments in credit institutions			**5 766**	**92**	**4 846**	**226**	**111**	**74**	**750**
EiendomsMegler 1 Hedmark Eiendom AS	0.5	12 400	6	21		81	74	5	20
SpareBank 1 Regnskapshuset Østlandet AS	13.8	1 250 000	99	43	24	171	154	11	80
Vato AS	0.6	352	14	3	13	3	2	1	9
Total investments in other subsidiaries			**119**	**67**	**37**	**255**	**230**	**17**	**109**
Total investments in Group companies parent bank			**5 885**	**159**	**4 883**	**481**	**341**	**91**	**859**

2014	The company's share capital	No. of shares	Assets *)	Short-term debt	Long-term debt	Total income	Total expenses	Company profit	Book value 2014
SpareBank 1 Finans Østlandet AS	600.0	600 000	4 938	71	4 192	209	95	73	600
Total investments in credit institutions			**4 938**	**71**	**4 192**	**209**	**95**	**73**	**600**
EiendomsMegler 1 Hedmark Eiendom AS	0.5	500	3	26		79	67	8	8
SpareBank 1 Regnskapshuset Østlandet AS	13.8	1 250 000	108	29	41	124	118	4	51
Vato AS	0.6	352	11	1		2	1	1	9
Total investments in other subsidiaries			**145**	**56**	**41**	**205**	**186**	**13**	**68**
Total investments in Group companies parent bank			**5 083**	**127**	**4 233**	**395**	**261**	**86**	**668**

*) Assets classified as fixed assets

Investments in associates and joint ventures

Investments in associates and joint ventures are recognised at cost in the parent bank. Consolidated figures are presented according to the equity method of accounting.

Parent bank			Group	
2014	**2015**		**2015**	**2014**
2 140	2 323	Book value at 1 January	3 073	2 565
183	134	Acquisitions/disposals	134	264
		Write-downs		
		Changes in equity	57	-14
		Share of the profit	301	393
		Dividend paid	-179	-135
2 323	**2 457**	**Book value at 31 December**	**3 386**	**3 073**

Income from investments in subsidiaries, associates and joint ventures

Parent bank			Group	
2014	**2015**		**2015**	**2014**
19	107	Dividend SpareBank 1 Gruppen AS		
27	51	Dividend Bank 1 Oslo Akershus AS		
25	19	Dividend SpareBank 1 Boligkreditt AS		
4	7	Dividend EM 1 Hedmark Eiendom AS		
58	73	Dividend SB 1 Finans Østlandet AS		
2	2	Dividend from others		
		Share of the profit SpareBank 1 Gruppen AS	142	202
		Share of the profit Bank 1 Oslo Akershus AS	103	183
		Share of the profit SpareBank 1 Boligkreditt AS	46	19
		Share of the profit from others	10	-11
-17		Impairment		
-1	0	Gains/losses on realisation of ownership investments		
117	**259**	**Total income**	**301**	**394**

The Group's stake in associates companies

2015	**SpareBank 1 Gruppen AS**	**SpareBank 1 Banksamarbeidet DA**	**Torggt 22 AS**	**Total associated companies**
Ownership in percent	11.00 %	11.30 %	50.00 %	
Number of shares	215 204		8 000	
Current assets	4 743	17	2	
Fixed assets	1 638	68	19	
Total assets	**6 381**	**85**	**21**	
Short-term liabilities	270	25	0	
Long-term liabilities	5 236	46	5	
Equity capital	875	14	15	
Total equity capital and liabilities	**6 381**	**85**	**20**	
Income	1 343	107	2	
Operating expenses	1 166	102	1	
Profit/loss before tax	177	4	1	
Tax	36			
Result for the accounting year	**141**	**4**	**1**	
Comprehensive income	**20**			
Book value Parent Bank	**492**	**13**	**8**	**513**
Book value Group	**945**	**13**	**15**	**973**

2014	**SpareBank 1 Gruppen AS**	**SpareBank 1 Banksamarbeidet DA**	**Torggt 22 AS**	**Oslo Eiendom Holding AS**	**Total associated companies**
Ownership in percent	11.00 %	11.30 %	50.00 %	50.00 %	
Number of shares	215 204		8 000	15 000	
Current assets	4 337	2	1	2	
Fixed assets	1 758	96	20		
Total assets	**6 095**	**98**	**21**	**2**	
Short-term liabilities	628	40	1		
Long-term liabilities	4 654	46	6		
Equity capital	813	12	14	2	
Total equity capital and liabilities	**6 095**	**98**	**21**	**2**	
Income	1 389	76	2		
Operating expenses	1 124	75	1		
Profit/loss before tax	265	1	1	-	
Tax	62				
Result for the accounting year	**203**	**1**	**1**	**-**	
Comprehensive income	**-5**				
Book value Parent Bank	**492**	**13**	**8**	**2**	**515**
Book value Group	**883**	**13**	**14**	**2**	**912**

The Group's stake in associates and joint ventures

2015	**Bank 1 Oslo Akershus AS**	**SpareBank 1 Boligkreditt AS**	**SpareBank 1 Næringskreditt AS**	**SpareBank 1 Kredittkort AS**	**SpareBank 1 Mobilbetaling AS**	**Other associates and joint ventures**	**Total associates and joint ventures**
Ownership in percent	40.50 %	9.96 %	3.84 %	8.66 %	12.60 %		
Number of shares	1 854 126	6 143 099	560 000	250 098	1 046		
Current assets	15 147	26 813	610	454	83		
Fixed assets	639						
Total assets	**15 787**	**26 813**	**610**	**454**	**83**		
Short-term liabilities	10 308	3 805	3	19			
Long-term liabilities	4 210	22 040	533	349			
Equity capital	1 268	968	74	86	83		
Total equity capital and liabilities	**15 787**	**26 813**	**610**	**454**	**83**		
Income	426	65	5	80	0		
Operating expenses	298	3	0	67	0		
Profit/loss before tax	127	62	5	13			
Tax	32	17	1				
Result for the accounting year	**95**	**45**	**3**	**13**	**0**		
Comprehensive income	**30**						
Book value Parent Bank	**857**	**923**	**70**	**77**	**10**	**8**	**1 945**
Book value Group	**1 267**	**968**	**73**	**85**	**10**	**8**	**2 411**

2014	Bank 1 Oslo Akershus AS	SpareBank 1 Boligkreditt AS	SpareBank 1 Næringskreditt AS	SpareBank 1 Kredittkort AS	SpareBank 1 Markets AS	Other associated and joint ventures	Total associated and joint ventures
Ownership in percent	40.50 %	9.50 %	3.84 %	7.99 %	12.60 %		
Number of shares	1 854 126	5 237 544	560 000	204 922	110 033		
Current assets	13 875	21 621	697	381	74		
Fixed assets	533				21		
Total assets	**14 407**	**21 621**	**697**	**381**	**95**		
Short-term liabilities	9 221	2 702	2	7	64		
Long-term liabilities	3 999	18 114	620	312			
Equity capital	1 187	805	75	62	31		
Total equity capital and liabilities	**14 407**	**21 621**	**697**	**381**	**95**		
Income	503	30	7	17	18		
Operating expenses	284	3		16	46		
Profit/loss before tax	219	27	7	1	-28		
Tax	36	7	2		-9		
Result for the accounting year	**183**	**20**	**5**	**1**	**-19**		
Comprehensive income	**-9**						
Book value Parent Bank	**857**	**786**	**70**	**64**	**24**	**7**	**1 808**
Book value Group	**1 187**	**805**	**75**	**62**	**24**	**8**	**2 161**

Contingent liabilities related to investments in joint ventures and associates are disclosed in note 39.

Note 41 Material transactions with related parties

Transactions between related parties in this context, related parties are associated companies, joint ventures and subsidiaries. The Bank's business with employees and Board members is shown in notes 8 and 23. For the purchase of shares, se note 40.

Subsidiaries

2015	Loans	Bonds and sub-ordinated loans	Deposits	Interest income	Interest expences	Commission income	Other operating income	Operating expences	Guarantees
SpareBank 1 Finans Østlandet AS	4 837		2		98	1	3		120
EiendomsMegler 1 Hedmark Eiendom AS			8	3			1		
Other subsidiaries	37		24	0	2		3		1
Total subsidiaries	**4 874**	**0**	**34**	**3**	**0**	**1**	**6**	**0**	**121**

2014	Loans	Bonds and sub-ordinated loans	Deposits	Interest income	Interest expences	Commission income	Other operating income	Operating expences	Guarantees
SpareBank 1 Finans Østlandet AS	4 180		2	84		1	2		120
EiendomsMegler 1 Hedmark Eiendom AS			4	4			2		
Other subsidiaries	39		15	3					
Total subsidiaries	**4 219**	**0**	**21**	**90**	**0**	**1**	**5**	**0**	**120**

Associated companies and joint ventures

2015	Loans	Bonds and sub-ordinated loans	Deposits	Interest income	Interest expences	Commission income	Other operating income	Operating expences	Guarantees
Bank 1 Oslo Akershus AS									
SpareBank 1 Boligkreditt AS		544		17		183			
SpareBank 1 Næringskreditt AS		150		3		5			
SpareBank 1 Gruppen AS	446			9		81			
SpareBank 1 Kredittkort AS	370	8		12		26			
Other associated companies and joint ventures									
Total associated companies and joint ventures	**816**	**702**	**0**	**41**	**0**	**295**	**0**	**0**	**0**

2014	Loans	Bonds and sub-ordinated loans	Deposits	Interest income	Interest expences	Commission income	Other operating income	Operating expences	Guarantees
Bank 1 Oslo Akershus AS									
SpareBank 1 Boligkreditt AS		502		12		221			
SpareBank 1 Næringskreditt AS		150		4		7			
SpareBank 1 Gruppen AS	313			10		75			
SpareBank 1 Kredittkort AS	325	8		7		60			
Total associated companies and joint ventures	**638**	**660**	**0**	**34**	**0**	**363**	**0**	**0**	**0**

All loans to related parties are recognised in the parent bank.

Note 42 Dividends from subsidiaries

Dividends	2015	2014
Dividends received from:		
EiendomsMegler 1 Hedmark Eiendom AS	7	4
SpareBank 1 Finans Østlandet AS	73	58
Vato AS	0	1
Total dividends	**80**	**63**

Note 43 Equity capital certificates

Equity share capital as at 31.12.15 consisting of 79 740 000 equity certificates at NOK 50 each.

	31.12.2015
Equity capital certificates	3 987
Dividend equalisation fund	503
Premium reserve	
Fund for unrealised gains	81
A. The equity capital certificate owners´capital	**4 572**
Primary capital	3 019
Fund for unrealised gains	54
B. Total primary capital	**3 073**
Total equity captal	**7 695**
Endowment fund	50
Dividend declared	
Equity ex. Profit	**7 695**
Equity capital certificate ratio (A/(A+B))	**59,8 %**

Equity capital certificate ratio for distribution

Dividend
Dividend has not been allocated for the year 2015.

Owner of equity certificates:	No. Of EC's	Share in %
Sparebanken Hedmark Sparebankstiftelse	79 740 000	60 %

Note 44 Events after the balance sheet date

No events have taken place after the date of the balance sheet that are of significance to the published annual financial statements.



International success. Tom Stræte Lagergren has enjoyed great success, both nationally and internationally, under his artist name Matoma. The producer and musician from Flisa is making a name for himself within tropical house, a genre of summertime pop music, and has produced remixes of songs by several well-known artists. He is very busy travelling and playing music for his fans around the world.

Source: Sparebanken Hedmark's customer magazine, autumn 2015.

STATEMENT FROM THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

We confirm that according to our firm belief the annual accounts for the period from 1 January to 31 December 2015 have been prepared in accordance with international standards for financial reporting (IFRS) and that the information in the annual report gives a true picture of the Parent Bank's and Group's assets, liabilities, financial position and result as a whole, and a correct overview of the information mentioned in the Securities Trading Act, § 5-5.over opplysningene nevnt i vphl. § 5-5.

Sparebanken Hedmark's Board of Directors
Hamar, 3. March 2016

Siri J. Strømmevold
Chairman

Bjørnar Håkensmoen

Erik Garaas

Espen Bjørklund Larsen

Nina C. Lier

Aud Christensen

Morten Herud

Richard Heiberg
Chief Executive Officer

THE CONTROL COMMITTEE

Report for 2015
TO
SUPERVISORY BOARD OF SPAREBANKEN HEDMARK

In accordance with the Financial Institutions Act, Savings Banks Act and its own instructions and working plan, the Control Committee has overseen the Bank's activities in 2015.

Minutes of board meetings and associated documentation have been reviewed on an ongoing basis, together with the management's loan records and authority rules.

In its activities, the Committee has particularly focused on assessing larger commitments, risk, plans and the regulatory framework. The Committee has continuously monitored overdraft and arrears lists for the Bank's employees, employees of subsidiaries and elected officers.

The Committee has received a report from the Bank's internal audit on selected areas of the Bank's activities in accordance with the set working instructions and schedule for control activities. The internal auditor has been invited to the Committee's meetings according to plan and answered the Committee's questions. As in previous years, there has been a special emphasis on risk management and credit issues, as well as compliance with legislation and regulations.

The Bank's executive personnel have met in committee according to plan and provided information about major management issues and individual matters.

The Director of Risk Management has presented risk reports, ICAAP and matters of material importance.

The Committee has particularly focused on commitments exposed to potential loss and commitments with a high credit risk. The Committee has received reports on such commitments from the Director of Corporate Market and from the credit management department.

The Committee has focused on the Bank's funding management and finance strategy. The Committee has monitored the Bank's equity certificate processes. A joint meeting has been held with the Bank's Board.

In its review of the proposed annual financial statements for the Parent Bank, Directors' Report and Independent Auditor's Report the Committee paid particular attention to reviewing the annual financial statements in light of the regulations on recording losses and write-downs for losses. The external auditor met the Committee and presented the audit plan. No circumstances of significance for the Bank's financial strength and operations have been revealed that require reporting to the Bank's Supervisory Board or the Financial Supervisory Authority of Norway.

In the opinion of the Committee, the financial statements have been presented in accordance with the current rules and regulations and can be recommended to the Supervisory Board for approval as the Bank's financial statements for 2015.

Hamar, 7. March 2016
The Control Committee of Sparebanken Hedmark

Vidar Brobakken

Mikael Løken

Ingunn Gråbergsveen

Jan Erik Myrvold

Bodil Andersen

To the Supervisory board ("forstanderskapet") of Sparebanken Hedmark

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Sparebanken Hedmark, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2015, income statement, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for the parent company and the group Sparebanken Hedmark as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 4 March 2016
PricewaterhouseCoopers AS

Magne Sem
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

Subsidiaries

EiendomsMegler 1 Hedmark Eiendom AS

In 2015, turnover grew by 3.6 per cent to NOK 81.4 million. Its operating profit was NOK 7.5 million, a decrease from NOK 11.4 million compared with the year before. The decrease was due to increased costs in connection with more staff and generally higher operating costs.

EiendomsMegler 1 Hedmark Eiendom AS has set itself the goals of capturing even greater market shares and investing in staffing to increase capacity. Its operations in 2015 amounted to 48.3 full-time equivalents, which represents staffing growth of 30 per cent in the last 4 years.

The company sold 1,657 properties worth a total of NOK 3.4 billion in 2015. This represents a 4 per cent increase in the number of properties compared with 2014. The market has been very good and almost 10 per cent more properties were sold on the open market in 2015. EiendomsMegler 1 Hedmark Eiendom AS sold about one third of these.

The profit after tax was NOK 5.4 million. The company expects further growth and improved profitability in 2016 and is currently working to strengthen its position as the largest real estate agent in the Interior Region.

About EiendomsMegler 1 Hedmark Eiendom AS

EiendomsMegler 1 Hedmark Eiendom AS is a wholly owned subsidiary of Sparebanken Hedmark and the largest local real estate agent in the Interior Region. The company has its own offices in the largest towns in Hedmark, including Hamar, Kongsvinger, Elverum, Trysil, Brumunddal, Stange, Moelv and Tynset, as well as Årnes in Akershus and Gjøvik in Oppland (1 January 2016).

For more information, see www.eiendomsmegler1.no/hedmark.

SpareBank 1 Finans Østlandet AS

Demand for SpareBank 1 Finans Østlandet AS's products continued to grow well in 2015. New sales totalled NOK 3,284 million, an increase of NOK 591 million. The company achieved a good result in 2015.

Profit before tax totalled NOK 94 million. The result was negatively impacted by higher borrowing costs, while good growth in both loans and leasing is pulling in a positive direction. Costs are developing in line with the approved plan in accordance with the phase the company is currently in.

The company continued to grow in accordance with the long-term strategy. Total assets increased by 16 per cent and totalled NOK 5,765 million. The company's credit losses have been satisfactorily low in recent years, although they increased somewhat in 2015. The loss costs for 2015 were 0.36 per cent of the average gross lending.

The board is satisfied with the efforts being made to manage and limit losses. The company still has ambitions for further growth and expects to see positive effects from its increased presence in Eastern Norway. In recent years, the business has developed to become an important player in the company's focus areas in Eastern Norway. We currently have 57 employees, including temporary employees. The business is seeing increased activity within both the retail and the corporate markets, and is not directly affected by the downturn in the oil sector. Nonetheless, the company is aware that its customers may be impacted by ripple effects. This, combined with little capacity to withstand

About SpareBank 1 Finans Østlandet AS

SpareBank 1 Finans Østlandet AS was until the end of the year a wholly owned subsidiary of Sparebanken Hedmark with its head office in Hamar. On 1 January 2016, SpareBank 1 Ringerike Hadeland became a part-owner (5 per cent). The company has a presence with its own employees in Oslo, Akershus, Østfold, Buskerud, Vestfold, Hedmark and Oppland. This has made the company a significant actor within leasing and secured financing in Eastern Norway.

For more information, see www.sb1fo.no.

SpareBank 1 Regnskapshuset Østlandet AS

2015 saw good turnover and result growth. The company sold its three branches in Rogaland to SpareBank 1 SR-bank and at the same time strengthened its position in Hamar and Nedre Romerike through three strategic acquisitions. Turnover increased from NOK 127 million in 2014 to NOK 172 million in 2015.

The company strengthened its strategic position in Nedre Romerike with the acquisition of Frostad & Skyrud AS. At the same time, the company strengthened its position in Hamar with the acquisition of Stenberg Regnskap og Økonomi AS and Hauge Regnskap AS.

The accounting industry is facing major digital changes and the challenges this will entail. SpareBank 1 Regnskapshuset AS is well-equipped for such a change and the process is well under way.

Its profit before tax amounted to NOK 17 million, compared to NOK 6 million for 2014. Its profit after tax amounted to NOK 12 million, compared with NOK 4 million in 2014. The company wants to strengthen its position furt-

About SpareBank 1 Regnskapshuset Østlandet AS

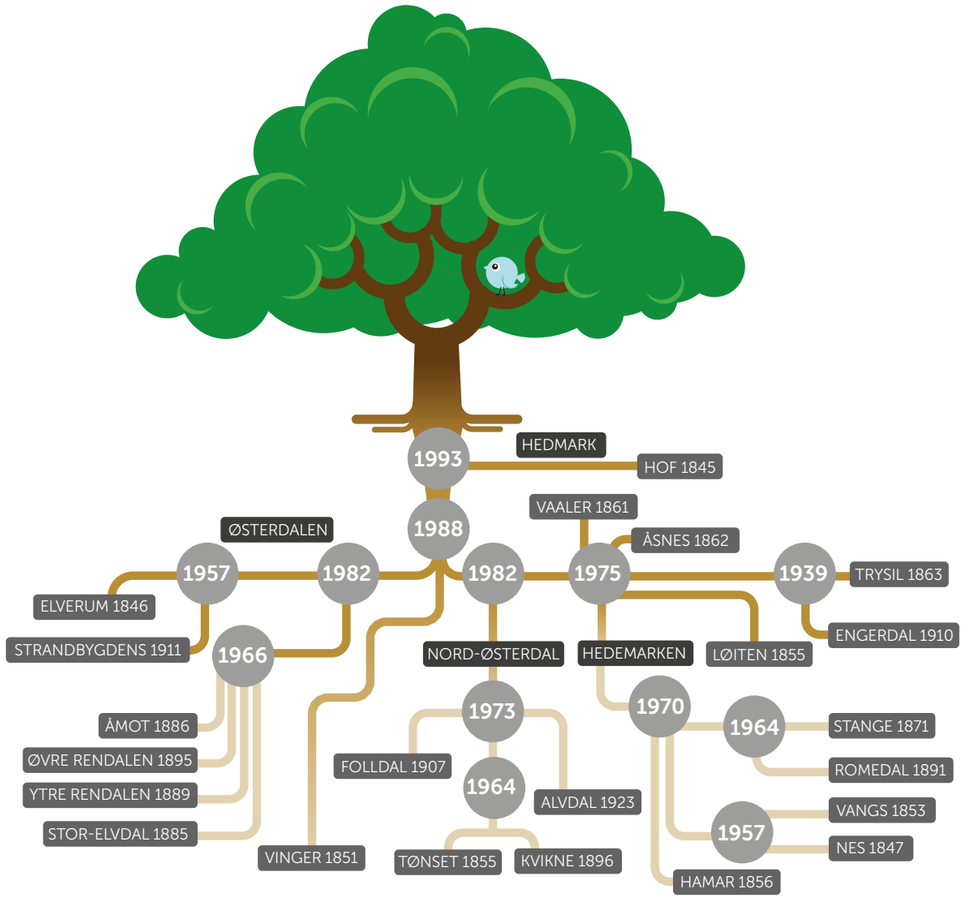
SpareBank 1 Regnskapshuset Østlandet AS provides services within accounting, payroll, and advice to small and medium-sized companies within production, trade, and farming. The company is a wholly owned company of Sparebanken Hedmark and had 11 branches and one subsidiary (Frostad & Skyrud AS) at the end of the year. These are located in Ringebu, Lillehammer, Moelv, Hamar, Tynset, Elverum, Kongsvinger, Jessheim, Kjeller, Skjetten, Oslo and Fredrikstad. The company had 170 employees at the end of the year.

For more information, see www.sb1r.no.



New brew. Atlungstad Brenneri was established in 1855. Master distiller, Asbjørn Hoelstad, and general manager, Else Braseth, are the distillery's only two employees and together make 25,000 litres of 96 per cent proof spirits from potatoes a year. The new brew was made possible by a team effort with contributions from Sparebanken Hedmark, among others.

With roots in Hedmark



In the autumn of 2011, Sparebanken Hedmark expanded into the neighbouring county and the Bank now has branches in both Gjøvik and Lillehammer. In 2012, the Bank also established a presence in the Municipality of Nes in Akershus.

Telephone
02999

Email
Retail customer centre: kundesenter@sparebanken-hedmark.no
Corporate customer centre: bedrift@sparebanken-hedmark.no

Online bank
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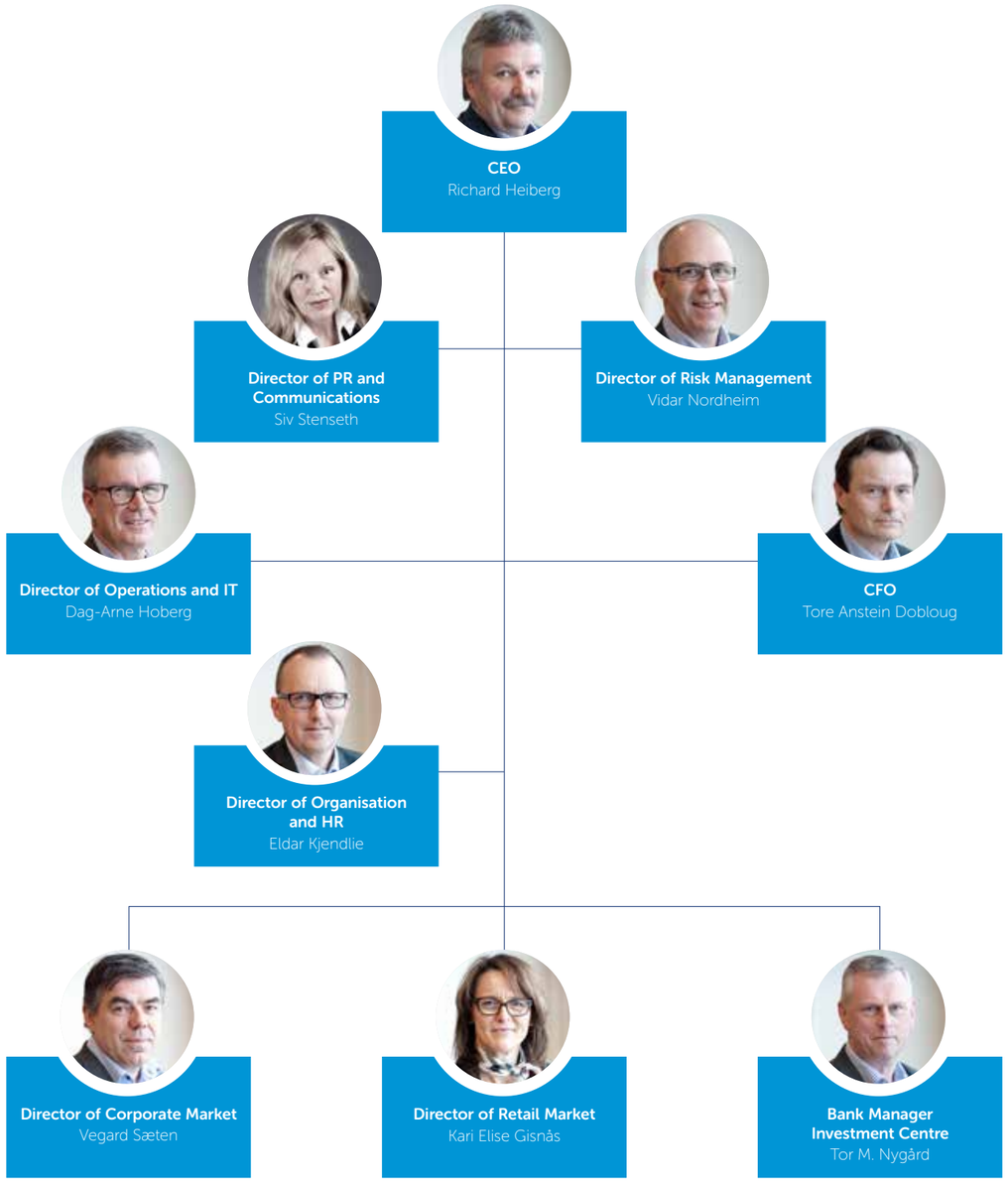
Company administration
Strandgata 15, Postboks 203, N-2302 Hamar
Organisation number: 920 426 530

Corporate management 2015



Creating together

Sparebanken Hedmark is a mainstay of the region. By lending to private individuals and businesses and managing customer deposits, the Bank helps people build, live and work in Hedmark. The Bank's vision, '***creating together***', makes the point that the Bank's results are achieved in partnership with our customers.



Sparebanken 1 HEDMARK



2014

Annual report

Sparebanken 1 HEDMARK



'Oven ready' job growth in Folldal. Seven jobs were created thanks to this cooking vessel in Primar AS, which produces bacalao in Folldal. Pictured: operations manager Elin Slåen (left) and founder Sissel Opshaug. They cook 200 tonnes of bacalao a year in this cooking vessel. Slåen used to make brown cheese for Tine in the same cooking vessel.
SOURCE: Sparebanken Hedmark's Economic Barometer.



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Editorial staff: Siv Stenseth,Trine Lise Østberg, Tore Anstein Dobloug, Heidi Enger and Mari Hage. **Design & production**: Ferskvann Reklamebyrå. **Photos:** Ricardofoto, Siv Stenseth, Mari Hage and Aud Ingebjørg Barstad.

In this report you will find photos of customers, partners, employees and managers. They show something of the breadth of the Bank's activities in 2014.

Financial statement analysis

MAIN FIGURES GROUP

	2014		2013	
Result summary (NOK mill and % of average assets)	**Amount**	**%**	**Amount**	**%**
Net interest income	1 043	2,08 %	1 008	2,21 %
Net commissions and other (non-interest) income	663	1,32 %	559	1,22 %
Net income from financial investments	573	1,14 %	263	0,58 %
Total income	**2 279**	**4,55 %**	**1 829**	**4,01 %**
Total operating costs	**981**	**1,96 %**	**916**	**2,01 %**
Result before losses	**1 298**	**2,59 %**	**913**	**2,00 %**
Losses on loans and guarantees	66	0,13 %	72	0,16 %
Result before tax	**1 232**	**2,46 %**	**841**	**1,84 %**
Taxation cost	192	0,38 %	147	0,32 %
Result after tax	**1 040**	**2,08 %**	**694**	**1,52 %**
Minority interests	**2**	**0,00 %**	**-10**	**-0,02 %**
Profitability				
Return on equity capital before tax		17,1 %		13,3 %
Return on equity capital after tax		14,4 %		11,0 %
Return on equity capital of total result after tax		13,5 %		11,0 %
Total operating costs in relation to total income		43,0 %		50,1 %
Total operating costs in relation to total income excl. income from financial investments		57,5 %		58,5 %
From the balance sheet				
Gross loans to customers	39 936		37 180	
Gross loans to customers including loans transferred to cover bond companies *	55 930		52 361	
Deposits from customers	31 070		30 097	
Deposits from customers in relation to gross loans to customers (excl. loans transferred to cover bond companies *)		77,8 %		80,9 %
Lending growth during the last 12 months		7,4 %		4,9 %
Lending growth during the last 12 months including loans transferred to cover bond companies *		6,8 %		8,9 %
Deposits growth during the last 12 months		3,2 %		7,0 %
Assets	49 934		47 397	
Losses and commitments in default				
Losses on loans as a percentage of gross loans		0,2 %		0,2 %
Commitments in default as a percentage of total commitments		0,8 %		0,8 %
Commitments in default as a percentage of total commitments incl. loans transferred to cover bond companies *		0,6 %		0,6 %
Other bad and doubtful commitments as a percentage of totalt commitments		0,5 %		0,6 %
Other bad and doubtful commitments as a percentage of totalt commitments incl. loans transferred to cover bond companies *		0,3 %		0,5 %
Net commitment in default and commitments with loss provisions as a percentage of total commitments		0,9 %		1,1 %
Financial strength				
Common equity Tier 1 capital ratio		14,8 %		16,2 %
Tier 1 capital ratio		15,2 %		16,4 %
Capital adequacy ratio		17,1 %		16,4 %
Net core capital	6 273		5 083	
Equity ratio		15,3 %		14,2 %

MAIN FIGURES PARENT BANK

	2014		2013	
Result summary (NOK mill and % of average assets)	**Amount**	**%**	**Amount**	**%**
Net interest income	835	1,73 %	830	1,82 %
Net commissions and other (non-interest) income	482	1,00 %	409	0,90 %
Net income from financial investments	296	0,61 %	126	0,28 %
Total income	**1 613**	**3,34 %**	**1 364**	**2,99 %**
Total operating costs	**726**	**1,51 %**	**681**	**1,49 %**
Result before losses	**886**	**1,84 %**	**684**	**1,50 %**
Losses on loans and guarantees	52	0,11 %	61	0,13 %
Result before tax	**835**	**1,73 %**	**622**	**1,36 %**
Taxation cost	159	0,33 %	124	0,27 %
Result after tax	**675**	**1,40 %**	**499**	**1,09 %**
Assets	49 061		46 669	
Profitability				
Return on equity capital after tax		10,3 %		8,3 %
Total operating costs in relation to total income		45,0 %		49,9 %
Total operating costs in relation to total income excl. income from financial investments		55,2 %		55,0 %
Losses and commitments in default				
Losses on loans as a percentage of total commitments		0,1 %		0,2 %
Commitment in default as a percentage of total commitments		0,7 %		0,7 %
Commitments in default as a percentage of total commitments incl. loans transferred to cover bond companies *		0,5 %		0,5 %
Other bad debt and doubtful commitments as a percentage of total commitments		0,5 %		0,7 %
Other bad and doubtful commitments as a percentage of totalt commitments incl. loans transferred to cover bond companies *		0,4 %		0,5 %
Net commitments in default and bad and doubtful commitments as a percentage of total commitments		0,8 %		1,0 %
Financial strength				
Common equity Tier 1 capital ratio		21,7 %		21,7 %
Tier 1 capital ratio		21,7 %		21,7 %
Capital adequacy ratio		22,6 %		21,7 %
Net core capital	6 245		5 143	
Equity ratio		13,9 %		13,3 %

* Cover bond companies used are SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS



"Together with our customers, the Group's capable employees created value for the benefit, and to the delight, of both people and business in the region."

Richard Heiberg
Chief executive officer

Creating the best results ever together

Sparebanken Hedmark's group profit after tax for 2014 was its best ever at NOK 1 040 million. The Bank's vision is 'creating together' and the profit for the year proves that we can realise this vision in reality.

The result for 2014 was NOK 346 million better than that for 2013. Very good contributions from wholly and part-owned companies, the sale of our shares in Nets and good banking operations contributed to the strong result.

The part-owned companies Bank 1 Oslo Akershus AS and SpareBank 1 Gruppen AS made a combined contribution after tax of NOK 385 million. The sale of the Bank's stake in Nets produced a profit of NOK 158 million. The subsidiaries, financing company, real estate agent and accounting firm, also delivered very good results totalling a combined NOK 85 million after tax.

The profit for the year further improves the Bank's financial strength, which has been one of Sparebanken Hedmark's key strategic goals for many years. Financial strength is particularly important for a regional bank of our size. It ensures that we can carry on 'business as usual' in any periods of instability and satisfy our customers' need for capital for building and living in the region, and financing businesses and companies. 2014 proved yet again that living in the shadow of oil has its benefits. Economic fluctuations are gentler in the Interior Region and there are few oil-related investments. It is important that the Bank continues to build up its financial strength, including so it can satisfy new capital requirements issued by the authorities in the future.

The Parent Bank has developed stably. We approved around 10 000 new home mortgages in the Bank's market area as a whole in 2014. This testifies to our faith in the future and the good turnover in the housing market. The growth in the new markets of Oppland and Akershus has also been especially positive this year.

Sparebanken Hedmark's unique accessibility, growth in digital channels and competitive prices are also contributing to the growth in customers. The Parent Bank gained 6 500 new retail customers in 2014.

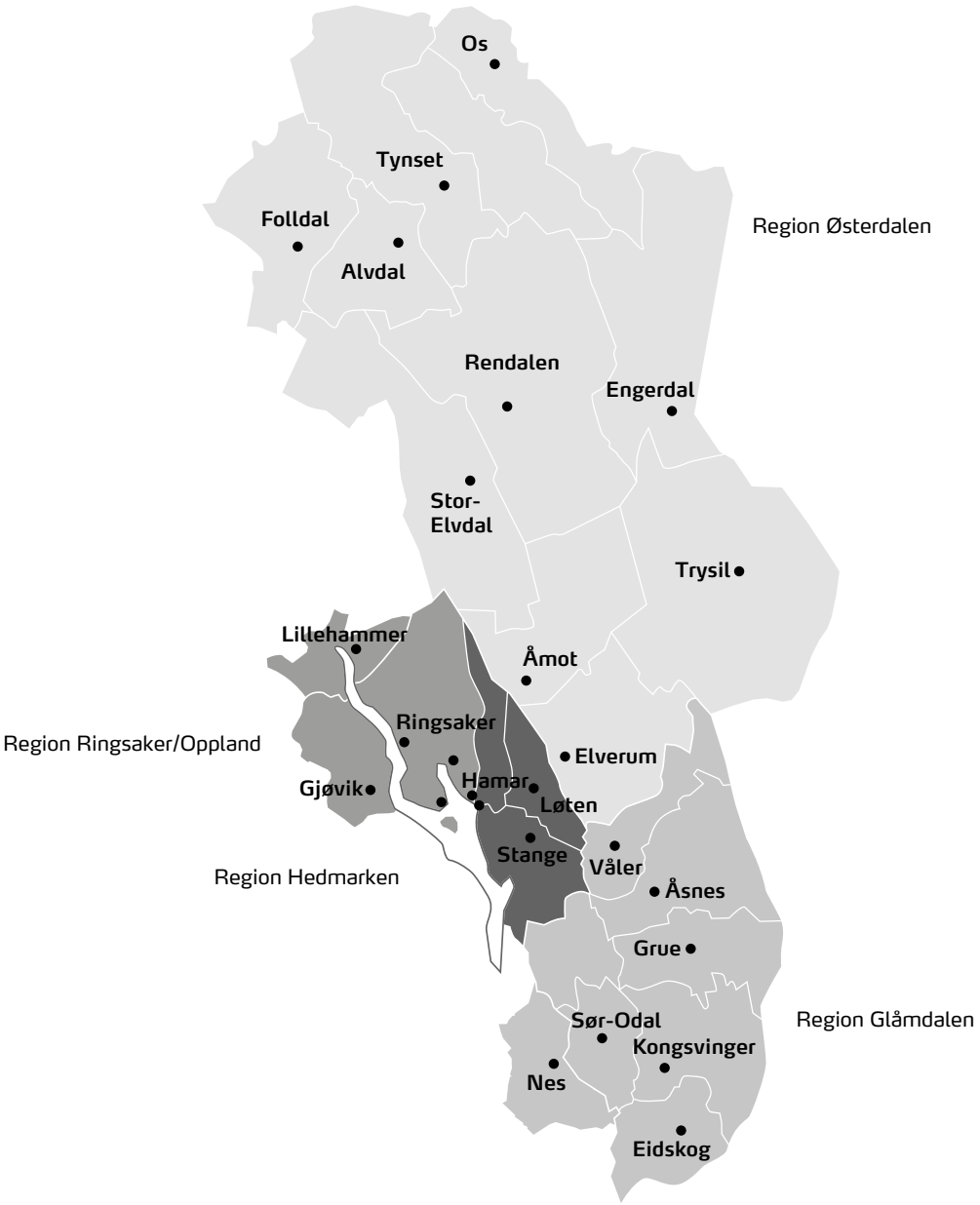
One particular matter to which special attention was paid in 2014 was the Board's recommendation to the Supervisory Board to convert Sparebanken Hedmark into a equity certificate bank, establish a savings bank foundation and later take a listing on the stock exchange. This matter requires two rounds of approval in the Supervisory Board and the first decision was taken in the extraordinary Supervisory Board meeting in February 2015. The final decision will be taken at the Supervisory Board meeting in March. This is important for the Bank if it is to have the capacity to continue growing and also participate in the future structural race. If the Supervisory Board and Financial Supervisory Authority of Norway give their consent, this will be the Bank's primary focus area in 2015.

2014 was without doubt a very good year for the Bank. Together with our customers, the Group's capable employees created value for the benefit, and to the delight, of both people and business in the region. It is with pride and gratitude that I would like to thank our customers and staff for their great teamwork during the year.



Richard Heiberg
Chief executive officer

Our branches



Business concept

Sparebanken Hedmark wants to be the most attractive financial group in our market area. We intend to contribute to the growth and development of the community of which we are a part, based on good customer experiences and capable employees.

Vision

The Bank's vision, '**creating together**', makes the point that the Bank's results are achieved in partnership with those around us. At the same time the vision implies expectations of better interaction, additional initiatives and better results.

Values

Proficient, nearby and engaged are the Bank's core values, and they indicate that we would like to be a professional partner that defines needs and finds solutions together with our customers. We also aim to be active and outgoing in our contact with customers.

This is Sparebanken Hedmark

Sparebanken Hedmark is today the leading financial group in Hedmark with 23 branches. The Bank also has two branches in Oppland and a branch in Akershus.

Sparebanken Hedmark can trace its history back to 1845 when funds from local granaries, forest commons, local authorities and private individuals were pooled to found the first savings banks. The Bank is the result of the merger of formerly independent savings banks in Hedmark. Through a number of mergers, 22 local savings banks have evolved to become Hedmark's largest source of capital with its head office in Hamar.

Over county borders

In the autumn of 2011, Sparebanken Hedmark moved into the neighbouring county and the Bank now has branches in both Gjøvik and Lillehammer. In 2012, the Bank also established a presence in the Municipality of Nes in Akershus.

Mainstay

Today, Sparebanken Hedmark is a mainstay of life in Hedmark with its many branches in 20 of the county's 22 municipalities. The financial group offers a wide range of products within loans, deposits, insurance, pensions, payment services, estate agency, accounting services, leasing and financing.

As the leading financial group in our market area, we do our bit for growth and development through financing individuals and companies who want to see good ideas come to fruition. In this way, the Bank helps people build, live and work here.

Close to the market

The Bank has a unique competitive advantage thanks to its 170 years of local knowledge. Sparebanken Hedmark has a market share of 50 per cent with approximately 181 000 customers. The Parent Bank is close to the market with around 460 full time equivalents spread across 26 branches. The Group also includes the subsidiaries EiendomsMegler 1 Hedmark Eiendom AS, SpareBank 1 Finans Østlandet AS and SpareBank 1 Regnskapshuset Østlandet AS, which together have around 212 employees.

Self-owned

Sparebanken Hedmark is a self-owned financial group without equity certificate holders and the Group's has equity of NOK 7.6 billion. It pays approximately 20 per cent tax on its annual profit. The rest of the profit is put to work and lent out again. The profit therefore benefits the entire region.

In the spring of 2015, the Bank's Supervisory Board will consider whether to convert parts of the Bank's equity to equity certificates and establish a savings bank foundation. This would mean that customers, employees and other investors could become co-owners when the Bank is later listed on the Oslo Stock Exchange. The final decision will be taken on 26 March 2015 and also requires the approval of the Financial Supervisory Authority of Norway.

About Hedmark

With 194 000 inhabitants, the people of Hedmark account for just over 4 per cent of Norway's population. In terms of area, Hedmark is the third largest county in Norway. The county has scattered settlements, and nearly half of the population lives in the municipalities of Hamar, Ringsaker, Stange and Løten. Hedmark has a diverse business community, and it is the largest farming and forestry county in Norway. Broken down by sector, manufacturing, building and construction and the public sector are the largest employers. Unemployment is on par with the national average. The neighbouring county of Oppland has many similarities, both demographically and geographically.

Nature and recreation

Hedmark has a wide variety of scenery ranging from farmland in the south, to vast forests in the east and mountain ranges in the north. Large areas of these mountain ranges are protected. Norway's largest lake, Mjøsa, longest river, Glomma, and highest mountain, Galdhøpiggen (2 469 metres above sea level), are important elements of our cultural landscape.

Co-owner of SpareBank 1

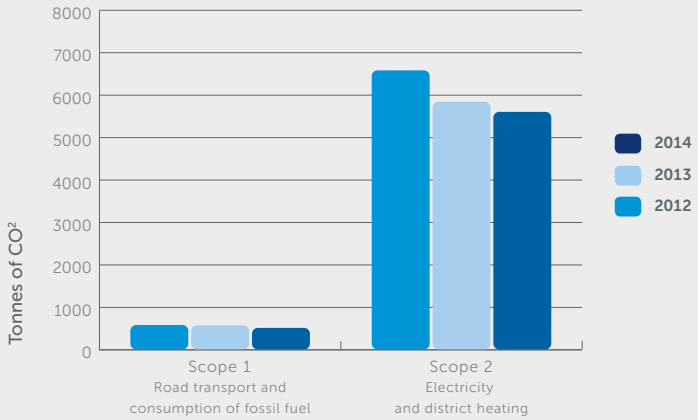
The Bank is a co-owner of SpareBank 1 Gruppen AS (11 per cent). This partnership ensures the Bank competitive advantages through good products, efficient IT services, purchasing arrangements and skills sharing. Pooling our resources through our national alliance ensures local strength. This provides the Bank's customers outside Hedmark and Oppland with good services throughout the country since they can now use all of the SpareBank 1 Alliance's bank branches. In January 2013, Sparebanken Hedmark increased its stake in Bank 1 Oslo Akershus AS from 12 to 40.5 per cent.

Visit sparebank1.no for more information about the SpareBank 1 Gruppen and the Alliance.

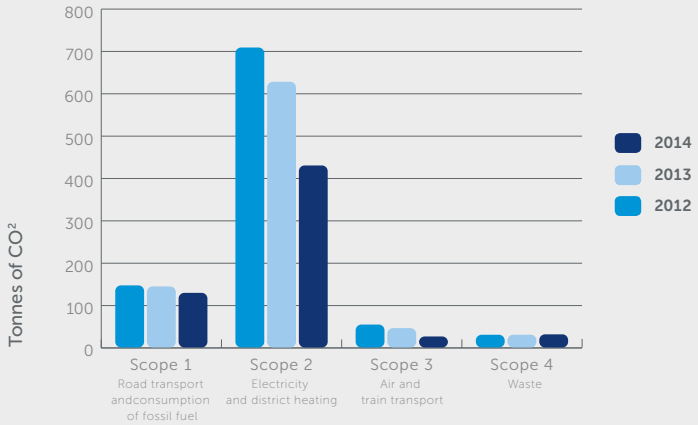
Climate accounts for 2014

ENERGY AND CLIMATE INDICATORS	2014	13/14	2013	2012	2011
Total emissions (tonnes CO_2):	633	-27 %	867	957	851
Total energy consumption scope 1 and 2 (MWh):	6 102	-4,7 %	6 400	7 147	7 153
Energy consumption per square metre (kWh/m²)	183	-5,0 %	193	193	198
CO_2 emissions per full time equivalent (tonnes CO_2/FTES):	1,4	-26 %	1,9	2,1	1,7
CO_2 emissions by turnover (tonnes CO_2/NOK million):	0,8	-423 %	1,4	2,0	1,6

Annual enegrgy consumption (MWh) Scope 1 og 2



Annual greenhouse gas emission per scope



REPORTING IN ACCORDANCE WITH THE GREENHOUSE GAS PROTOCOL

Scope 1: Direct emissions

Includes direct emissions from sources owned or controlled by the company, including the company's own cars or vehicles, or from processing or the transport of employees.

Scope 2: Indirect emissions

Emissions from purchased energy, mainly electricity and/or district heating.

Scope 3: Indirect emissions

Includes other indirect emissions. The emissions are a result of the company's activities, but emitted from sources not controlled by the company.

Socially responsible bank (CSR)

Sparebanken Hedmark exists in a mutually dependent relationship with the society around it, and corporate social responsibility has played a central role in the Bank's choices and allocations ever since Hof Sparebank was founded in 1845. This was the first local savings bank in what today has become the Sparebanken Hedmark Group.

Good credit ratings represent the foundation of the Bank's corporate social responsibility. The aim is to create value for the region of which the Bank is a part. With local knowledge and our proximity to customers, the Bank's management makes assessments that are based on a long-term social commitment as well as economics and risk. Ever since the time of the small savings banks, the aim of the banks has been to take part in the development of the community as a committed and responsible contributor to society. This has always been part of the basic philosophy of being a regionally based financial group in Hedmark. This is also reflected in the Group's vision, *'creating together'*, and the Bank's overall strategy. Corporate social responsibility is a specific target area in our strategy with its own measures: *"Customers shall regard Sparebanken Hedmark as a competent and responsible social actor"*.

Close to decisions

The region should be a good place to do business in, a good place to live and a good place to move to. We are doing our part to ensure it is. The Bank has existed in Hedmark for 170 years and is interested in the development of the county and the Mjøsa region. If people are happy, live well, have educational opportunities and secure jobs, as well interesting recreational opportunities here, the Bank will also do well. The fact that the Bank has been financially strong over time is important to the residents and businesses. Having a solid source of capital with headquarters in the region provides security and a close proximity to the decision-making process.

Sustainable operations

The Bank plays an important role in economic development and wants to be a model of good business practices, including when it comes to the environment, human resources and ethics. Our goal is to ensure that our banking operations and creation of economic value are in accordance with nature's carrying capacity. The Group should be known for its high ethical standards and good corporate governance.

Labour and human rights

Sparebanken Hedmark takes labour and human rights, basic social needs and nature's carrying capacity into consideration in its operations. Sparebanken Hedmark shall be an attractive and inclusive workplace for employees of all ages and life phases. The Bank makes provisions so that the balance between work, home and leisure will be perceived as good. The Bank works on health-promoting measures and stimulates physical activity among its employees. There is a good balance between the genders, and the percentage of women in managerial positions is increasing. In collaboration with the Norwegian Labour and Welfare Service (NAV), the Bank welcomes employees who need training and work experience.

Social strategy

A specific strategy for corporate social responsibility was adopted by the Bank's Board of Directors early in 2014 to satisfy the new reporting requirements from the authorities. Many of the Bank's governing documents were updated during the year with reference to the adopted social strategy and this work will continue in 2015. The plan is to revise the social strategy during 2015.

Ethics and anti-corruption work

Sparebanken Hedmark's operations depend on the confidence of its customers, public authorities and society as a whole. The Bank's employees must be known for their high ethical standards, expertise, trustworthiness, honesty and fairness. At the same time, the necessary professional distance must be maintained in all our interactions with others. Value must be created in line with good advisory practices and within a framework that does not require individual employees to violate code of conduct in order to satisfy financial goals.

Reviewing and discussing the code of conduct is part of the mandatory induction programme for new employees. The Bank also arranges an annual ethics week at local and central levels. Each year we focus on different topics that involve the entire organisation. Corruption was one of the topics of ethics week 2014. The aim was to raise awareness of the subject and prevent incidents. We have also updated the Bank's code of conduct with a specific section on anti-corruption: *"The Bank shall build relationships in compliance with the applicable guidelines and in an ethical manner. We shall be aware in all relationships that attempts at corruption and other forms of influence peddling may occur."* The work on anti-corruption forms an integral part of our ongoing operations.

All the employees must also confirm each year that they have reviewed and understood the contents of the code of conduct. This is how the Bank ensures that ethics, impartiality, loyalty, anti-corruption and integrity remain on the agenda.

Donations to charitable causes

The Bank also ploughs funds back into communities, through for example, sponsorship of recreational sports and programmes for children and young people. Sparebanken Hedmark has a long tradition of returning part of its profit back to the local communities. Each year the Bank donates millions of kroner. These donations go to

clubs, organisations and other good causes. Financial support can be sought through the Bank's website, and the funds are allocated, as a rule, after the financial statements have been adopted at the beginning of the year.

Endowment fund

The Bank has a special endowment fund for major cultural, sporting, physical activity, research and education projects. From these funds the Bank has awarded grants to sports and public health, including Storhamar Fotball for the construction of an activity park and Vang Skiløperforening for a new ski track preparing machine. In the area of culture, the Bank has awarded grants to Kongsvinger Fortress, the Science Centre in Gjøvik and the Prøysenstjerna sculpture, among others. Other recipients include Hamar and Hedmarken Tourist Association, which was given a grant to build a suspension bridge over the River Åsta.

Sparebanken Hedmark's talent stipend scheme

In 2014, the Bank established a special talent stipend scheme to encourage young athletes and artists aged between 18 and 25 to develop their talent and commitment through training, education and expressing their creativity. The idea is to build pride, create good role models and highlight potential routes for developing talent. The talent stipend scheme is worth NOK 2 million, NOK 1 million for each of the two areas, art and sports. In 2014, 63 recipients received stipends of between NOK 25 000 and NOK 50 000 kroner, and the Bank arranges a day dedicated to motivation and a festival of talent in Hamar Cultural Centre in October. Art stipends are restricted to Hedmark County. Sports stipends are awarded within the Bank's geographic area of operations in Hedmark, Oppland and the Municipality of Nes in Akershus. Applicants must be resident in this area or have other ties to it and belong to a sports team or club in the region. Sports stipends are awarded by a jury consisting of representatives of sports environments in Hedmark and Oppland, Olympiatoppen Interior Region and Sparebanken Hedmark. Art stipends are awarded by the board of Sparebanken Hedmark's Art Fund. The talent stipend scheme will be continued in the same manner in 2015 as well.

Sparebanken Hedmark's Art Fund

The board of the Art Fund distributed NOK 1 million in talent stipends to 28 young artists within art and sculpture (as described in the section above). Vidar Sandbeck's violin was purchased and donated to the Sandbeckstiftelsen foundation. Approval was also given to spending NOK 3 million on works of art in Hamar, Alvdal and Tynset. Work on the previously approved sculpture in memory of the immigration of Finns in the Municipality of Grue and the Big Elk at the Bjøråa rest stop on classified road 3 in Stor-Elvdal continues. Both will be completed in 2015. Kunstverket, a large water fountain in the market place in Brumunddal was presented to the Municipality of Ringsaker in May.

Business development

Active cooperation between the various actors in research, education and business is important for development of the region. Cooperation with Hedmark University College, knowledge parks, biotechnology communities, NCE Raufoss, Young Entrepreneurs Hedmark, and the Science Centre in Gjøvik are key elements of this work. The Bank also participates in the investment company Komm-In AS. The Bank established a special incubator fund in 2013 to improve access to risk capital for early phase companies. Our experience so far has been that there are too few qualified applicants and the Bank hopes to welcome more good projects. Sparebanken Hedmark has a strategic goal of being a source of socially useful information in Hedmark. The Bank therefore established its own Economic Barometer for the Interior Region in November 2013 and followed this up with the second edition in 2014. The idea is to contribute factual information and insight that can stimulate growth and development in the Interior Region.

Environment

Sparebanken Hedmark has made taking the external environment into consideration an integral part of its routines by introducing an environmental management system. The idea is to raise the awareness of the Bank's employees in relation to consumption, travel, waste management and energy consumption. An annual report documenting the Bank's consumption, recycling rate and energy consumption enables us to convert our consumption into CO_2 emissions and calculate our impact on the external environment. The Bank produces energy and climate accounts every year and complies with the following international standards: The Greenhouse Gas Protocol and ISO 14064. This is the seventh time the Bank has produced such a report. The Bank environmentally certified all of its branches via the Eco-Lighthouse in 2010 and underwent recertification in 2014. In 2014, the Bank consumed a total of 5 595.5 MWh of electricity and district heating. This represents a reduction in consumption compared with 2013. The transport of employees by road and air contributed to greenhouse gas emissions of 26 tonnes of CO_2, which represents a reduction compared with year before. The Bank's emissions have been reduced in most of the areas that are measured. The combined reduction in emissions is 27 per cent. We have also reduced emissions per employee and reduced energy consumption per square metre. The emissions reported in the annual report are used as references for measures intended to minimise the Bank's emissions. The Group is constantly developing new products that reduce its impact on the environment. Online home mortgages, mobile banking, SMS services and the digital distribution of letters and publications reduce the need for transport and paper consumption. In 2014, the Bank continued its work on facilitating digital payment solutions for business and the public sector.

Relationship with suppliers

The Bank requires environmental certification and environmentally friendly processes and procurements as part of invitation to tender processes. The purchasing strategy of the SpareBank 1 Alliance also stipulates that purchasing shall be confidence-inspiring, environmentally aware and ethically correct in both internal and external forums.

The Bank's stakeholders

By focusing on what the stakeholders are interested in, the organisation will be able to obtain and communicate relevant information to these parties. (See the map of stakeholders on the next page.)

Map of stakeholders for Sparebanken Hedmark

Data on the views of customers and other respondents are regularly obtained through focus groups and customer surveys. Based on these, the Bank can give priority to the right measures to improve both financial and non-financial results. A rough outline of the Bank's various stakeholders and factors that can affect the Group's reputation is provided below.



- **Employees:** Parent Bank, subsidiaries, elected officers, safety deputies, pensioners' association, Finance Norway, Frisk HMS.
- **Customers:** Retail customers, corporate customers, public organisation customers, founders.
- **Authorities:** Local authorities, county councils/Norwegian parliament/government, courts system, Financial Supervisory Authority of Norway, Norges Bank, Norwegian Competition Authority, Consumer Ombudsman.
- **Capital market:** EKB investors, foreign capital, other banks and brokerage houses.
- **Suppliers:** Various product suppliers and service providers within IT, operations, market, auditing, consultancy, personnel, HSE, money transport, security, energy, tradesmen, and others.
- **Competitors:** Local, national, international actors.
- **Sponsorships:** Teams and organisations, clubs.
- **Partners:** SpareBank 1 Alliance, central and local actors.
- **Donation recipients:** Recipients of donations from: the Art Fund, talent stipend scheme, donations for good causes, Endowment Fund.
- **Interest groups:** Finance Norway, the Confederation of Norwegian Enterprise (NHO), Trainee Innlandet, regional councils.
- **Part-owned companies:** SpareBank 1 Gruppen, Bank 1 Oslo Akershus, SpareBank 1 Næringskreditt, SpareBank 1 Boligkreditt, SpareBank 1 Markets, SpareBank 1 Kredittkort AS, SpareBank 1 Verdipapirservice, SpareBank 1 Kundesenter AS, Østlandsforskning, KOMM-IN AS.
- **Society, public actors:** Non-customers, potential customers, public opinion, emergency preparedness. The police, health service, fire service, politicians, Norwegian Financial Services Complaints Board, university colleges.
- **Media:** Local free newspapers, local newspapers, regional media, national media, Norwegian Broadcasting Corporation, national and local, NTB.
- **Social media:** Public opinion in social media.
- **Ratings agencies and analysts:** Moody's Analysts.
- **Oslo Stock Exchange.**

Factors that can affect reputation

• Corporate governance • Bonuses/options and reward mechanisms • Investment and lending policy (ethical criteria)	• HSE • Competitive terms and conditions • Development factors/ career opportunities	• Responsibility in the supply chain • Environmental criteria • Criteria for dropping suppliers who are 'unethical'	• Investment policy and long-term strategies • Product information/ marketing ethics/ competition law	• Climate and environmental factors (external) • Local communities and skills sharing • Sponsorship • Donations

Status 2014

		2014	2013
Strategy/finances	Group strategy	Will be updated in new strategy in 2015	The strategy contains a special statement on corporate social responsibility (CSR). Will be revised according to CSR strategy for 2014.
	Development of CSR strategy	Adopted 2014, will be revised in 2015. Incorporation in governing documents has started and will continue in 2015.	Under preparation in 2013, adopted early in 2014
	Consolidated profit before tax (NOK million)	1,232	841
	Consolidated total assets (NOK million)	49 934	47 397
	Consolidated return on equity after tax	14.4%	11.0%
	Consolidated capital adequacy ratio	14.8%	16.2%
	Annual review and confirmation of the Bank's code of conduct	Completed	Completed
Community/social affairs	Number of full time equivalents, incl. subsidiaries	673	656
	Number of full time equivalents, Bank	459	478
	Sick leave	4.1	5.6
	Percentage of women	57%	58%
	Percentage of women in managerial positions	44%	41%
	Average age	47 years	48 years
	Employee satisfaction, organisational survey	814	805
	Inclusive Workplace agreement	Renewed	Continued
	Average period of service	18 years	19 years
	Number recruited, internal	28	19
	Number recruited, external	34	27
	Turnover	3.50%	2.00%
Donations	Granted to art and culture	1 950 000	2 166 000
	Granted to sports	2 011 000	2 120 000
	Granted to humanitarian work	716 000	700 000
	Granted to other purposes	1 012 000	1 334 000
Endowment Fund	Granted to art and culture	6 075 000	5 340 000
	Granted to sports and physical activity	7 425 000	4 425 000
	Granted to education/research	3 960 000	7 500 000
	Granted to other purposes	4 998 000	1 480 000
Sparebanken Hedmark's Art Fund	Awarded to art and culture	4 070 000	2 495 000
Business development	Granted to innovation	NOK 500 000 from the Incubator Fund was granted to specific projects in 2014.	9 000 000
Environment*	*See also separate Climate Accounts		
	Total greenhouse gas emissions (tonnes CO_2):	633	870
	Greenhouse gas emissions per full time equivalent, Parent Bank (tonnes of CO_2/FTES)	1.4	1.9
	Number of video conferencing rooms	42	42
	Number of branches Eco-Lighthouse certified (three of the Bank's new branches will be environmentally certified in 2015).	23	27

Cavalcade of the year 2014



CFO Tore Anstein Dobloug (left) and CEO Richard Heiberg hope to list Sparebanken Hedmark on the stock exchange in 2016.

Aiming to become an equity certificate bank

In 2014, the Board of Sparebanken Hedmark voted to recommend to the Bank's Supervisory Board that equity certificates be issued and that it be listed on the stock exchange. In February 2015, the Supervisory Board agreed to a second round of discussions on the matter in the Supervisory Board meeting on 26 March.

Becoming an equity certificate bank requires two rounds of voting in the Supervisory Board and the first of these passed in February 2015. The second round of voting on the matter will take place at the Supervisory Board's ordinary annual meeting in March. If the consent of the Supervisory Board and Financial Supervisory Authority of Norway is forthcoming, and it is subsequently listed, customers and others will be able to share in the Bank's profit, probably from 2016.

The goal behind issuing equity certificates is to ensure the Bank room for manoeuvre, capital and the strength we will need over time to serve customers and business in the region. Links between the Interior Region and the capital are becoming ever stronger, both with respect to living here and business. Sparebanken Hedmark wants to take part in this development and size will be an important factor in this process. The Bank therefore has to consider possible structural changes such as acquisitions. Equity certificates will be an important settlement instrument in this context. Conversion and listing are a means of maintaining our position as the leading regional savings bank in the Interior Region.

Sparebanken Hedmark must first convert parts of its equity into equity certificates and thereafter be listed on the stock exchange. This would make the Bank the only listed company in Hedmark and the largest in the Interior Region. The Bank will establish a long-term owner, Sparebanken Hedmark Sparebankstiftelse (a savings bank foundation), which initially will own equity certificate representing 60 per cent of the Bank's equity. The equity will thus remain in the Bank and no money will be taken out of it. The foundation will be a long-term owner with a lot of reserves with which it can participate in later issues. Regional ownership will be reinforced through customers, local investors and the Bank's employees becoming equity certificate holders in the Bank.

The savings bank foundation will have its own board and general meeting, and all the members will have to be resident in Hedmark. Its main objective will be to manage the foundation's assets and award grants to good causes. Equity certificates will not alter the Bank's protection against acquisition. In other words, no one will be able to take over the Bank regardless of how many equity certificates they hold. This was an important factor when the Bank concluded that equity certificates are a better alternative to shares. It will ensure that the capital that has been built up in Hedmark over 170 years will remain in Hedmark. The hope is to establish the foundation in the autumn of 2015 and be listed in 2016.

Good growth in both mobile and online bank users in 2014

The use of Sparebanken Hedmark's self-service solutions is growing. Nine out of ten customers aged between 18 and 75 had gone digital by year-end 2014. "We have to go all the way back to 2005 to see higher growth in signed online bank agreements," says technical director Espen Røe.

40 per cent of the Bank's online bank customers now use mobile banking. Many meet their daily needs through mobile banking and steadily more customers are using this service.

Creating a new group strategy together

In 2014, the Bank's executive management group, including the subsidiaries, drew up proposals for a new strategy for the Sparebanken Hedmark financial group for the period 2015–2018. The aim is to view the financial group as more of a whole. The industry is expecting major changes in the customers' use of banking services in the next few years, including as a result of increased digitalisation. We are also seeing actors outside finance introduce smart payment solutions and other user-friendly supplementary services. Broad participation in the strategy work ensures that the Bank's employees feel ownership of the Group's strategic destination for 2018. The goals include making better use of all the financial group's services and increasing interaction across the Group.



Second edition of the Economic Barometer launched

In November, the Bank launched its second edition of the Economic Barometer for the Interior region, a knowledge base about trends in Hedmark and Oppland. The Economic Barometer 2014 shows, among other things, that the number who commute from Oslo and Akershus to the Interior Region is rising. Centralisation is a growing trend and the development in the four largest cities is more positive, especially in the Hamar region. The barometer was presented to corporate customers in a series of meetings around the Bank's market area.

New head of Retail Customer Service Centre

Hege Langerud Bruset became the new head of the Bank's Retail Customer Service Centre in November. She came from the post of general manager of Schibsted Norge Kundesenter AS. She has previously worked as a customer consultant for the retail market in Totens Sparebank and an adviser for their telephone bank venture at the time, Totenbanken Direkte. She is now responsible for a skilled staff of 34 at the customer service centre.







NOK 2 million awarded at the festival of talent 2014

Hamar Cultural Centre was full of talented stipend recipients within both culture and sports when Sparebanken Hedmark's talent stipends were distributed for the first time in November 2014. The recipients participated in a day of motivation with a varied programme, including a talk by Johan Kaggestad and the preparation of a nutritious lunch by chef Charlotte Mohn Gaustad. The day was rounded off with a well-directed festival performance with many talented people on stage in Hamar Cultural Centre. The Bank has previously awarded art stipends in Hedmark, but in 2014 the stipend scheme was expanded to include athletes from the region as well. A total of NOK 2 million was awarded to 63 young people aged 18–25. The stipends ranged from NOK 25,000 to NOK 50,000. The Bank hopes that these stipends will help those with real potential in their field gain a better financial framework for success.

Greater willingness to save and invest

"Given the falling interest rates in 2014 and expectation of further falls in 2015, we increased our investment activities in the last year," says Tor Morten Nygård, Bank Manager Investment Centre. "More and more people are seeking alternatives to deposit accounts to grow their money when interest rates are low. The Bank has strengthened its adviser skills and put in place a better range of products in 2014," says Nygård. Sparebanken Hedmark now offers mutual funds from a range of Norwegian and international fund managers, and this represents a competitive alternative for customers. Overall this has contributed to a more than 30 per cent increase in volume in 2014.



New bank premises in Moelv

Sparebanken Hedmark's brand new premises in Moelv were opened in November. "We are adapting to the customers and have built a future-oriented bank," says branch manager Frode Korsmo. Regional bank director Eva Kristin Myhre is satisfied with the upgrade. "The Moelv branch has enjoyed very good growth in the last twelve months. We now want to grow further and improve the Bank's financial strength," she says.

Bank becomes sole owner of SpareBank 1 Regnskapshuset Østlandet AS

In December, Sparebanken Hedmark bought back SpareBank 1 Regnskapshuset SMN AS's 40 per cent stake and from 2015 became the sole owner of SpareBank 1 Regnskapshuset Østlandet AS. This strengthens the Bank's regional ownership and activities in the defined market area.

Lower interest rates

In October, Sparebanken Hedmark decided to lower the Bank's lending rates in the retail market, generally by 0.20 percentage points. The aim was to adjust the interest rate level for home mortgages to remain competitive in the market.

Major push on pensions

The Bank focused heavily on pensions throughout 2014. A total of 2,500 people participated in pension meetings in the spring. The autumn meetings were also well attended. Customers were actively followed up afterwards. The Bank's focus is helping customers find out more about their own pensions and the opportunities they have to close any gaps in relation to their own pension expectations.

Introduced chat

In December, the Bank launched a chat service in the online bank for both retail and corporate customers. The primary goal is for customers to perceive Sparebanken Hedmark as even more accessible. Surveys show that this is a channel that customers want, especially younger age groups. There is huge potential in this area in relation to being able to offer fast service and good digital solutions.

Q4 A LOOK AT Q3



Thanks the Bank and a defibrillator for his life

The Bank installed 30 defibrillators in its premises around Hedmark in January. Staff at all the branches took a course on providing emergency lifesaving assistance if a need for it arose. A short time after, Arve Egil Lillevold (74) collapsed outside the Bank's premises in Brumunddal. Adviser Marianne Holm and her colleagues quickly came to his aid with the defibrillator. "Marianne and the defibrillator saved my life," says Lillevold. He returned to the branch in August to thank them.

Successful reopening of the Årnes branch

In September, the branch in Årnes celebrated 5 years as a bank and 2 years as part of the Sparebanken Hedmark financial group. It also opened its newly renovated branch premises.

Insurance success

Sparebanken Hedmark's department for insurance and the corporate market delivered top results in several areas in 2014. Skills insurance advisers recruited many large new customers. The Bank is now enjoying the best P&C growth in the SpareBank 1 Alliance and achieved 100 per cent of its targets for the period. This success was linked to improving skills over time and greater interaction across different fields in the Bank.

Management conference 2014

The management conference in 2014 brought together more than 300 managers from the Interior Region. The theme for the day was inspired by the Bank's vision, *'creating together'*. "We must stand together on maintaining and strengthening the Interior Region's attractiveness so that people want to live and run their businesses here," said Vegard Sæten, Director of Corporate Market and compère for the day. The participants gave the conference very high marks.

BACK 2014

Successful branch opening in Gjøvik

Sparebanken Hedmark's new branch in Gjøvik was opened by Mayor Bjørn Iddberg in January. This means that all of the Bank's activities in Gjøvik are now gathered under one roof. "This shows that you believe in the development, businesses and people here in the city. The Bank is also help the city centre develop," said Iddberg.

Digital signatures for loans

A year after establishing digital loan processes in February 2013, 45 per cent of all discounted loans in the retail market are being signed digitally. "We were probably the first bank in the world with this solution," says Kari Elise Gisnås, Director of Retail Market. "The solutions are contemporary and show that Sparebanken Hedmark is accessible to its customers."

Growing satisfaction in the Bank

The results of the 2014 organisation survey were the best ever with a response rate of 93 per cent and a total score of 814. Progress was made within a number of important indices. Most believe they have good skills. The profit for the year indicates that the general satisfaction among employees is good and stable.



Pål Jan Stokke new chairman of the Supervisory Board

Pål Jan Stokke from Hamar was elected the new chairman of the Supervisory Board in Sparebanken Hedmark at the Supervisory Board meeting in March 2014. Stokke has been the deputy chairman since 2012. The new deputy chairman is Erik Borg from Arneberg.

Co-location in Stange

The branches in Romedal and Ottestad were co-located with the branches in Stange and Hamar in April. This was done because the number of customers visiting the physical branches was falling and the Bank wanted to make better use of its HR resources.

Ethics week on corruption

The topic for ethics week in 2014 was corruption and anti-corruption work. The financial industry relies on trust and corruption can damage reputations. The goal of ethics week 2014 was to raise awareness about what corruption entails in our industry.

Lower interest rates

In April, Sparebanken Hedmark lowered lending rates in the retail market by up to 0.25 percentage points.

Sparebanken Hedmark sold its shares in Nets

In March, Sparebanken Hedmark entered into an agreement to sell its stake in Nets. The Bank was one of 186 owners, generally Danish and Norwegian banks, who sold their shares in the payment systems company. Sparebanken Hedmark's stake was 1.4 per cent. The Bank made a profit of NOK 158 million from the sale.



Sparebanken Hedmark and the Science Centre with unique giant brain

In collaboration with Sparebanken Hedmark, the Science Centre in the Interior Region opened a two-metre, six-metre long 'brain' in June that forms part of the educational programme for eighth grade pupils and teachers. Its purpose is to increase young people's interest in maths and science and prevent them from dropping them in upper secondary school.



Most optimistic. People who live in the Lillehammer region are the most optimistic in the Interior Region. The Høyesveen family lives in Lillehammer and is eager to build their three-storey house.
SOURCE: Sparebanken Hedmark's Economic Barometer 2014.

Directors' report

Sparebanken Hedmark is the leading financial institution in Hedmark and Norway's sixth largest savings bank. The Bank is the only regional source of capital with its head office in the Inland Region.

The Group achieved its best result ever in 2014 with a profit after tax of NOK 1,040 million. The return on equity was 14.4 per cent. The continued good macro-economic situation in both Norway and the region contributed to very low losses.

The Group's financial strength is very good and it has an unweighted equity ratio of 15.3 per cent and a capital adequacy ratio of 17.1 per cent.

Its market position as the region's leading financial institution was further strengthened in 2014 and it enjoyed 6.8 per cent growth in total lending. The Group's subsidiaries within leasing, real estate brokerage and accounting services also achieved good results. The Group also saw very good growth in new markets.

Sparebanken Hedmark – Group

The Group prepares its financial statements in accordance with international accounting standards adopted by the EU.

The Group consists of Sparebanken Hedmark and the consolidated wholly owned subsidiaries EiendomsMegler 1 Hedmark Eiendom AS, SpareBank 1 Finans Østlandet AS, SpareBank 1 Regnskapshuset Østlandet AS and Vato AS.

Its head office is in Hamar, and the Group's operations are in Hedmark, Oppland and Akershus. The Group's operations are not regarded as polluting the external environment.

The Bank owns 40.5 per cent of Bank 1 Oslo Akershus AS, 11 per cent of SpareBank 1 Gruppen AS, 16.8 per cent of SpareBank 1 Markets AS and 8 per cent of SpareBank 1 Kredittkort AS. The Bank also owns 9.5 per cent of SpareBank 1 Boligkreditt AS and 3.8 per cent of SpareBank 1 Næringskreditt AS (the covered bond companies). The results from the above companies are recognised in the Bank's consolidated financial statements proportionate to the Bank's stake.

Results

The Group's profit after tax for 2014 (figures for last year in brackets) totalled NOK 1,040 (694) million. The return on equity was 14.4 (11.0) per cent. Excluding the profit from the sale of the Bank's shares in Nets Holding ASA, the return on equity was 12.2 per cent.

Specification of the consolidated profit after tax (NOK millions):

Parent Bank's profit after tax	676
Dividends received from subsidiaries/associated companies	-135
Share of the result from:	
SpareBank 1 Gruppen AS	202
Bank 1 Oslo Akershus AS	183
SpareBank 1 Boligkreditt AS	19
SpareBank 1 Næringskreditt AS	5
EiendomsMegler 1 Hedmark Eiendom AS	8
SpareBank 1 Finans Østlandet AS	73
SpareBank 1 Regnskapshuset Østlandet AS	4
Other associated companies/joint ventures	5
Consolidated profit after tax	**1 040**

Interest income and other operating income

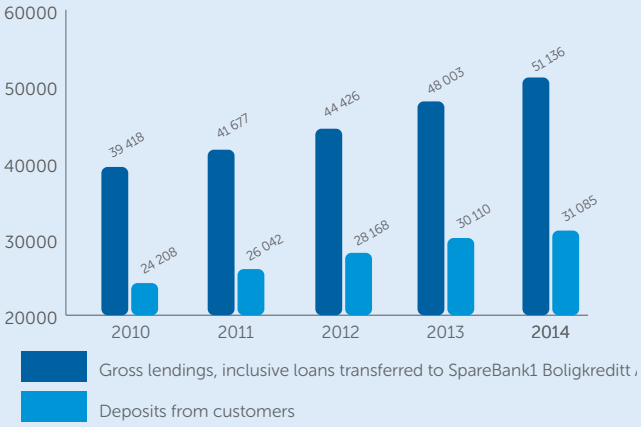
Total net interest income, including commissions from loans transferred to partly-owned companies (recognised as commissions), amounted to NOK 1 271 (1 215) million. This represents an increase of 4.6 per cent compared with 2013.

In connection with the establishment of SpareBank 1 Kredittkort AS, the Bank sold its credit card portfolio totalling NOK 306 million to this company in February 2014. The return on the Bank's credit card portfolio was previously included in net interest income. After the sale, net interest income from the credit card portfolio is recognised as commissions, based on the same principle applied to loans transferred to the covered bonds companies. This change has had a negative impact on the Bank's reported net interest margin and net interest income. The Group's net interest income dropped from 2.21 per cent in 2013 to 2.08 per cent in 2014.

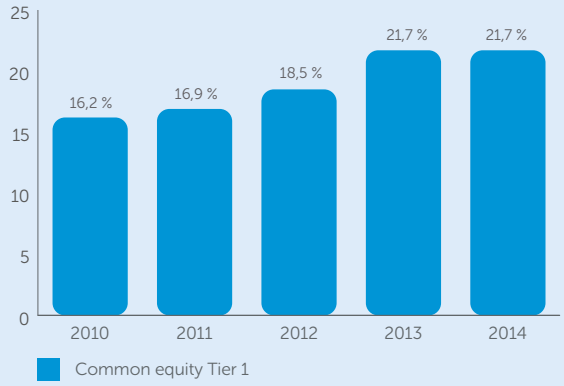
The Group's lending margin, including home mortgages in the covered bonds companies but excluding interest income from the card portfolio, amounted to 2.96 (3.08) per cent. The deposit margin was -0.52 (-0.68) per cent. The Group's net interest margin was 2.44 (2.40) per cent.

Net commissions and other income increased from NOK 559 million in 2013 to NOK 663 million in 2014. Of the NOK 104 million increase, commissions from transferred loans to the covered bonds companies contributed NOK 20 million, gains from the sale of the credit card portfolio contributed NOK 25 million, and commissions from the credit card portfolio contributed NOK 25 million.
Other operating income increased by NOK 28 million. The accounting and estate agency business increased turnover by NOK 36 million.

Gross lending and deposits (Parent bank)



Common equity Tier 1 (Parent bank)



Net result from financial assets and liabilities

The net result from financial assets and liabilities increased by NOK 310 million to NOK 573 (263) million. The net profit from ownership interests increased by NOK 68 million. The profit from the sale of the shares in the payment systems company Nets Holding ASA contributed NOK 158 million, and changes in the market value of securities saw an improvement of NOK 94 million.

The share of the profit from Bank 1 Oslo Akershus AS accounted for NOK 183 (133) million of the profit from ownership interests. In the second quarter of 2013, Sparebanken Hedmark increased its stake in Bank 1 Oslo Akershus AS from 12 to 40.5 per cent.

The share of the profit from SpareBank 1 Gruppen AS totalled NOK 202 (132) million.

The net result from other financial assets and liabilities amounted to NOK 166 (-84) million. Besides the profit from the sale of the shares in Nets Holding ASA, other securities contributed NOK 8 million.
The Bank's securities issued, fixed-income investments, derivatives and fixed-rate products for customers are assessed at fair value through profit and loss pursuant to IAS 39, and changes in market value are recognised in profit and loss. The total net change in market value for fixed-income securities amounted to NOK 36 (-67) million, while the change in value for fixed-rate products for customers was NOK 28 (-34) million. Other items amounted to NOK 16 (16) million.

Costs and losses

The Group's operating costs were NOK 981 (916) million. This represents an increase of 7.1 (6.0) per cent compared with the year before. NOK 23 million of the NOK 65 million increase was due to increased costs in subsidiaries, primarily due to greater activity. The number of full time equivalents increased by 17 from 656 in 2013 to 673 in 2014.

Personnel costs amounted to NOK 543 (486) million. This represents an increase of NOK 57 million or 11.8 per cent. The ordinary growth in wages amounted to NOK 39 million. The increase includes NOK 6 million in extraordinary costs and NOK 5 million linked to service production in the SpareBank 1 Alliance that generates corresponding income. Increased pension costs amounted to NOK 6 million.

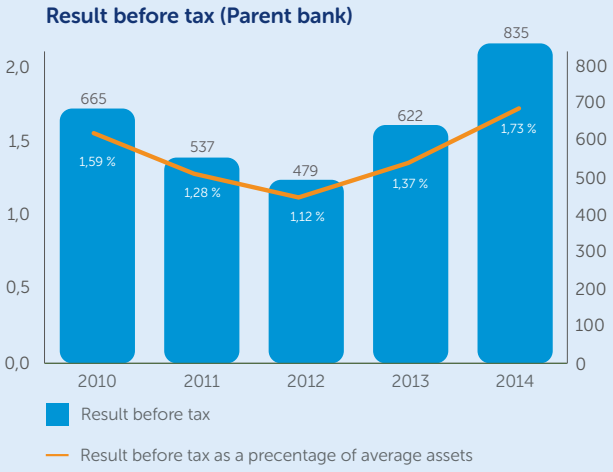
Other operating costs increased by 1.8 per cent and amounted to NOK 438 (430) million.

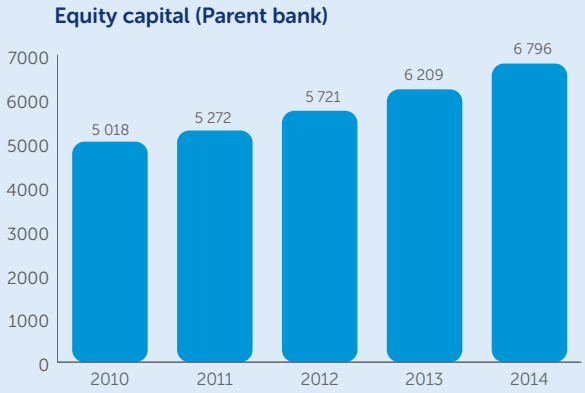
Operating costs as a percentage of total income were 43.1 (50.1) per cent.

Total net loan loss provisions amounted to NOK 66 (72) million, which corresponds to 0.1 (0.1) per cent of gross lending on its balance sheet. Credit risk measured as a percentage of problem loans (non-performing and other impaired commitments) decreased in 2014. In total, the Group's problem loans amounted to 1.2 (1.4) per cent of gross commitments on its balance sheet and 0.9 (1.1) per cent if loans transferred to the covered bond companies are included.

Assets and liabilities

Gross lending to customers, including loans transferred to the covered bond companies, totalled NOK 55.9 (52.4) billion. At year-end 2014, loans totalling NOK 15.4 (14.6) billion had been transferred to SpareBank 1 Boligkreditt AS and loans totalling NOK 0.6 (0.6) billion had been transferred to SpareBank 1 Næringskreditt AS. Retail customer loans transferred to the covered bond company as a percentage of the overall retail customer loans (loans on its balance sheet and transferred loans) was 43.5 (40.5) per cent.
The Group's 12-month lending growth, including transferred loans, was 6.8 (8.9) per cent.
Customer deposits totalled NOK 31.1 (30.1) billion. The growth over the past 12 months was 3.2 (7.0) per cent. Deposits represented 77.8 (80.9) per cent of gross lending.





Senior debt to financial institutions and senior securities issued totalled NOK 9.6 (9.0) billion. The average term to maturity of the Bank's long-term funding was 4.0 (4.5) years. The average term to maturity for all funding was 3.6 (3.9) years. The average risk premium on the Bank's funding portfolio at year-end 2014 was 82 basis points. In addition to senior debt, the Bank had NOK 0.5 billion in subordinated loans.

Liquidity was very good and there has been high level of interest in the Bank's bonds. At year-end 2014, the Bank had enough reserves to maintain normal operations for 18 (16) months. This scenario assumes 5.9 per cent lending growth and a 2.6 per cent growth in deposits.

In the opinion of the Board of Directors, the Bank's liquidity risk is low.

The Group's equity amounted to NOK 7.6 (6.7) billion, which is equivalent to 15.3 (14.2) per cent of the balance sheet.

The Group's core equity tier 1 ratio was 14.8 (16.2) per cent. The reduction in the core equity tier 1 ratio was primarily attributable to increased home mortgage risk weights and the introduction of regulations in CRD IV. The total capital adequacy ratio was 17.1 (16.4) per cent.

Rating

Sparebanken Hedmark is rated by Moody's as A2 (long-term senior debt and deposit rating). The Bank's individual rating (standalone financial strength rating) is C-. In May, Moody's changed Sparebanken Hedmark's rating from A2, Stable Outlook to A2, Negative Outlook. The reason for this was the EU's adoption of the Bank Recovery and Resolution Directive, the so-called "bail-in". This change applied to all of the savings banks in Norway.

Sparebanken Hedmark – Parent Bank and subsidiaries

With reference to the Norwegian Accounting Act's requirements concerning the content of annual reports, the Board of Directors confirms that the financial statements have been prepared on the basis of a going-concern assumption.

The profit after tax in 2014 totalled NOK 676 (499) 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 505 (497) million.

Income

Net interest income, including loans transferred to the covered bond companies, amounted to NOK 1,063 (1,037) million. The increase was due to higher volumes.

The net interest margin for loans on the balance sheet (excluding currency loans) was 2.49 (2.53) per cent. The lending margin was 3.01 (3.21) per cent and the deposit margin was -0.52 (-0.68) per cent. When the sale of the credit card portfolio is taken into account, the net interest margin was almost unchanged throughout 2014.

The interest margin for the retail market was 2.38 (2.48) per cent, and for the corporate market it was 2.69 (2.61) per cent.

NOK 228 (207) million of the NOK 482 (409) million in net commissions and other operating income came from commissions on loans transferred to the covered bond companies. The net margin for the portfolio transferred to SpareBank 1 Boligkreditt AS, which amounts to NOK 15.4 (14.6) billion, was 1.47 (1.50) per cent.

The net profit from financial assets and liabilities was NOK 296 (126) million. Income from dividends amounted to NOK 13 (21) million. The profit after tax from ownership interests, primarily dividends, amounted to NOK 117 (189) million. The net result from other



Siri J. Strømmevold
(born 1961), Board Chairman, lives in Tynset.

Strømmevold is a qualified computer engineer, with 15 years experience from the oil industry with Mobil Expl., Statoil and Saga Petroleum. She is now the General Manager of Tynset Bokhandel. She was elected to the board in 2006.

financial assets and liabilities was NOK 166 (-84) million, including the profit from the sale of the shares in Nets.

Operating costs and losses

Total operating costs were NOK 726 (681) million. Costs increased by 6.6 (4.4) per cent, or NOK 45 million, compared with the year before. Personnel costs increased by NOK 32 million. NOK 5 million of this increase was linked to services performed for the Alliance and which provide corresponding income. IT costs increased by NOK 8 million and marketing costs increased by NOK 3 million. Other operating costs increased by NOK 3 million.

At year-end 2014, the Parent Bank had 459 (464) full time equivalents.

Operating costs represented 45.0 (49.9) per cent of total income.

Net loan loss provisions were NOK 52 (61) million. NOK 15 (18) million of this was in the retail market, while NOK 36 (43) million was in the corporate market. Group write-downs amounted to NOK 8 (-5) million.

Assets and liabilities

Gross lending to customers, including loans transferred to the covered bond companies, totalled NOK 51.1 (48.0) billion. The Parent Bank's lending growth for the last 12 months, including loans transferred to the covered bond companies, was 6.5 (7.6) per cent.

Growth, including transferred loans, was 6.1 (7.2) per cent in the retail market and 7.2 (10.2) per cent in the corporate market. The risk profile for the Bank's granting of credit has not changed in 2014.

Deposits from and liabilities to customers totalled NOK 31.1 (30.1) billion at the end of the year. The growth in deposits was 3.2 (6.9) per cent. NOK 20.2 billion of deposits came from the retail market, while NOK 10.9 billion came from the corporate market. Public sector deposits amounted to NOK 3.6 billion.

The core equity tier 1 ratio was 21.7 (21.7) per cent at year-end 2014. The Parent Bank's equity of NOK 6.8 (6.2) billion consists entirely of retained earnings and represents 13.9 (13.3) per cent of the balance sheet.

Subsidiaries and partly-owned companies

The leasing and finance company SpareBank 1 Finans Østlandet AS reported a profit after tax of NOK 73 (58) million. At the end of the year the finance company's gross lending totalled NOK 4.8 (4.2) billion. Gross lending growth over the past 12 months was 16.1 (15.0) per cent.

SpareBank 1 Regnskapshuset Østlandet AS posted earnings of NOK 126 (103) million and achieved a result after tax of NOK 4 (-5) million.

The estate agency EiendomsMegler 1 Hedmark Eiendom AS posted earnings of NOK 79 (67) million and achieved a profit after tax of NOK 8 (3) million.

SpareBank 1 Gruppen AS (11 per cent stake) achieved a consolidated profit after tax of NOK 1,848 (1,109) million. The return on equity was 28 (20) per cent.

Bank 1 Oslo Akershus AS (40.5 per cent stake) achieved a profit after tax of NOK 452 (328) million. The result gave a return on equity of 15.4 (12.8) per cent, including the profit from the sale of the shares in Nets Holding ASA. The return on equity excluding this profit was 11.2 per cent. The core equity tier 1 ratio was 14.5 (14.0) per cent.

Risk Management

Risk management at Sparebanken Hedmark shall ensure that the risk exposure is known at all times and within the limits set by the Board of Directors. Risk management shall support the Group's strategic development and achievement of targets, and help ensure financial stability and prudent asset management.

The Board of Directors has adopted the "Risk and Capital Management Policy in Sparebanken Hedmark". This document defines the principal framework for risk management, including the management of the various risks. The Board of Directors adopts the overall risk strategy, the governing documents for the credit area, as



Bjørnar Håkensmoen
(born 1969), Deputy Chairman, lives in Elverum.

Håkensmoen is qualified within teaching, management and communication. He has worked within the sports industry. He has been the Managing Director of Daldata since 2006. Became Deputy Chairman in 2012.



Erik Garaas
(born 1950), board member, lives in Oslo.

Garaas has a degree in social economics and has worked at the Central Bureau of Statistics, Finance Ministry, Gjensidige and DNB, mainly within finance and capital management. He was elected to the Board in 2013.

well as the Bank's finance strategy for the areas of liquidity risk and market risk on an annual basis. Risk exposure and development are monitored and reported to the Bank's Board of Directors periodically.

Credit risk

Credit risk is defined as the risk of losses if customers or counterparties are unable or unwilling to meet their financial obligations.

Credit risk in the loan portfolio is the Bank's greatest risk. The risk is continuously managed in accordance with the Bank's credit strategy, credit policy, credit authorities, routines/processes for credit granting and various reporting and follow-up requirements. Sparebanken Hedmark uses statistical risk classification models as a basis for dividing the portfolio into risk groups. For more detailed information, please refer to the Group's Pillar 3 document, which is available from the Bank's website.

The Bank primarily finances retail market customers and corporate customers in Hedmark. In recent years, the market area has been expanded to include the Gjøvik and Lillehammer regions in Oppland, as well as Nes in Akershus. As before, the Bank participates in the financing of major projects in cooperation with other banks – primarily banks in the SpareBank 1 Alliance.

The risk profile in the corporate market portfolio improved in 2014. Expected losses and risk-adjusted capital have been reduced in relative terms. Total defaults have been stable and loan losses remain at a very low level. Losses were lower in 2014 than in 2013. Lending growth was also somewhat lower in 2014 than in 2013.

The risk profile in the retail market portfolio has improved and the risk in the portfolio is regarded as low, with the majority secured by security in real estate. Total defaults have been reduced and losses on loans are low. Lending growth has been on a par with growth in the market. As long as the collateral value is not reduced as a result of significantly lower housing prices or a significant increase in unemployment, the loss risk in the portfolio is limited.

The Bank's portfolio of interest-bearing securities also entails a credit risk. This is described in greater detail in the market risk section below. The Bank also has credit risk related to accounts receivable from other credit institutions. The decidedly largest single receivable is a loan to the Bank's subsidiary, SpareBank 1 Finans Østlandet AS.

The Board of Directors finds that the Bank's credit risk related to lending operations overall has developed positively in 2014. The Group's credit risk is considered to be moderate.

Market risk

Market risk is defined as the risk of losses due to changes in interest rates, share prices and foreign exchange rates. Limits and guidelines for the management of market risk follow from the Group's financial strategy adopted by the Board of Directors. Risk exposure and development is continuously monitored and reported periodically to the Board of Directors.

The Group's market risk is primarily related to investments in fixed-income securities in the Parent Bank's liquidity portfolio, and to the issuance of debt securities. This market risk – the spread risk – can be divided into interest rate risk and credit risk.

Guidelines and limits for investments in fixed-income securities are adapted to the regulatory requirements for funding management. Total investments in fixed income securities amounted to NOK 4 billion at year-end. The relative share of fixed income securities with the lowest credit risk increased throughout the year due to the gradual adaptation to regulatory requirements. 79 per cent of the portfolio was rated AA or better at year-end.

The holding of securities issued increased during the year from a nominal value of NOK 8.5 billion to a nominal value of NOK 8.9 billion. The liability's market value varies with changes in interest rates and credit spreads.

Interest rate risk arises as a result of the Group's balance sheet items having different remaining interest rate



Espen Bjørklund Larsen
(born 1976), board member, lives in Elverum.

Larsen has a degree in economics and administration and spent a year studying innovation. In addition he has an Executive Master of Management degree from BI Norwegian Business School.



Nina C. Lier
(born 1972), board member, lives in Ringsaker.

Lier has a degree in civil economics and is CFO of Sykehuset Innlandet HF. She was elected to the board in 2010.

commitment terms. The Bank manages interest rate risk in accordance with adopted risk limits by adapting the interest rate commitment terms for the aforementioned investments and funding. At the end of the year, an increase in the interest rate level of one percentage point through a parallel shift in the entire yield curve would have reduced the result by NOK 15 million.

Currency risk is managed by means of the adopted exposure limits. The positions have generally been very low in 2014.

The price risk for equity capital instruments is measured in relation to exposure to equity capital instruments. The greatest part of the exposure concerns strategic investments in the Parent Bank. In 2014, the Bank experienced a drop in exposure to equity capital instruments.

In the opinion of the Board of Directors the Bank's total market risk is low at year-end 2014.

Liquidity risk

Liquidity risk is the risk that the Bank is not able to fulfil its obligations when due, or finance assets, including desired growth, without significant extra costs.

Management of the liquidity risk is based on the finance strategy. This sets limits for the net funding requirements at different time intervals, requirements for long-term and diversified funding, the size of the liquidity reserve and time horizons for which the Bank must be independent of new external financing.

Deposits from customers represent the Bank's main source of funding. Sparebanken Hedmark's goal is to maintain a broad base of deposits from both retail and corporate customers. At year-end 2014, the Bank had a deposit coverage ratio of 78 per cent.

In addition to deposits, the Bank is funded by loans in the securities market, loans from financial institutions and covered bonds via the sale of loans to the covered bond companies SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

At year 2014, the average term to maturity for the Parent Bank's long-term funding was 4.0 years. The average term to maturity of all borrowing was 3.6 years.

As part of the liquidity management, Sparebanken Hedmark maintains a portfolio of liquid securities. In addition to the securities portfolio, the Bank has a liquidity reserve in the form of loans prepared for sale to the mortgage companies.

The Bank satisfies the regulatory liquidity requirements by having liquid assets that satisfy heavy short-term stress in addition to survival in a longer perspective. At year-end 2014, the Bank had a liquidity coverage ratio (LCR) of 88 per cent, at the same time as the Bank has enough liquid assets to survive for more than 18 months without the supply of external funding in an ordinary operating situation with budget growth.

In the opinion of the Board of Directors the Bank's funding risk is low at the end of the year.

Operational risk

Operational risk is the risk of losses due to inadequate or failed internal processes or systems, human error or external events.

The management of operational risk is based on the "Policy for Operational Risk". Risk assessments of the different areas are conducted annually. These provide the foundation for audit procedures that are followed up through the Group's tools for monitoring operational risk.

On the basis of the Bank's earnings and financial strength, as well as the organisation's competence and management systems, the Board of Directors believes that the Bank's overall risk exposure is acceptable.

Organisation and HR

Sparebanken Hedmark wants to recruit, develop and retain capable employees and develop a competent and adaptable organisation. Individual employees should experience a balance between work and leisure, and the Bank wants to help employees stay healthy. Health



Aud Christensen
(born 1956), board member, lives in Åsnes.

Christensen is qualified withineconomics and marketing, and has a degree in strategic board management from BI. She is a partner in AButvikling AS. She was elected to the board in 2012.



Morten Herud
(born 1959), board member, lives in Eidskog.

Herud has a degree in civil economics. He has worked within finance and industry and is the General Manager of 7sterke AS. He was elected to the board in 2013.

promoting activities through the company sports teams, expanded annual health check-ups, and a focus on healthy lifestyles through various measures help to improve health and job satisfaction and motivation.

The Bank has a special HR strategy that particularly focuses on managerial development, skills development and internal interaction.

The most important measures associated with the HR strategy are reported and followed up as part of the organisation's overall performance management system.

The 'Kompetanseportalen' – a tool developed within the SpareBank 1 Alliance – was implemented during the year in order to run more strategic, goal-oriented and systematic skills development.

The Bank has also established a special 'Management School' for developing both new and existing managers. In addition to this, there are specialist days for managers, half-yearly gatherings for all managers in the Group, and manager meetings within the individual divisions.

Organisational development and HSE

Some minor adaptations were made to the organisation's structure and a series of organisational development activities were implemented in 2014. Much of this has involved improving work processes and better interaction between parts of the Group.

The annual organisational survey is important as part of the assessment, follow-up and development of the organisation's managers, and is used to evaluate the need for various organisational development measures. The results for the organisation in 2014 were, overall, at the highest level that has been measured using this method.

The sick leave rate dropped from 5.6 per cent in 2013 to 4.1 per cent in 2014. Short-term sick leave is below 1.0 per cent and long-term sick leave was largely related to serious illnesses that were not work related. The Bank signed a new IW agreement during 2014 and set targets for long-term sick leave, employing more people with impaired functionality, and higher retirement ages.

One new occupational accident was reported to the Norwegian Labour Inspection Authority in 2014.

Equal opportunities

Women account for 57 per cent of the Bank's employees, while the proportion of women in managerial positions is 44 per cent. The proportion of women in managerial positions has been increasing for years.

The chief executive's management team consists of two women and seven men. The Bank's Board of Directors consists of three women and four men, while the Board of Representatives consists of 14 women and 26 men.

Sparebanken Hedmark is striving for a balance between the genders in different roles at all levels of the organisation, and facilitates equal opportunities through continuous personnel management and development measures.

All employees' salaries are determined on the basis of their position, education, experience and personal qualities, and they are subject to individual annual assessments.

Sparebanken Hedmark strives to avoid discrimination in all contexts. The Bank makes special adaptations for employees who, because of illness, experience reduced capacity for work or who, for some other reason, require adaptation of their workplace and work tasks. In collaboration with the Norwegian Labour and Welfare Service (NAV), the Bank also welcomes employees who need training and work experience.

Ethics

Sparebanken Hedmark's operations depend on the confidence of customers, public authorities and society at large. Sparebanken Hedmark's employees should be known for their high ethical standards. Its employees should be competent, honest, fair and inspire confidence. The necessary professional distance should be maintained in all interactions with others.

Value shall be created in accordance with good advice practices and within limits that do not require the individual employee to violate the code of conduct in order to satisfy financial targets.
Discussing the code of conduct is part of the mandatory introductory programme for new employees. An annual "Ethics Week" is also arranged and involves the entire organisation. All the employees must also confirm each year that they have reviewed and understood the content of the code of conduct.

Outlook for 2015

The Board has recommended that the Supervisory Board approve the conversion of parts of the primary capital into equity capital certificates to strengthen the Bank's position and lay the groundwork for further growth. If this is approved, a foundation will be established that will become the owner of 60 per cent of the Bank's equity. The foundation's share will be reduced in the event of any subsequent listing on the stock exchange, but it is suggested that the articles of association stipulate that the ownership interest must be more than 50 per cent.

Economic activity in Norway is expected to drop slightly in 2015. Sparebanken Hedmark's primary market is the Inland Region, which encompasses the counties of Hedmark and Oppland. This region has traditionally been less exposed to cyclical fluctuations than other regions. However, international developments may affect the situation in Norway and thus the Inland Region as well. Reduced Norwegian oil activities will have limited consequences for the Inland Region in the short-term. The Bank's credit exposure to oil-related activities is very low.

The Bank is well prepared for any setback with good liquidity, a high deposit coverage ratio, stable earnings and a high level of equity.

The Board of Directors of Sparebanken Hedmark
Hamar, 5. March 2015

Siri J. Strømmevold
Board Chair

Bjørnar Håkensmoen

Erik Garaas

Espen Bjørklund Larsen

Nina C. Lier

Aud Christensen

Morten Herud

Richard Heiberg
CEO

Accounting



All for Osen. Machinery entrepreneur Wiggo Rønningen has invested more than NOK 10 million in a high-risk hotel project on the shores of the Osensjøen lake in Åmot. The goals include constructing a 1 kilometre long promenade along the shoreline.
SOURCE: Sparebanken Hedmark's Economic Barometer 2014.

Income statement

Parent bank				Group	
2013	**2014**	(NOK million)	Notes:	**2014**	**2013**
1 908	1 894	Interest income	20	2 101	2 085
1 078	1 059	Interest expenses	20	1 058	1 077
830	**835**	**Net interest income**		**1 043**	**1 008**
416	497	Commission income	21	496	415
27	31	Commission expenses	21	50	45
19	16	Other operating income	21	217	189
409	**482**	**Net commission and other income**		**663**	**559**
21	13	Dividends	22	13	21
189	117	Net profit from ownership interests	22,39,42	394	326
-84	166	Net profit from other financial assets and liabilities	22	166	-84
126	**296**	**Net income from financial assets and liabilities**		**573**	**263**
1 364	**1 613**	**Total net income**		**2 279**	**1 829**
342	374	Personnel expenses	23,24	543	486
339	353	Other operating expenses	25	438	430
681	**726**	**Total operating expenses before losses on loans and guarantees**		**981**	**916**
684	**886**	**Profit before losses on loans and guarantees**		**1 298**	**913**
61	52	Losses on loans and guarantees	11	66	72
622	**835**	**Profit/loss before tax**		**1 232**	**841**
124	159	Tax charge	26	192	147
499	**676**	**Results for the accounting year**		**1 040**	**694**
		Majority interests		1 038	704
		Minority interests		2	-10

499	**676**	**Statement of other comprehensive income**		**1 040**	**694**
-67	-51	Actuarial gains / losses on pensions		-81	-85
18	14	Tax effect of actuarial gains / losses on pensions		20	22
		Share of other comprehensive income from associates and joint ventures		10	1
-49	**-37**	**Total items not reclassified through profit or loss**		**-51**	**-62**
56	142	Change in value of financial assets available for sale		144	56
-3		Financial assets available for sale transferred to profit and loss on write-downs due to permanent impairment of value			-3
3	-158	Financial assets available for sale transferred to profit and loss on realisation		-158	3
		Share of other comprehensive income from associates and joint ventures			5
56	**-16**	**Total items reclassified through profit or loss**		**-14**	**61**
7	**-53**	**Total profit and loss items recognised in equity**		**-65**	**0**
505	**623**	**Total profit and loss for the accounting year**		**975**	**693**
		Majority interest of comprehensive income		973	703
		Minority interest of comprehensive income		2	-10

Balance sheet

Parent bank				Group	
2013	**2014**	(NOK million)	Notes:	**2014**	**2013**
		ASSETS			
572	748	Cash and deposits with central banks		748	572
4 254	4 856	Loans to and receivables from credit institutions	7	675	699
32 598	34 923	Loans to and receivables from customers	8	39 691	36 936
4 927	4 017	Certificates and bonds	30	4 017	4 927
363	531	Financial derivatives	31	531	363
357	239	Shares, units and other equity interests	32	239	357
2 140	2 323	Investments in associates and joint ventures	39	3 073	2 565
407	668	Investments in subsidiaries	39		
		Assets held for sale			1
266	315	Property, plant and equipment	34	336	288
117	110	Goodwill and other intangible assets	33	185	177
70	72	Deferred tax asset	26	33	58
599	260	Other assets	35	406	455
46 669	**49 061**	**Total assets**		**49 934**	**47 397**
		LIABILITIES			
634	667	Deposits from and liabilities to credit institutions	7	665	632
30 110	31 085	Deposits from and liabilities to customers	36	31 070	30 097
8 398	8 951	Liabilities arising from issuance of securities	37	8 951	8 398
182	330	Financial derivatives	31	330	182
131	146	Current tax liabilities	26	150	144
503	581	Other debt and liabilities recognised in the balance sheet	38	639	722
503	505	Subordinated loan capital	37	505	503
40 460	**42 265**	**Total liabilities**		**42 310**	**40 679**
		EQUITY CAPITAL			
6 013	6 645	Primary capital		6 645	6 013
71	42	Endowment fund		42	71
125	109	Fund for unrealised gains		110	125
		Other equity		827	495
		Minority interests			14
6 209	**6 796**	**Total equity capital**		**7 624**	**6 718**
46 669	**49 061**	**Total equity capital and liabilities**		**49 934**	**47 397**

The Board of Directors of Sparebanken Hedmark
Hamar, 6 March 2015

Siri J. Strømmevold
Chairperson

Bjørnar Håkensmoen

Erik Garaas

Espen Bjørklund Larsen

Nina C. Lier

Aud Christensen

Morten Herud

Richard Heiberg
Chief executive officer

Changes in equity capital

Parent bank	Earned equity capital			
(NOK million)	Primary capital	Endow-ment fund	Fund for unrealised gains	Total equity capital
Equity capital at 1 January 2013	**5 569**	**83**	**69**	**5 721**
Results for the accounting year	499			499
Actuarial gains / losses on pensions	-49			-49
Change in value of financial assets available for sale			56	56
Donations distributed from profit 2012	-6			-6
Grants from endowment fund in 2013		-12		-12
Equity capital at 31 December 2013	**6 013**	**71**	**125**	**6 209**
Equity capital at 1 January 2014	**6 013**	**71**	**125**	**6 209**
Results for the accounting year	676			676
Actuarial gains / losses on pensions	-37			-37
Change in value of financial assets available for sale			-16	-16
Donations distributed from profit 2013	-6			-6
Grants from endowment fund in 2014		-29		-29
Equity capital at 31 December 2014	**6 645**	**42**	**109**	**6 796**

Group	Earned equity capital					
(NOK million)	Primary capital	Endow-ment fund	Fund for unrealised gains	Other equity	Minority interests	Total equity capital
Equity capital at 1 January 2013	**5 569**	**83**	**69**	**299**	**24**	**6 044**
OB correction: Correction of previous years' errors				-6		-6
Adjusted equity capital at 1 January 2013	**5 569**	**83**	**69**	**293**	**24**	**6 038**
Results for the accounting year	499			205	-10	694
Actuarial gains / losses on pensions	-49			-14		-63
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss				1		1
Change in value of financial assets available for sale			56			56
Other items that will be reclassified in associated companies and joint ventures				4		4
Adjusted equity capital in associated companies and joint ventures				2		2
Change in the group composition				4		4
Donations distributed from profit 2012	-6					-6
Grants from endowment fund in 2013		-12				-12
Equity capital at 31 December 2013	**6 013**	**71**	**125**	**495**	**14**	**6 718**
Equity capital at 1 January 2014	**6 013**	**71**	**125**	**493**	**14**	**6 717**
Results for the accounting year	676			364		1 040
Actuarial gains / losses on pensions	-37			-24		-61
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss				10		10
Change in value of financial assets available for sale			-16	1		-14
Adjusted equity capital in associated companies and joint ventures				-4		-4
Change in the group composition				-15	-14	-29
Donations distributed from profit 2013	-6					-6
Grants from endowment fund in 2014		-29				-29
Equity capital at 31 December 2014	**6 645**	**42**	**110**	**827**	**0**	**7 624**

Cash flow statement

Parent bank			Group	
2013	**2014**	(NOK million)	**2014**	**2013**
12 681	11 012	This year's downpayment on repayment loans etc. to customers	12 905	14 492
		Change in advance rent leasing	19	28
-10 612	-10 394	Newly discounted repayment loans etc. to customers for the year	-12 979	-13 130
-23	-118	Change in balances of foreign currency lending	-118	-23
-3 174	-2 883	Change in balances of credits	-2 883	-3 173
1 567	1 541	Interest and commission income on lending	1 848	1 829
25	5	Included in previous years' realised losses on lending	9	27
1		Net cash flow from assets held for sale	1	
465	**-837**	**Cash flow from lending operations (A)**	**-1 198**	**50**
1 246	715	Change in balances of deposits from customers at call	714	1 260
710	279	Change in balances of deposits from customers with agreed maturity dates	279	710
-821	-766	Interest payments to customers	-763	-817
1 135	**228**	**Cash flow from deposit operations (B)**	**231**	**1 153**
153	914	Net cash flow from securities held short term	914	153
66	122	Cash flow linked to exchange rate gains / losses on securities held short term	122	66
103	97	Interest received on certificates and bonds	97	103
322	**1 134**	**Cash flow from investments in securities (C)**	**1 134**	**322**
-755	-592	Change in receivables from credit institutions with agreed maturity dates	33	-403
93	116	Interest received on deposits in credit institutions	116	93
-662	**-476**	**Cash flow from deposits in credit institutions (D)**	**149**	**-310**
551	619	Other income	821	721
-644	-696	Operating expenses payable	-979	-897
-113	-146	Tax payments	-159	-116
-17	-35	Donations	-35	-17
-135	68	Net cash flow from change in other assets	-37	28
-203	248	Net cash flow from change in accruals	147	-315
-112	14	Net cash flow from change in other liabilities	-121	-72
-673	**72**	**Remaining cash flow from current operations (E)**	**-361**	**-668**
587	**121**	**CASH FLOW FROM OPERATIONS (A+B+C+D+E=F)**	**-46**	**547**
-200	17	Change in deposits from credit institutions	33	-203
2 497	2 053	Receipts arising from issuance of securities	2 053	2 498
-1 173	-1 388	Payments arising from redemption of securities issued	-1 388	-1 173
-454	-262	Buy-back of own securities	-262	-454
-219	-225	Interest payments on financing	-225	-219
451	**195**	**Cash flow from financing activities (G)**	**211**	**449**
-70	-77	Investments in fixed assets and intangible assets	-83	-77
11	1	Sales of fixed assets and intangible assets at sales price	1	11
-882	-222	Purchase of long-term securities	-222	-882
178	280	Sale of long-term securities	280	178
145	147	Share dividends from securities held long term	85	115
-618	**130**	**Cash flow from investments (H)**	**61**	**-655**
3	-27	Liquidity effect of acquisition and sale of subsidiaries(I)	-43	-3
-85	-235	Payments arising from placements in subsidaries (L)		
338	**184**	**CHANGE IN CASH AND CASH EQUIVALENTS (F+G+H+I+L)**	**184**	**338**
261	599	Cash and cash equivalents at 1 January	599	261
599	**783**	**Cash and cash equivalents at 31 December**	**783**	**599**
		Cash and cash equivalents at 31 December comprise:		
572	748	Cash and deposits with central banks	748	572
27	35	Deposits etc. at call with banks	35	27
599	**783**	**Cash and cash equivalents at 31 December**	**783**	**599**

Notes



Investing in accessibility. Director of Retail Market, Kari Elise Gisnås (middle), and regional bank directors for the retail market, Snorre Sveløkken, Eva Kristin Myhre, Jan Sævig, June S. Vinje and Geir Schjølberg, together with Bank Manager Private Banking, Pål Marthinsen, and Bank Manager Retail Customer Service Centre, Hege Langerud Bruset.

Notes to the accounts

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Farming. The companies in the Interior Region expect higher turnover, profitability and demand next year. Farmers are the least optimistic, but that does not apply to Ole Anders Krogrud from Gaupen in Ringsaker.
SOURCE: Sparebanken Hedmark's Economic Barometer 2014.

Note 1 General information

The Sparebanken Hedmark Group consists of the Parent Bank Sparebanken Hedmark and the wholly owned subsidiaries EiendomsMegler 1 Hedmark Eiendom AS, SpareBank 1 Finans Østlandet AS, SpareBank 1 Regnskapshuset Østlandet AS and Vato AS.

The Bank owns 11 per cent of SpareBank 1 Gruppen AS. The other owners are SpareBank 1 SR-Bank, SpareBank 1 Nord-Norge, SpareBank 1 SMN and Samarbeidende Sparebanker AS, each of which owns a 19.5 per cent stake, the Norwegian Federation of Trade Unions (LO), which owns a 9.6 per cent stake, and Bank 1 Oslo Akershus AS, which owns a 1.4 per cent stake. The management structure of the SpareBank 1 Alliance is governed by an agreement between the owners. The Group's stake in SpareBank 1 Gruppen AS is classified as an investment in a joint venture. The Bank owns 50 per cent of the shares in Torggata 22 AS. The company is treated as a joint venture in the financial statements. The same applies to SpareBank 1 Utvikling DA, in which the Bank has an 11.3 per cent stake. The other owners in the latter company are banks in the SpareBank 1 Alliance.

Sparebanken Hedmark owns 40.5 per cent of Bank 1 Oslo Akershus AS. The company is classified as an associated company. This is also true of the mortgage companies SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, which the Bank owns 9.50 per cent and 3.84 per cent of, respectively, as well as SpareBank 1 Kredittkort AS, which it owns 8.0 per cent of, and KOMM-IN AS, which it owns 23.7 per cent of. A number of alliance companies are defined as associated companies in spite of the fact that the ownership interest is less than 20 per cent. The reason for this is that the ownership structure and the strategic cooperation between the owning banks of the SpareBank 1 Group AS gives Sparebanken Hedmark significant influence over these companies.

Sparebanken Hedmark is domiciled in Norway, and its head office is located in Hamar. The Bank has a total of 26 branches spread across three counties. The branch network is located primarily in Hedmark, but the Bank also has two branches in Oppland and one branch in Akershus. The head office of all the subsidiaries is located in Hedmark County.

The Group's core operations include deposits, lending, payment transfers, and the sale of other financial products and services, in addition to leasing, real estate brokering and accounting.

The consolidated financial statements were authorised for issue by the Supervisory Board on 26 March 2015. The Supervisory Board is the Bank's supreme administrative body.

Changes in the composition of the Group

2014
In the first quarter, Sparebanken Hedmark sold its shares in SpareBank 1 Verdipapirservice AS (8.90 per cent) and SpareBank 1 Kundesenter AS (9.70 per cent) to Alliansesamarbeidet SpareBank 1 DA. The companies are still owned indirectly by Sparebanken Hedmark through the Alliance (11.30 per cent).

Sparebanken Hedmark increased its stake in SpareBank 1 Markets AS from 14.70 to 16.64 per cent in the second quarter. In the third quarter, its stake in SpareBank 1 Markets AS was increased to 16.80 per cent. There has been an ongoing restructuring process in the company in the last year.

In the fourth quarter, Sparebanken Hedmark acquired SpareBank 1 SMN's 40 per cent stake in SpareBank 1 Regnskapshuset Østlandet AS. Sparebanken Hedmark now owns 100 per cent of the shares in the company. The Bank previously owned a majority share in the accounting chain with a 60 per cent stake. The changed ownership interest entailed no changes in the treatment of the company in the financial statements and it is incorporated into the consolidated financial statements as before.

2013
Sparebanken Hedmark sold its stake in Consis Credit AS to Conecto AS on 1 January 2013. Conecto AS is a wholly owned company in SpareBank 1 Gruppen AS, and Sparebanken Hedmark therefore indirectly still owns an 11 per cent stake.

Sparebanken Hedmark increased its stake from 12 per cent to 40.5 per cent in SpareBank 1 Oslo Akershus AS through the acquisition of shares from other owners of the bank. The transaction was completed with effect from 2 January 2013.

Sparebanken Hedmark acquired 14.7 per cent of the shares in SpareBank 1 Markets AS in the third quarter. Earlier the Bank indirectly owned 12 per cent of SpareBank 1 Markets AS through its ownership of SpareBank 1 Gruppen AS.

Note 2 Accounting principles

Basis for preparation of the consolidated financial statements
The company and the consolidated financial statements for Sparebanken Hedmark have been prepared in accordance with the International Financial Reporting Standards (IFRS), which the EU has ruled shall be used as at 31 December 2014. This also includes interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC). Sparebanken Hedmark started applying IFRS as at 1 January 2007 with retroactive effect. Sparebanken Hedmark has not taken advantage of the opportunity to start applying new standards or changes in standards, which are mandatory from 1 January 2015 or later.

Presentation currency
The presentation currency is NOK (Norwegian kroner), which is also the functional currency of all the units in the Group. All amounts are presented in NOK million unless otherwise stated.

Subsidiaries
Assets in subsidiaries are valued in accordance with the cost method of accounting in the Parent Bank financial statements. The investment is valued at the historical cost of the shares unless a write-down of the shares has been necessary. Dividends, group contributions and other distributions are recognised as income in the year that they are adopted by the General Meeting. The definition of subsidiary is

dealt with in IFRS 10 - Consolidated Financial Statements. It is the degree of actual control that determines whether or not a company should be classified as a subsidiary. Control only exists when an investor has power over relevant activities in the investment object, the risk of variable returns, and also the ability to affect those returns through exercising its power. In cases where loan terms and conditions are breached, the Bank will assess whether or not it has achieved genuine power in relation to IFRS 10.

Consolidation
The consolidated financial statements cover the Bank and all of its subsidiaries. Subsidiaries are defined as all enterprises that the Bank controls, i.e. has the power to manage a company's financial and operational principles with the aim of profiting from that company's activities. Subsidiaries are consolidated from the date on which the Group assumes control and are no longer consolidated from the date the Bank relinquishes control. Mutual balance sheet items and all significant profit and loss elements are eliminated.

On achieving a controlling influence in an enterprise (business combination), all identifiable assets and liabilities are shown at fair value in accordance with IFRS 3. Any positive difference between fair value of the payment on acquisition and fair value of identifiable assets and liabilities is recognised as goodwill, whereas any negative difference is recognised as income at the time of acquisition. The accounting of goodwill after the initial recognition is commented on under the section on intangible assets. The Bank has not applied IFRS 3 retrospectively on business combinations that were implemented before 1 January 2006.

All transactions between group companies are eliminated in the consolidated financial statements. The minority's share of the Group's profit/loss is presented on a separate line under profit/loss after tax in the income statement. The minority's share of equity is shown as a separate item.

Associated companies
The definition of an associated company is governed by IAS 28. Associated companies are companies in which the Bank has significant influence, but not control. Normally, significant influence exists when the Bank owns a stake of 20 per cent or more, unless it can be clearly established that this is not the case. Enterprises are treated as associated companies from the time significant influence is established and until it no longer applies. The investment is recognised for the first time on the balance sheet at cost and subsequently adjusted for changes in the Bank's share of the net assets of the associated company. Associated companies are recognised in accordance with the cost method of accounting in the Parent Bank and in accordance with the equity method in the Group.

Joint ventures
In a joint venture, the partners involved have joint control over operations based on contractual agreements. The agreements demand unanimity between the partners on strategic, financial and operations-related decisions. Joint ventures are recognised in accordance with the cost method of accounting in the Parent Bank and in accordance with the equity method in the Group.

Loans to and receivables from customers
After the Bank implemented IFRS with effect from 1 January 2007, loans are measured at amortised cost in accordance with IAS 39. The assessment of loans in accordance with IAS 39 thus follows the same policies as those in accordance with the lending regulations dated 21 December 2004, ref. Directive no. 10/2005 from the Financial Supervisory Authority of Norway.

Fixed-rate loans and loans with interest-rate guarantees are recognised at fair value through profit and loss using the Fair Value Option (FVO) in IAS 39. Gains and losses arising from a change in fair value are recognised as the net result from other financial assets and liabilities. Fixed-rate loans and loans with interest-rate guarantees are presented in the balance sheet inclusive of accrued interest.

Sparebanken Hedmark has entered into an agreement for the legal sale of loans with high collateral and a mortgage on real estate to SpareBank 1 Boligkreditt AS. In accordance with the management agreement between the Bank and the mortgage company, the Bank is responsible for managing the loans and contact with the customers. The Bank receives compensation in the form of commissions for the obligations associated with managing the loans. Please refer to the description in Note 9.

Assessment of loan impairment
On each balance sheet date, for loans assessed at amortised cost, the Bank assesses whether there is objective proof of reduction in value of a financial asset or group of financial assets. Impairment of a financial asset or group of financial assets is only deemed to have occurred if, and only if, there is objective proof of an impairment that may result in a reduction in future cash flows to service the loan. The impairment must be a result of one or more events that occurred after the first time the item in question had been included in the financial statements (a loss event), and it must also be possible to measure the impact of the loss event(s) in a reliable manner. Objective proof of reduction in value of a financial asset or group of financial assets includes observed data that is known to the Group relating to the following loss events:

- significant financial difficulties experienced by the issuer or borrower
- default of contract, such as failure to pay instalments and interest
- the Group granting the borrower special terms and conditions for financial or legal reasons relating to the borrower's situation
- it becoming probable that the borrower will enter debt settlement proceedings or other financial reorganisation-
- the disappearance of active markets for the financial assets because of financial difficulties, or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, even though the decrease cannot yet be identified with an individual financial asset in the group including:
    - unfavourable development in the payment status of the debtors in the group, or
    - national or local economic conditions that correlate with defaults on the assets in the group

The Bank first considers whether there is individual objective evidence of impairment of financial assets that are significant individually. For financial assets that are not individually significant, the objective evidence of impairment is considered individually or collectively. If the Bank decides that there is no objective evidence of impairment of an individually assessed financial asset, significant or otherwise, the asset is included in a group of financial assets with the same credit risk characteristics. The group of assets is then tested for any impairment loss. Assets that are assessed individually as regards loss of value, for which a loss of value is identified or is still identified, are not included in a total assessment of loss of value.

If there is objective evidence that impairment has occurred, the amount of the loss is calculated as the difference between the asset's book (carrying) value and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The book value of the asset shall be reduced through the use of an allowance account, and the loss shall be recognised in the income statement.

Future cash flows from a group of financial assets that have been tested for impairment on a portfolio basis are estimated on the basis of the contractual cash flows for the group and historical losses on assets with a similar credit risk. Historical losses are adjusted for existing observable data in order to take into account the effects of existing circumstances that were not present at the time of the historical losses.

Commitments in default – bad and doubtful commitments
A customer's total commitments are deemed to be in default and are included in the Bank's summaries of commitments in default when instalments and interest due have not been paid within 90 days of maturity, or when credit facilities have been overdrawn for 90 days or more. Commitments in default can be written down for expected losses if the customer's financial situation makes future losses likely. Loans and commitments that are not in default, but where the customer's financial situation makes it likely that the Bank will incur losses, are classified as doubtful.

Realised losses
When it is highly probable that losses will be final, they are classified as realised losses. Realised losses that are covered by earlier specific loss provisions are recorded against the provisions. Realised losses without cover by way of loss provisions, and overfunding or under-funding in relation to previous loss provisions, are recognised in the income statement.

Assets held for sale
In connection with legal recovery of claims under non-performing loans and guarantees, the Bank in some cases repossesses assets that have been pledged as security for the commitments. Repossessed assets that are expected to be realised are classified as fixed assets held for sale. In accordance with IFRS 5, these assets are assessed at the time of repossession at fair value less selling costs. The difference between this value and the value of the loan commitment is adjusted through the income statement. Repossessed assets that cannot be expected to be sold are capitalised as fixed assets on the Bank's balance sheet.

Leasing
Financial leases are classified as loans on the balance sheet and recognised in accordance with the amortised cost principle. All fixed income during the ordinary leasing period is included in the calculation of the agreement's effective rate of interest. The Group has no "sell and lease back" contracts covering property, plant and equipment.

Goodwill and other intangible assets
Goodwill is defined as the difference between the purchase price and the value of the acquired business included on the balance sheet, after the acquisition cost has been allotted to identifiable tangible and intangible assets, liabilities and contingent liabilities. Goodwill is not amortised, but is subject to an annual impairment test with a view to ascertaining any impairment, in accordance with IAS 36. When assessing impairment, the assessment is carried out at the lowest level where it is possible to identify cash flows. Any write-down of goodwill cannot be reversed. Negative goodwill is recognised as income immediately. Negative goodwill relating to investments in associated companies and joint ventures is recognised as income immediately according to the equity method of accounting. Other immaterial assets are depreciated on a straight-line basis over their estimated useful life.

Property, plant and equipment
Fixed assets comprise buildings, plots of land and operating equipment. Buildings and operating equipment are recorded at historical cost less depreciation and write-downs. Plots of land are recorded at historical cost price less write-downs. The historical cost includes all direct costs related to getting the asset to function as intended. Non-current assets, less any residual value, are depreciated on a straight-line basis over their estimated useful life.

When determining a depreciation schedule, the separate assets are split up into components with different useful lives to the extent that this is regarded as necessary, taking into account the estimated residual value. Property, plant and equipment that individually are regarded as insignificant, such as PCs and other office equipment, are not assessed individually for residual value, useful life or impairment, but are assessed in groups. Useful life of various classes of property, plant and equipment:

Buildings, furniture and fittings:	10 – 100 years
Operating equipment:	3 – 25 years

Property, plant and equipment that are depreciated are subject to an impairment test in accordance with IAS 36 whenever circumstances so indicate.

Plots of land, buildings and sections of buildings owned by the Group for the purpose of earning rental income and/or capital gains are classified as investment properties. In buildings where the Group uses parts of the building for its own operations, that part that is leased to others is treated as an investment property if that part is sectionable. The Group has chosen to recognise investment properties in accordance with the cost method of accounting. The fair value of investment properties is established through an appraisal or valuation by a government-authorised estate agent.

Pensions
The Sparebanken Hedmark Group has established various pension schemes for its employees. These pension schemes satisfy the mandatory occupational pension requirements.

DEFINED BENEFIT SCHEME
In the defined benefit pension scheme, the employer undertakes to provide a future pension of a given size. The basis for calculating the pension costs is a linear distribution of pension entitlements measured against the estimated accumulated commitments at the time of retirement. Costs are calculated on the basis of pension entitlements earned during the year, with a deduction for the return on funds assigned to pensions. Pension liabilities are valued at the present value of the estimated future pension benefits regarded as accrued for accounting purposes on the balance sheet date. Actuarial and economic assumptions, such as life expectancy, wage inflation and withdrawal tendency, are used for calculating pension liabilities. The corporate bond interest rate on the balance sheet date, possibly adjusted for the maturity of the liability, is used as the discount rate.

The Group has applied IAS 19R Employee Benefits since 1 January 2013. This has not entailed any change in the calculation of the Bank's pension liabilities. The actuarial gains and losses have been recognised in the statement of other comprehensive income since the introduction of IFRS in 2007. The calculation of the pension costs was slightly affected by the implementation of the revised standard. Earlier the return on pension assets was calculated by means of the long-term expected return. As a result of the application of IAS 19R the net interest costs for the period are calculated now by applying the discount rate for the liability. The difference between the actual return on the pension assets and the recognised return is recognised on an ongoing basis against other operating income and costs.

Changes in the pension schemes are recognised in the income statement at the time of the change. The pension costs are based on assumptions made at the beginning of the period and classified as personnel costs in the financial statements. Provisions are made for National Insurance contributions on pension costs and pension liabilities.

The pension scheme is administered by a separate pension fund and gives entitlement to future pension benefits from the age of 62. The Group's defined benefit pension scheme guarantees most of the members a pension of approximately 70 per cent of their final salary for retirement at age 67, up to a maximum of 12G. The defined benefit scheme is closed to new members.

DEFINED CONTRIBUTION SCHEME

A defined contribution pension scheme entails that the Group does not guarantee a future pension of a given size, the Group pays instead an annual contribution to the employees' collective pension savings plan. The future pension will depend on the size of the contribution and the annual return on the pension savings. The Group does not have any further obligation related to work performed after the annual contribution has been paid. There are no provisions for accrued pension liabilities in such schemes. Defined contribution pension schemes are recognised directly as a cost.

The Group has offered a defined contribution pension scheme to its employees since 1 July 2008.

EARLY RETIREMENT PENSION SCHEME

The banking and financial services industry has entered into an early retirement pension scheme (AFP) contract. This scheme covers early retirement from the age of 62 to 67. The Bank is responsible for 100 per cent of the pension that is paid from the age of 62 to 64 and 60 per cent of the pension that is paid from the age of 65 to 67. Admission of new retirees ceased with effect from 1 January 2011.
The Act on state subsidies to employees who take out an early retirement pension in the private sector (Early Retirement Subsidy Act) entered into force on 19 February 2010. Employees who take early retirement under the AFP scheme with effect from 2011 or later, will be given benefits under the new scheme. The new early retirement (AFP) scheme is a lifelong addition to the National Insurance benefits and can be taken out from age 62.

Employees earn an annual entitlement to early retirement at the rate of 0.314 per cent of their pensionable income up to 7.1 G up to and including the calendar year in which the employee turns 62. Accrual in the new scheme is calculated based on the employee's lifelong income, so that all earlier working years are included in the accrual basis.

The new early retirement (AFP) scheme is regarded as a defined benefit multi-company scheme for accounting purposes. This means that each individual company shall account for its proportional share of the scheme's pension liabilities, plan assets and pension costs. In the absence of estimates of the individual components and a consistent and reliable basis for allocation recorded, the new pension scheme is recognised as a defined contribution scheme. At the current point in time no such basis exists, and the new early retirement (AFP) scheme will therefore be accounted for as a defined contribution scheme. Accounting for the new early retirement (AFP) scheme as a defined benefit scheme will not take place until reliable measurement and allocation can be made. The new scheme will be financed by the state covering one-third of the pension costs and employers covering two-thirds of the pension costs. The employers' premium is determined as a percentage of salary payments between 1G and 7.1G.

Funding

Bond loans and certificate-based loans, in addition to fixed-rate deposits and term deposits, are valued at fair value through profit and loss using the Fair Value Option (FVO) in IAS 39. Changes in fair value and realised gains and losses are recognised on a net basis from other financial assets and liabilities. Other liabilities are shown in the financial statements at their borrowing cost, which is the fair value of the amount received after deduction of transaction costs. Loans are subsequently assessed at amortised cost. Any difference between the borrowing cost and settlement amount upon maturity is subject to accrual accounting over the life of the loan, by applying the loan's effective rate of interest. The debt is presented inclusive of accrued interest (dirty price). Subordinated loans have priority after all other liabilities and are classified as a liability on the balance sheet and measured at fair value in the same manner as debt securities.

Certificates and bonds

Certificates and bonds are assessed at fair value through profit and loss in accordance with the FVO in IAS 39 in a manner similar to that for debt securities. Changes in fair value and realised gains and losses are recognised in the income statement under "Net profit from other financial assets and liabilities". The fixed-income papers are presented inclusive of accrued interest (dirty price).

Shares, units and other equity interests

Shares, units and other equity interests are classified in compliance with IAS 39 as either financial assets held for trading or financial assets available for sale.

Equity interests classified as available for sale are assessed at fair value on the basis of listed prices or using different valuation methods. Unrealised gains and losses on equity interests available for sale are included in other comprehensive income in compliance with IAS 1. Realised gains and losses, dividends and write-downs are included under "Net profit from other assets and liabilities" in the income statement.

Derivatives

Derivatives comprise forward exchange contracts, swaps and options plus combinations of these. In addition, a guarantee liability in respect of Eksportfinans ASA is defined as a financial derivative. All these instruments are traded outside the stock exchanges and are so-called "over-the counter" (OTC) derivatives. This means that the contracts are tailored to the underlying object, volume, price and maturity.

Financial derivatives are classified at fair value through profit and loss in compliance with IAS 39. Gains and losses arising from changes in the derivative's fair value are included under "Net profit from other financial assets and liabilities" in the income statement. Contracts with unrealised gains are presented on the balance sheet as an asset, and contracts with unrealised losses are presented as a liability. The book values include the associated accrued interest (dirty price).

Interest income and interest costs
Interest income and interest costs related to assets and liabilities are recognised continuously in the income statement in accordance with the effective interest rate method. The effective interest rate is the interest rate that results in the present value of the expected cash flow over the expected life of a financial asset or liability being equal to the carrying value of the respective financial asset or liability. When calculating an effective interest rate, the cash flow effect inherent in the agreement is estimated, without taking into account future credit losses. The calculations take therefore into account fees, transaction costs, premiums and discounts. Interest income and interest costs linked to interest-bearing instruments that are assessed at fair value are included in the presented market value (dirty price).

Commissions and commission costs
Commissions and commission costs are generally accrued according to the delivery/receipt of a service. Fees in conjunction with interest-bearing instruments are not recorded as commissions, but are included in calculating the effective interest rate and recognised through profit or loss accordingly. Advisory fees are accrued in accordance with the consultancy agreement, typically at the time the service is provided. Fees and charges related to the sale or brokerage of financial instruments, property or other investment objects that do not generate balance sheet items in the Bank's or the Group's financial statements are recognised when the transaction is completed.

Transactions and monetary items in foreign currency
Transactions in foreign currencies are converted into Norwegian kroner at the time of the transaction. Gains and losses related to completed transactions or to the conversion of monetary items in foreign currencies on the balance sheet date are recognised in profit and loss.

Taxes
Taxes consist of taxes payable and deferred taxes. Taxes payable are the estimated taxes on the year's taxable profit. Deferred taxes are accounted for by means of the liability method in accordance with IAS 12. Deferred tax assets or liabilities are calculated based on all the temporary differences, which are the differences between the book value of assets and liabilities for accounting purposes and the book value for taxation purposes. Deferred tax assets are calculated with respect to accumulated tax losses carried forward at the balance sheet date. Deferred tax assets are included only to the extent that future taxable profits make it possible to exploit the related tax benefit.

Segment reporting
Sparebanken Hedmark aims to be a full-service provider of financial products and services, partly through services provided by the Bank and partly by distributing products and services on behalf of joint venture partners. In addition, the Bank has a number of subsidiaries that provide different financial services. Different kinds of operations are therefore conducted within the Group. The Group's segment reporting is primarily divided into the following areas: retail banking, corporate banking, financing, real estate brokerage, accounting, debt collection and other operations. Sparebanken Hedmark has applied IFRS 8 Operating Segments in its segment reporting since 1 January 2009.

Events after the balance sheet date
The financial statements are deemed to be approved for publication once the Board of Directors has approved the financial statements. The Supervisory Board and regulatory authorities may refuse to approve the published financial statements subsequent to this, but they cannot change them. Events occurring up to the time when the annual financial statements are approved for publication involving issues that were already known on the balance sheet date will form part of the information basis for determining accounting estimates and will thus be fully reflected in the financial statements. Events that were not known on the balance sheet date will be reported if they are significant.

The financial statements have been prepared on the assumption that the Group will continue as a going concern. This assumption was valid in the Board of Directors' opinion at the time the financial statements were approved for publication.

Standards that have been issued, but have not come into effect

Standard/ interpretation	Subject (main changes)	Approved by the EU	EU's effective date (IASB's effective date)
New IFRS 9	Replaces the classification and measurement rules in IAS 39 Financial Instruments – Recognition and Measurement for financial assets and liabilities. In accordance with IFRS 9, financial assets that include ordinary loan terms are to be recognised at amortised cost, unless it has been decided to recognise them at fair value, while other financial assets are to be recognised at fair value. The classification and measurement rules for financial liabilities are identical with those that we currently have in IAS 39, with the exception of the designation of liabilities at fair value with value changes through profit or loss (fair value option). For these kinds of instruments, any changes in fair value as a result of changes in the entity's own credit risk are recorded against comprehensive income (OCI), but all other changes will be recorded in the profit on ordinary activities. IFRS 9 also contains the derecognition provisions from IFRS 39. It is assumed that the amendment will entail consequences for the Bank's financial statements, but considering the fact that there are many circumstances related to the standard that have not been clarified, it is too early to quantify the consequences.	No	1 January 2018
New IFRS 15	A new standard for recognising income in which the general rule is that income can first be recognised when the company transfers control of a performance obligation to the customer. The effect of this standard on the Bank's financial statements is regarded as negligible.	Expected Q2 2015	1 January 2017
IFRIC 21 - Levies	IFRIC 21 clarifies how a levy imposed by public authorities, which is not a tax pursuant to IAS 12 - Income Taxes and does not represent a fine/duty, should be recognised. This means, for example, that if the liability is triggered by a milestone or a specified limit, then the levy must be recognised from this point in time. In the Bank's financial statements this will mean that wealth tax, for example, should first be recognised in its entirety in annual financial statements and not in interim financial statements.	Yes	1 January 2015
Amendments to IAS 16 and IAS 38	Clarifies that the depreciation method based on income profile cannot be applied to tangible fixed assets and intangible assets. The effects of this amendment will not affect the Bank's financial statements.	Expected Q1 2015	1 January 2016
Amendments to IAS 28 and IFRS 10	Clarifies that the elimination of gains pursuant to IAS 28 for stakes that are still owned shall only apply to assets that are not companies. For companies, the gain shall be calculated as if 100 per cent was sold. The effect of this amendment on the Bank's financial statements is regarded as negligible.	Expected Q3 2015	1 January 2016
Amendments to IAS 27	Suggests opportunities for applying the equity method for subsidiaries, associated companies Suggests opportunities for applying the equity method for subsidiaries, associated companies	Expected Q3 2015	1 January 2016
Amendments to IFRS 11	Clarification that the acquisition method must be applied in an analogue fashion when acquiring stakes in Clarification that the acquisition method must be applied in an analogue fashion when acquiring stakes in	Expected Q1 2015	1 January 2016

Note 3 Critical estimates and assessments regarding the use of accounting principles

Management's assessments in connection with the choice of accounting policies

Sparebanken Hedmark made a number of choices regarding policies when it switched to IFRS on 1 January 2007. These choices primarily concern the following main areas in the financial statements:

Financial assets and liabilities
Derivatives and financial assets and liabilities classified as held for trading (HFT) are recognised and assessed at fair value through profit and loss in accordance with IAS 39. The following financial assets and liabilities are also stated at fair value through profit and loss pursuant to the Fair Value Option (FVO) in IAS 39, section 9: Bonds, and certificates, fixed-rate loans and loans with interest-rate guarantees for customers, securities debt, fixed-rate deposits for customers, and term deposits. FVO is applied with a view to achieving a consistent assessment of assets and liabilities that are assessed together. Moreover, assessment at fair value reduces the accounting disparity that would otherwise have arisen if assets and liabilities were recognised on a basis other than as derivatives. Equity instruments are classified as available for sale (AFS). Changes in the fair value of assets classified as AFS are recognised directly in equity. In the event of a prolonged, major decrease in fair value of an AFS asset, the cumulative loss recognised directly in equity is removed and recognised in profit and loss. What is to be interpreted as a significant or long-term impairment in value is a question of judgement. In deciding this question, Sparebanken Hedmark follows the IFRIC guidelines, recommendations from the auditing profession and professional standards. This assessment is made at the instrument level and has been operationalised to apply to an impairment in value that values the asset to less than 80 per cent of the cost price on the date of the balance sheet or if a market price lower than the cost price lasts for more than twelve months. Further reductions in value on previously written-down AFS assets are subsequently recognised continuously in profit and loss each time the financial statements are published.

Fair value is consistently presented inclusive of accrued interest (dirty price).

Pensions
In connection with the transition to IFRS, Sparebanken Hedmark decided to recognise actuarial differences that had not previously been recognised in the income statement under other comprehensive income. The transition from using the corridor approach to recognise actuarial differences under other comprehensive income was done in order to ensure that the annual financial statements each year correctly reflect Sparebanken Hedmark's pension liabilities, given the parameters chosen for the calculation of pension liabilities. All entities that observe IAS 19R had to recognise actuarial gains and losses in other comprehensive income starting from the 2013 financial year.

Fixed assets
Fixed assets are valued at historical cost and depreciated over their expected useful life. On transition to IFRS, we undertook an assessment of the depreciation period for each individual building owned by the Bank. This process revealed that depreciation according to NGAAP formerly used by the Bank was higher than depreciation under IFRS. The difference in depreciation was reversed on transition to IFRS on 1 January 2007. No write-up or assessment at fair value was made in connection with the transition to IFRS on 1 January 2007. The property portfolio has been reviewed to ascertain the need for any write-downs.

CRITICAL ESTIMATES

Losses on loans
The Bank examines both its retail market portfolio and its corporate portfolio in order to identify credit risk and the need for provisions for losses. Substantial and especially exposed commitments are followed up at least twice a year. Both the corporate and retail banking portfolios are subject to assessment, with default older than 62 days triggering forwarding for collection and an assessment of the basis for individual write-down for losses. Loans transferred to SpareBank 1 Boligkreditt AS are deducted from the balance sheet. The risk of loss on transferred loans is included in the annual commissions for processing transferred loans. Individual write-down for losses on individual commitments is done when objective events entail a loss for the Bank. Individual write-down is calculated as the difference between the commitment's book value and the present value of discounted cash flows based on the effective interest rate at the time of initial write-down. This means that the commitment is placed in the highest risk class. The same method is used regardless of whether the loan is recognised at amortised cost or fair value (fixed-rate loans). Estimating impairment can be complicated as the prediction of future events always involves uncertainty. Importance is attached to concrete information in value assessment as the basis for realisation of collateral assets pledged as security. Cash flow is updated periodically, at least once a year. Group write-down comprises the Bank's assessment of the basis for impairment in groups of loans with practically identical risk characteristics. This also includes loans assessed for individual write-down, but where there is no objective proof of impairment. All loans are consequently assessed with the exception of those that have been subject to individual write-downs. The model for the calculation of group write-down is based on the Bank's risk classification system.

Financial assets and liabilities assessed at fair value
For financial instruments traded on a regulated market, fair value on the balance sheet date is used. Fair value of financial instruments that are not traded in an active market is based on estimated value from Reuters pricing service, prices indicated by brokerage firms or other external sources and accepted theoretical computation techniques based on observable interest rates and prices on the balance sheet date. The Bank assesses and chooses methods and assumptions that best reflect the information available and the market conditions on the balance sheet date. Below is a more detailed presentation of the valuation methods used for the various financial instruments that are assessed at fair value.

SHARES, UNITS AND OTHER EQUITY INTERESTS
Listed shares and equity certificates are valued at the bid price on the balance sheet date. For unlisted companies, value is assessed using the following valuation hierarchy:
1) recent trading price, 2) externally known value assessment, 3) value assessment received from the company, 4) own value assessment, 5) cost price.

BONDS AND CERTIFICATES (LOANS)
Purchased bonds and certificates are primarily valued against a yield curve (ask) adjusted for indicative credit spreads from Nordea Markets or another recognised brokerage house. Some bonds are valued at the indicated bid price from Reuters' pricing service.

DEBT SECURITIES ISSUED
Issued certificates and bonds are valued against the yield curve (bid), adjusted for indicated spread curve from DnB NOR Markets for Sparebanken Hedmark's issued debt securities.

DERIVATIVES
The Bank does not have any financial derivatives traded in a regulated market. For non-standardised derivatives contracts (OTC), a theoretical price is estimated, based on a market-related approach, taking into account the agreed cash flows and observable market information on the balance sheet date. The owners' guarantee liability in respect of Eksportfinans ASA is assessed at fair value at the end of every month by the treasury department of Eksportfinans, as the appointed valuation agent in the agreement. The basis for this valuation is the fair value of the securities portfolio at Eksportfinans that covers the guarantee.

OTHER FINANCIAL ASSETS AND LIABILITIES ASSESSED AT FAIR VALUE (FIXED-RATE DEPOSITS, TERM DEPOSITS, FIXED-RATE LOANS AND LOANS WITH INTEREST-RATE GUARANTEE)
Fair value is assessed as the value of the agreed cash flows discounted by the market interest rate adjusted for a discretionary trading spread on the balance sheet date. For fixed-rate deposits and loans, the trading spread is set at the difference between the Bank's price lists on the balance sheet date and the relevant swap interest rate. For term deposits, the trading spread is assessed on a discretionary basis.

Intangible assets
Intangible assets are subject to an impairment test that is mainly based on the discounting of expected future cash flows. There will always be considerable uncertainty related to estimated cash flows, and, in some cases, there will also be uncertainty with regard to the methods for allocating cash flows to various assets.

Pensions
Net pension liabilities and the pension costs for the year are based on a number of estimates, which include the return on pension fund assets, the future interest rate and inflation levels, future wage development, turnover of staff and development of the National Insurance basic amount (G). The general development in the number of persons receiving disability benefits and life expectancy are also of great importance. Any changes in estimates as a result of changes in these parameters will be recognised on an on-going basis under other comprehensive income in the Bank and its subsidiaries. The table below shows the effects on the net pension liabilities of changes in some of the assumptions (given the other parameters remain unchanged).

Impact on the net pension liabilities

	Change in an assumption	Increase in an assumption	Reduction in an assumption
Discount rate	0,50 %	- 7,00 %	8,00 %
Wage inflation	0,50 %	3,00 %	- 3,00 %
Estimated economic life	1 år	5,00 %	4,60 %

The sensitivity analysis assumes that a parameter alone changed and the remaining assumptions remain unchanged. It is therefore not taken into account that some of the parameters are correlated. This is an unlikely scenario. Normal practice is that several parameters can be changed simultaneously. The calculation of the sensitivity analysis is performed by the same method as the calculation of the gross pension liability.

Goodwill
The Group tests goodwill for impairment each year or if there are indications that its value has become impaired. The recoverable amount from the cash-generating units is determined by calculating the discounted present value of future cash flows. The cash flows are based on historical earnings and forecasts of future conditions, which require assessments and estimations to be made of uncertain amounts. The result of the impairment tests depends on estimates of the required rates of return. The required rates of return are estimated on the basis of information available on the balance sheet date.

Note 4 Segment information

This segment information is linked to the way the Group is run and followed up internally in the entity through reporting on performance and capital, authorisations and routines. Reporting on segments is divided into following areas:
- Retail banking, corporate banking, property, financing, accounting and other activities.
- Property brokerage, leasing, financing and accounting are organised as independent companies.
- The result of the elimination of companies appears with other activities in a separate column.

2014	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	SpareBank 1 Regnskaps-huset Østlandet	Other	Total
Income statement							
Net interest income	420	368	210		-3	48	1 043
-of which internal items			-84		-3	87	
Net commission and other income	390	74	-20	79	126	14	663
-of which internal items			-1			1	
Net return on financial investments						573	573
Operating expenses*	247	100	75	67	118	374	981
Profit before losses by segment	**563**	**342**	**115**	**12**	**5**	**261**	**1 298**
Losses on loans and guarantees	15	37	14				66
Profit / loss per segment before tax	**548**	**305**	**101**	**12**	**5**	**261**	**1 232**
Tax			28	4	1	159	192
Profit / loss per segment after tax	**548**	**305**	**73**	**8**	**4**	**102**	**1 040**
Balance sheet							
Gross lending to customers	20 037	14 474	4 827			598	39 936
-of which internal items					39	-39	
Individual loan write-downs	-35	-85	-9				-129
Collective loan write-downs	-33	-68	-15				-116
Other assets	118	1	60	26	108	9 930	10 242
Total assets per segment	**20 087**	**14 321**	**4 863**	**26**	**108**	**10 529**	**49 934**
Deposits from and liabilities to customers	19 727	10 897				446	31 070
-of which internal items			-2	-4	-9	15	
Other liabilities and equity	360	3 424	4 863	26	108	10 083	18 864
Total equity capital and liabilities per segment	**20 087**	**14 321**	**4 863**	**26**	**108**	**10 529**	**49 934**

2013	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	SpareBank 1 Regnskaps-huset Østlandet	Other	Total
Income statement							
Net interest income	421	332	180		-2	77	1 008
-of which internal items		-4	-85	4	-2	87	
Net commission and other income	329	65	-19	67	102	15	559
-of which internal items			-1			1	
Net return on financial investments						263	263
Operating expenses*	244	103	70	63	104	332	916
Profit before losses by segment	**506**	**294**	**91**	**4**	**-4**	**22**	**913**
Losses on loans and guarantees	18	43	11				72
Profit / loss per segment before tax	**488**	**251**	**80**	**4**	**-4**	**22**	**841**
Tax			22	1		124	147
Profit / loss per segment after tax	**488**	**251**	**58**	**3**	**-4**	**-102**	**694**
Balance sheet							
Gross lending to customers	18 804	13 490	4 381			505	37 180
-of which internal items					30	-31	
Individual loan write-downs	-43	-88	-7				-138
Collective loan write-downs	-27	-66	-13				-106
Other assets	138	3	-16	30	90	10 216	10 461
Total assets per segment	**18 872**	**13 338**	**4 345**	**30**	**90**	**10 722**	**47 397**
Deposits from and liabilities to customers	18 502	11 327				268	30 097
-of which internal items		7		-7	-6	6	
Other liabilities and equity	370	2 011	4 345	30	90	10 453	17 299
Total equity capital and liabilities per segment	**18 872**	**13 338**	**4 345**	**30**	**90**	**10 722**	**47 397**

*) Operating expenses in Retail and Corporate consist of directly attributable payroll and administration costs.

Note 5 Capital adequacy and capital management

Parent bank Basel II 2013	Parent bank Basel III 2014		Group Basel III 2014	Group Basel II 2013
6 013	6 645	Primary capital	6 645	6 013
71	42	Endowment fund	42	71
125	109	Revaluation fund / equalisation reserve	110	125
		Other equity	827	495
		Minority interests		14
6 209	**6 796**	**Total equity carried**	**7 624**	**6 718**
		Tier 1 capital		
		Minority interests not included		
-188	-110	Deferred tax (Basel II), goodwill and other intangible assets	-197	-248
-125	-109	Unrealised value change due to reduced / increased value of liabilities (Basel II/transitional adj.)	-110	-125
-210	-230	Positive value of expected losses under the IRB approach	-271	-113
-543		Deduction for subordinated capital in other financial institutions (Basel II)		-68
		Capital adequacy reserve (Basel II)		-1 142
	-109	CET1 instruments of financial sector entites where the institution does not have a significant investment		
		CET1 instruments of financial sector entites where the institution does have a significant investment	-1 602	
		Cumulative gains and losses due to changes in own credit risk on fair valued liabilities		
	-7	Value adjustments due to the requirements for prudent valuation	-10	
	-229	Excess of deduction from AT1 items over AT1 Capital		
5 144	**6 003**	**Total common equity Tier 1 capital**	**5 434**	**5 022**
		Additional Tier 1 capital		
		Hybrid capital	162	61
	-229	AT1 instruments of financial sector entites where the institution does not have a significant investment		
		AT1 instruments of financial sector entites where the institution does have a significant investment	-2	
		Excess of deduction from T2 items over AT1 Capital		
	229	Excess of deduction from AT1 items over AT1 Capital		
0	**0**	**Total additional Tier 1 capital**	**160**	**61**
		Supplementary capital in excess of core capital		
56	39	36 per cent (45 per cent under Basel II) of unrealised gain on shares classified as available for sale	40	56
500	500	Non-perpetual additional T1 capital	783	703
-14		Deduction for expected losses on IRB, net of write-downs (Basel II)		-112
-543		Deduction for subordinated capital in other financial institutions (Basel II)		-68
		Capital adequacy reserve (Basel II)		-579
	-297	T2 instruments of financial sector entites where the institution does not have a significant investment		
		T2 instruments of financial sector entites where the institution does have a significant investment	-144	
		Excess of deduction from T2 items over AT1 Capital		
0	**242**	**Total supplementary capital**	**679**	**0**
5 143	**6 245**	**Net subordinated capital**	**6 273**	**5 083**
	4 323	Corporates - SME	4 791	
5 871	6 953	Corporates - Specialised Lending	9 019	8 079
5 498	675	Corporates - Other	855	6 253
431	682	SME exposure	723	446
2 613	5 683	Retail morgage exposure	7 738	3 529
691	591	Other retail exposure	669	765
1 666		Equity investments		1 492
16 770	**18 907**	**Risk-weighted assets credit risk IRB**	**23 795**	**20 564**
6 133	6 513	Exposures calculated using the standardised approach	9 534	8 902
		Market risk		488
	292	CVA	338	
1 932	1 923	Operational risk	3 038	2 870
-1 085		Deductions		-1 853
23 751	**27 635**	**Risk-weighted assets**	**36 705**	**30 971**
1 900	**2 211**	**Capital requirements (8 %)**	**2 936**	**2 478**

Parent bank Basel II 2013	Parent bank Basel III 2014		Group Basel III 2014	Group Basel II 2013
		Buffer requirements		
594	691	Conservation buffer (2.5 %)	918	774
713	829	Systemic risk buffer (3 %)	1 101	929
1 306	**1 520**	**Total buffer requirements for common equity (5.5 %)**	**2 019**	**1 703**
2 769	**3 239**	**Available common equity (net minimum requirement of 10 %)**	**1 764**	**1 925**
		Capital adequacy ratio		
21,7 %	**21,7 %**	Common equity Tier 1 capital ratio	**14,8 %**	**16,2 %**
21,7 %	**21,7 %**	Tier 1 Capital ratio	**15,2 %**	**16,4 %**
21,7 %	**22,6 %**	Capital adequacy ratio	**17,1 %**	**16,4 %**

Capital management
Sparebanken Hedmark's capital management shall ensure:

- effective funding and use of capital funds in relation to the Group's strategic goals and approved business strategy
- competitive returns
- satisfactory capital adequacy in relation to the Bank's chosen risk profile
- competitive terms and good long-term access to funding in capital markets
- exploitation of the growth opportunities in the Group's defined market area
- that no individual negative events can seriously harm the Group's financial status

On the basis of the strategic goals, a capital plan is drawn up each year for the following three years to ensure long-term and targeted capital management. The capital plan shall take into account projections of the Group's financial development over the next three years. These projections are based on the expected developments in the period, as well as a situation with a serious economic downturn over a minimum of three years.

Based on the projections of the total capital requirements, the management and Board make an overall assessment about whether the capital requirements are sufficient and adapted to Sparebanken Hedmark's current and future risk profile and strategic goals.

Sparebanken Hedmark (Parent Bank and Group) has a dynamic goal of pure core capital that is 1 per cent above the level required by the Norwegian authorities for D-SIFI banks at any given time, but not less than 13 per cent. The total capital target is set at the same level as systemically important banks.

There is more detailed information concerning Sparebanken Hedmark's management of capital and risk in the document "Basel II – Pilar III" on the Bank's website.

Note 6 Financial risk management

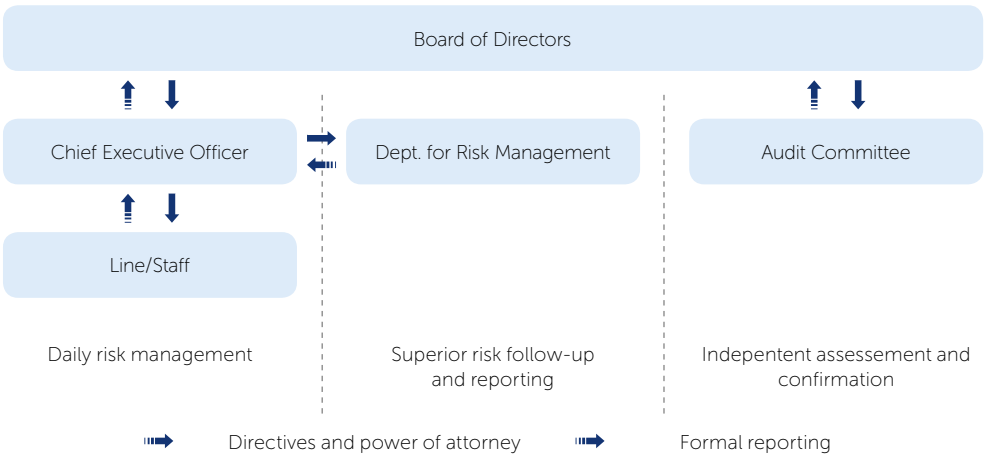
Overall responsibility and supervision
Sparebanken Hedmark's risk management shall support the Bank's strategic development and the attainment of its goals. Risk management shall also ensure financial stability and satisfactory asset management. This is to be achieved by:

- A strong corporate culture characterised by high awareness of risk management
- A good understanding of which risks drive earnings
- Striving towards an optimal application of capital within the adopted business strategy
- Avoiding unexpected negative events that can seriously harm the Group's financial status

In order to ensure an effective and appropriate process for risk and capital management, the framework is based on the following elements, which reflect the way in which Sparebanken Hedmark is managed by its Board of Directors and the Bank's senior management:

- Strategic targets
- Organisation and corporate culture
- Risk identification
- Risk analysis
- Stress tests
- Risk strategies
- Capital management (including returns and capital adequacy)
- Reporting
- Follow-up
- Contingency plans
- Compliance

Management and supervision comprise all the processes and control measures that have been introduced and implemented by the Bank's management to ensure efficient operations and the implementation of the Group's strategies. The Group attaches importance to having a supervisory and management structure that promotes targeted and independent management and control:



The Board's audit committee and risk committee prepares matters concerning the economy, finance and risk management for consideration by the Board. The committees does not have the authority to make decisions.

Sparebanken Hedmark shall have a moderate to low risk profile. The risk profile shall ensure the Group has access to long-term funding at attractive prices. The size of and composition of the Group's risk-adjusted capital shall reflect this ambition.

The Board of Directors is responsible for making sure that Sparebanken Hedmark has an appropriate level of subordinated capital in relation to the desired risk profile and regulatory requirements stipulated by the authorities. The Board of Directors stipulates the overall objectives, including the overall limits, authorisations and guidelines for risk management. The Chief Executive Officer is responsible for risk management. This means that the CEO is responsible for the introduction of effective risk management functions and systems and for the monitoring of the risk exposure. The business areas and branches are responsible for the day-to-day risk management within their own areas of responsibility and must ensure that risk management and risk exposure are within the limits and authorisations provided by the Board of Directors or CEO.

The Credit Management Department is responsible for ensuring that the decision-making process and the basis on which decisions are made in relation to applications for credit are in accordance with the Bank's governing documents and routines. The department shall prepare proposals for revised targets and management principles within the area.

The Risk Management Department is independent and reports directly to the CEO. The department is responsible for the development of effective risk management systems, including the Bank's risk models. The department is also responsible for the overall risk monitoring and for periodic risk reporting to the Board of Directors.

The Internal Audit reports to the Board of Directors and is primarily the Board of Directors', but also the management's, tool for monitoring the effectiveness and appropriateness of the risk management process. The Internal Audit's improvement recommendations are considered on an on-going basis.

Sparebanken Hedmark's risk is quantified by calculating expected losses and risk-adjusted capital. Sparebanken Hedmark uses the SpareBank 1 Alliance's models for the calculation of credit risk. The models use statistical calculations and are based on the fact that the risk-adjusted capital shall cover 99.9 per cent of possible, unexpected losses. The calculation of risk-adjusted capital for other types of risk are largely based on qualitative methods. A more detailed description of financial risk management relating to credit risk, liquidity risk and market risk is provided below.

Credit risk
Sparebanken Hedmark's biggest financial risk exposure is credit risk in its lending portfolio. Credit risk is the risk of loss relating to customers or other counterparties not being able or willing to meet their obligations to the Sparebanken Hedmark. Each year, the Board of Directors reviews the Bank's governing documents and credit regulations. The governing documents define the Bank's credit policy and overall targets for exposure relating to portfolios, sectors and individual customers. Together they provide the basis for determining the desired risk profile. Through the Bank's credit regulations, authority to grant credit is delegated to the CEO within certain limits. The CEO may delegate this authority to other employees. The delegated authorisations are related to the size and risk of individual commitments.

Sparebanken Hedmark uses statistical models in its calculation of risk and categorisation of the credit portfolio. The Bank makes every effort to price credit risk correctly and has established price matrices based on the risk classification system.

The Bank's portfolio of interest-bearing securities also entails credit risk for the Bank. Each year, the Board of Directors examines the Bank's financial strategy and sets limits for the maximum exposure to interest-bearing securities.

For further information see notes 7 – 15.

Market risk
Market risk is the risk of loss due to changes in interest rates, the price of share / securities and foreign exchange rates. Market risk arises primarily in connection with the Bank's investments in securities and as a result of funding activities, and in connection trading in currencies and interest rate instruments. Market risk is managed through limits agreed by the Board of Directors. These limits are set each year by the Board of Directors in connection with the revision of the financial strategy. Sparebanken Hedmark's positions in relation to limits are reported regularly to the Board of Directors and management.

The Board of Directors has agreed limits for the total interest rate risk, both with regard to basis risk and yield curve risk. Sparebanken Hedmark manages interest rate risk towards the desired level by means of interest rate commitments for investments and funding loans and through the use of interest rate derivatives.

For equity price risk maximum limits have been established for exposure to the stock market, while, for currency risk, limits have been established for the maximum aggregate exposure and exposure for each individual currency.

For further information, see notes 16 and 17.

Concentration risk
Risk concentrations occur when financial instruments with corresponding characteristics are affected in the same way by changes in economic or other conditions. Identifying concentration risk involves exercising judgement. Sparebanken Hedmark seeks to control the concentration of risk by setting limits for various areas. In the case of credit risk, larger risk concentrations are limited via restrictions on major commitments, high risk commitments and sector exposure. The actual exposure, classified by risk groups, sector, industry and geographic area, is presented in notes 8, 13, 15 and 30. In the case of market risk, concentration risk is limited via restrictions on maximum interest rate risk, currency risk and equity exposure. The concentration of interest rate risk is presented in note 16. Currency exposure is specified in notes 7 and 17. The Group's largest investments in equity instruments are presented in note 32. The Group has not identified any significant risks other than those presented in the aforementioned notes.

Liquidity risk
Liquidity risk is the risk that Sparebanken Hedmark is unable to refinance its debt or fund an increase in assets without incurring significant additional expense. The financing strategy approved by the Board of Directors each year provides the basis for managing liquidity risk. The strategy establishes a framework for liquidity risk by defining limits for net liquidity requirements in various time intervals, requirements for long-term financing. In addition, the strategy sets limits on the size of the liquidity reserve and stipulates how long the Bank must be able to maintain its operations without new market funding. The size of the liquidity reserve is set to cover 12 months of ordinary banking activities at any given time without requiring additional external funding. In a stress scenario, which is defined as a "major crisis in the market and in our own bank", the Bank will also be in a position to maintain its ordinary activities for a minimum period of three months.

The liquidity reserves consist of deposits with Norges Bank, depositable bonds, unused committed drawing facilities and listed shares. The reserve totalled NOK 8 billion as at 31 December 2014. At year-end, the average maturity of the Bank's funding was 3.6 years.

The finance department is responsible for managing liquidity, while the risk management department monitors and reports on the utilisation of limits in accordance with the liquidity strategy.

For further information, see notes 18 and 19.

Other
More detailed market information (Basel III – Pilar III) is available in a separate document on the Bank's website.

Note 7 Credit institutions – claims and liabilities

Parent bank			Group	
2013	**2014**	**Loans to and receivables from credit institutions**	**2014**	**2013**
28	37	Loans and receivables at call	35	27
4 226	4 819	Loans and receivables with agreed maturities or notice	640	672
4 254	**4 856**	**Total**	**675**	**699**
		Loans and receivables specified by major currencies		
4 182	4 819	NOK	640	627
12	11	EUR	11	12
19	1	CHF	1	19
31	17	JPY	17	31
10	5	Other	5	10
4 254	**4 856**	**Total**	**675**	**699**

2013	**2014**	**Liabilities to credit institutions**	**2014**	**2013**
18	35	Loans and deposits at call	35	16
616	632	Loans and deposits with agreed maturities or notice	630	616
634	**667**	**Total**	**665**	**632**

		Liabilities specified by major currencies		
620	641	NOK	639	618
8	1	EUR	1	8
6	25	Other	25	6
634	**667**	**Total**	**665**	**632**
2,2 %	**2,0 %**	**Average interest rate**	**2,0 %**	2,2 %

Deposits with and loans from / to credit institutions tend to have floating interest rates.
Receivables from and liabilities to credit institutions are classified as loans and receivables pursuant to IAS 39 and are stated at amortised cost.

Average interest rate is calculated on the actual interest expense during the year as a percentage of the average outstanding debt to credit institutions.

Note 8 Loans to and receivables from customers

Parent bank			Group	
2013	**2014**		**2014**	**2013**
		Loans by type of receivable		
		Financial leasing	2 114	1 863
8 110	10 868	Overdraft facilities and operating credits	10 868	8 110
1 318	1 450	Building loans	1 450	1 318
23 301	22 738	Repayment loans	25 406	25 773
92	88	Accrued interest	98	116
32 822	**35 144**	**Gross loans to and receivables from customers**	**39 936**	**37 180**
224	221	Write-downs	245	244
32 598	**34 923**	**Loans to and receivables from customers**	**39 691**	**36 936**
		Loans by type of market		
19 397	20 496	Private customers	22 797	21 406
13 421	14 642	Corporate	16 958	15 628
4	6	Public sector	181	146
32 822	**35 144**	**Gross loans to and receivables from customers**	**39 936**	**37 180**
224	221	Write-downs	245	244
32 598	**34 923**	**Loans to and receivables from customers**	**39 691**	**36 936**
		Of repayment loans, loans stated at fair value through profit and loss (FVO):		
1 963	*1 782*	*– Fixed-rate loans to customers, book value*	*1 782*	*1 963*
1 955	*1 745*	*– Fixed-rate loans to customers, face value*	*1 745*	*1 955*
3	*1*	*– Loans with interest-rate guarantees, book value*	*1*	*3*
3	*1*	*Loans with interest-rate guarantees, face value*	*1*	*3*

Parent bank			Group	
2013	**2014**	**Total commitments by risk group**	**2014**	**2013**
24 394	25 639	Low risk	28 277	26 592
10 861	11 243	Medium risk	13 421	12 645
2 195	2 429	High risk	2 754	2 496
547	486	Defaults	487	548
37 997	**39 797**	**Total commitments by risk group**	**44 939**	**42 281**

Commitment means the customer's total commitment including guarantee ceilings and unused credit facilities.

In addition are loans approved not disbursed to a value to NOK 131 million in the Retail Division and worth NOK 329 million in the Corporate Division on 31 December 2014 in the Bank, and worth NOK 211 million and NOK 353 million in the Group.

These have not been paid and are therefore not included in total commitments.

Parent bank			Group	
2013	2014	Gross loans by risk group	2014	2013
21 175	22 082	Low risk	24 565	23 364
9 157	10 496	Medium risk	12 500	11 026
1 974	2 103	High risk	2 408	2 274
516	463	Defaults	463	516
32 822	**35 144**	**Gross loans by risk group**	**39 936**	**37 180**

Parent bank			Group	
2013	2014	Individual write-downs by risk group	2014	2013
131	**120**	**Defaults (internal definition)**	**129**	**138**

In the Bank's internal risk classification system, all commitments with individual write-downs are classified as defaults, regardless of external definitions of defaults (see note 2). They are not distributed into the various risk groups like the other commitments. Distribution by risk group is based on the Bank's estimation of the default probability for all customers in the loans portfolio based on objective historical data. Default probability is then used with collateral values to classify customers into the different risk categories. Customers are rescored monthly in the Bank's portfolio system.

Parent bank			Group	
2013	2014	Expected annual average net loss by risk group	2014	2013
10	9	Low risk	9	10
48	44	Medium risk	46	50
53	48	High risk	61	64
31	33	Defaults	33	31
142	**134**	**Total expected annual average net loss by risk group**	**149**	**155**

Expected annual average net loss is the amount that the parent bank expects statistically to lose on the loans portfolio over a 12 month period. It is calculated using historical data. During boom conditions, the actual annual loss is lower than average expected loss. Similarly, in periods of recession, actual losses may be higher.

Parent bank			Group	
2013	2014	Total commitments by sector and industry	2014	2013
21 612	22 088	Private customers	24 389	23 630
137	156	Public sector	331	279
3 614	3 835	Primary industries	4 072	3 784
308	291	Paper and pulp industries	307	322
596	769	Other industry	1 035	739
1 540	1 369	Building and construction	1 876	1 936
207	220	Power and water supply	361	319
1 097	1 115	Wholesale and retail trade	1 404	1 361
171	180	Hotel and restaurants	211	179
6 327	7 405	Real estate	7 505	6 366
2 100	2 064	Commercial services	2 466	2 550
264	284	Transport and communications	953	792
24	21	Other	29	24
37 997	**39 797**	**Total commitments by sector and industry**	**44 939**	**42 281**

Parent bank			Group	
2013	2014	Gross loans by sector and industry	2014	2013
19 397	20 496	Private customers	22 797	21 406
4	6	Public sector	181	146
3 198	3 357	Primary industries	3 557	3 367
250	246	Paper and pulp industries	262	264
437	509	Other industry	739	451
931	874	Building and construction	1 317	1 326
187	190	Power and water supply	299	298
755	743	Wholesale and retail trade	1 010	1 018
153	161	Hotel and restaurants	172	161
5 837	6 988	Real estate	7 033	5 876
1 457	1 342	Commercial services	1 659	2 124
193	211	Transport and communications	880	719
24	21	Other	30	24
32 822	**35 144**	**Total gross loans by sector and industry**	**39 936**	**37 180**

Parent bank 2013	Parent bank 2014	Individual write-downs by sector and industry	Group 2014	Group 2013
46	39	Private customers	44	47
3	2	Primary industries	2	3
1	1	Paper and pulp industries	1	1
7	6	Other industry	7	8
10	9	Building and construction	9	12
	1	Power and water supply	1	
20	21	Wholesale and retail trade	21	20
1	1	Hotel and restaurants	1	1
26	16	Real estate	16	26
17	24	Commercial services	25	17
		Transport and communications	1	3
131	**120**	**Total individual write-downs by sector and industry**	**129**	**138**

Parent bank 2013	Parent bank 2014	Expected annual average net loss by sector and industry	Group 2014	Group 2013
50	42	Private customers	49	57
9	11	Primary industries	12	10
3	4	Paper and pulp industries	5	3
		Other industry	1	
14	8	Building and construction	10	15
1		Power and water supply		1
8	8	Wholesale and retail trade	9	9
2	2	Hotel and restaurants	2	2
38	43	Real estate	43	38
13	14	Commercial services	14	14
4	2	Transport and communications	4	6
142	**134**	**Total expected annual average net loss by sector and industry**	**149**	**155**

Parent bank 2013	Parent bank 2014	Gross loans by geographic area	Group 2014	Group 2013
23 745	24 715	Hedmark County	26 201	25 470
2 081	2 670	Oppland County	3 346	2 606
2 207	2 497	Akershus County	3 386	2 931
4 599	5 087	Rest of Norway	6 828	5 983
98	86	Abroad	86	98
92	89	Accrued interest, undistributed	89	92
32 822	**35 144**	**Total gross loans by geographic area**	**39 936**	**37 180**

Parent bank 2013	Parent bank 2014	Loans to employees	Group 2014	Group 2013
527	597	Loans to employees	734	774
274	273	*Of which loans in SpareBank 1 Boligkreditt AS*	338	332

Repayment loans are granted to employees with up to 30 years repayment period and monthly instalments. The rate of interest for repayment loans and Flexiloans for employees is 75 per cent of the lowest ordinary interest rate for private market loans and Flexiloans. Per 31.12.14 the total loan amount on these terms is limited to NOK 2.5 million per individual employee.

Loans to and receivables from customers linked financial leasing agreements (Group only)	2014	2013
Gross receivables linked to financial leasing agreements		
- Up to 1 year	433	254
- 1 to 5 years	1 516	1 371
- More than 5 years	166	238
Total gross receivables	**2 114**	**1 863**
Not accrued income linked to financial leasing agreements	6	40
Net investments linked to financial leasing agreements	2 108	1 808
Net investments in financial leasing agreements can be analysed thus:		
- Up to 1 year	432	199
- 1 to 5 years	1 511	1 371
- More than 5 years	165	238
Total net receivables	**2 108**	**1 808**

Note 9 Classification of financial assets

Sparebanken Hedmark has signed agreements for the legal sale of loans with high collateral and security in real estate to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. According to the management agreements signed with these two companies in the Alliance, the Bank manages the loans and is responsible for the contact with the customers. The Bank receives compensation in the form of commissions for the obligations associated with managing the loans. The Bank has assessed the accounting implications of this as meaning that the majority of the risk and benefits of ownership associated with the sold loans has been transferred. This entails full derecognition. The remuneration received for the loans that have been transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS matches the book value and is assessed to match the loans fair value at the time of transfer. The Bank recognises all rights and obligations that were generated or retained upon transfer separately as assets or liabilities.

If the mortgage companies experience a loss on transferred loans, they are entitled to offset these against commissions from all banks that have transferred loans. A residual involvement associated with the sold loans therefore exists with a possible limited settlement of losses against commissions. However, the nature of this right to offset is not regarded as meaning that it changes the conclusion that the majority of the risk and benefits associated with ownership have been transferred. The Bank's maximum exposure to losses is represented by the highest amount that could be claimed covered under the agreements.

The mortgage companies can resell the loans bought from the Bank, while the Bank's right to manage customers and receive commissions remains attached. If the Bank is unable to service the customers, the right to earnings and commissions lapses. Furthermore, the Bank has an option to buy back loans under certain conditions.

SpareBank 1 Boligkreditt AS

SpareBank 1 Boligkreditt AS is owned by the banks that make up the SpareBank 1 Alliance. The Bank owned a 9.5 per cent stake as at 31 December 2014 (8.4 per cent as at 31 December 2013). SpareBank 1 Boligkreditt AS acquires loans with collateral in housing and issues covered bonds in accordance with the regulations established for this in 2007. Loans sold to SpareBank 1 Boligkreditt AS are secured by collateral in housing up to a ceiling of 75 per cent of their valuation. The sold loans are legally owned by SpareBank 1 Boligkreditt AS and Sparebanken Hedmark has, apart from the right to administer them and receive commissions, as well as the right to take over fully or partially written down loans, no right to use the loans. The Bank administers the sold loans and receives commissions based on the net return on the loans the Bank has sold less the company's costs.

Home mortgages worth a net NOK 0.8 billion were sold to SpareBank 1 Boligkreditt AS in 2014. A total of NOK 15.4 billion had been derecognised in home mortgages sold to SpareBank 1 Boligkreditt AS at the end of the financial year. The remaining involvement is as follows:

	Book value asset	Fair value asset	Book value liability	Fair value liability	Maximum exposure to loss
Remaining involvement	0	0	0	0	221 MNOK

The Bank has, together with the other owners of SpareBank 1 Boligkreditt AS, signed an agreement on the establishment of liquidity facilities for SpareBank 1 Boligkreditt AS. This entails an obligation on the part of the banks to buy SpareBank 1 Boligkreditt AS's bonds, limited to the combined value of the amount due in the next 12 months in SpareBank 1 Boligkreditt AS. In principle, each owner is liable for its share of the need, secondarily for twice the primary liability under the same agreement. The bonds can be deposited with Norges Bank and thus entail no material increase in risk for the Bank. In accordance with its internal guidelines, SpareBank 1 Boligkreditt AS retains liquidity for the amount due in the next 12 months. This is deducted when valuing the banks' liabilities. Therefore, it is only in the event that the company no longer has liquidity for the amount due in the next 12 months that the Bank will report any commitment in connection with this.

Together with the other owners of SpareBank 1 Boligkreditt AS, the Bank has also signed an agreement concerning ensuring that SpareBank 1 Boligkreditt AS has a minimum core capital ratio of 9 per cent at any given time. The shareholders must supply sufficient core capital within 3 months after receiving a written request to do so. The shareholders' obligation to supply such core capital is pro rata and not joint and must correspond to each shareholder's pro rata share of the shares in SpareBank 1 Boligkreditt AS.

SpareBank 1 Næringskreditt AS

SpareBank 1 Næringskreditt AS is owned by the banks that make up the SpareBank 1 Alliance. The Bank owned a 3.84 per cent stake as at 31 December 2014 (2.93 per cent as at 31 December 2013). SpareBank 1 Næringskreditt AS acquires loans with security in commercial real estate and issues covered bonds under the regulations for this established in 2007. Loans sold to SpareBank 1 Næringskreditt AS are secured by security in commercial real estate within 60 per cent of its valuation. Sold loans are legally owned by SpareBank 1 Næringskreditt AS and the Bank has, beyond the right to manage and receive commissions for this and the right to take over part or all of written down loans, no right to use the loans. Sparebanken Hedmark manages the sold loans and the Bank receives commissions based on the net returns on the loans the Bank has sold and the costs in the company.

No commercial loans were sold to SpareBank 1 Næringskreditt in 2014. A total of NOK 0.6 billion was derecognised in loans to SpareBank 1 Næringskreditt at the end of the financial year. The remaining involvement is as follows:

	Book value asset	Fair value asset	Book value liability	Fair value liability	Maximum exposure to loss
Remaining involvement	0	0	0	0	7 MNOK

The Bank has, together with the other owners of SpareBank 1 Næringskreditt AS, signed agreements on the establishment of liquidity facilities for SpareBank 1 Næringskreditt AS. This means that the banks have committed to purchase covered bonds in the event that SpareBank 1 Næringskreditt AS is unable to refinance its activities in the market. The purchase is limited to the total value of the amount due in the company for the next 12 months at any given time. Previous purchases under this agreement are deducted from future obligations to purchase. In principle, each owner is liable for its share of the need, secondarily for twice the primary liability under the same agreement. The bonds can be deposited with Norges Bank and thus entail no material increase in risk for the Bank. In accordance with its internal policy, SpareBank 1 Næringskreditt AS retains liquidity for the amount due in the next 12 months. This is deducted when valuing the banks' liabilities. Therefore, it is only in the event that SpareBank 1 Næringskreditt AS no longer has liquidity for the amount due in the next 12 months that the Bank will report any commitment here in relation to capital adequacy or large commitments.

Together with the other owners of SpareBank 1 Næringskreditt AS, the Bank has also signed an agreement concerning ensuring that SpareBank 1 Næringskreditt AS has a minimum core capital ratio of 9 per cent at any given time. The shareholders must supply sufficient core capital within 3 months after receiving a written request to do so. The shareholders' obligation to supply such core capital is pro rata and not joint and must correspond to each shareholder's pro rata share of the shares in SpareBank 1 Næringskreditt AS.

Note 10 Distribution by age of defaulted loans not written down

The table shows amounts due on loans and overdraft facilities / deposits that are not caused by delays in payment transmission, by number of days after due date.

Parent bank

2014	Up to 30 days	31–60 days	61–90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	4	2	1	8	15
- Corporate market	2	2		17	21
Total	**6**	**4**	**1**	**25**	**36**

Group

2014	Up to 30 days	31–60 days	61–90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	8	3	2	11	24
- Corporate market	9	8		23	40
Total	**17**	**11**	**2**	**34**	**64**

Parent bank

2013	Up to 30 days	31–60 days	61–90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	5	2	1	9	17
- Corporate market	3	2	1	17	23
Total	**8**	**4**	**2**	**26**	**40**

Group

2013	Up to 30 days	31–60 days	61–90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	9	3	2	11	25
- Corporate market	8	2	2	19	31
Total	**17**	**5**	**4**	**30**	**56**

Note 11 Losses on loans and guarantees

Parent bank 2013 RM	Parent bank 2013 CM	Parent bank 2013 Total	Parent bank 2014 RM	Parent bank 2014 CM	Parent bank 2014 Total		Group 2014 RM	Group 2014 CM	Group 2014 Total	Group 2013 RM	Group 2013 CM	Group 2013 Total
3	7	**10**	-7		**-7**	Change in individual write-downs in the period	-2	-4	**-5**	2	3	**5**
3	-8	**-5**	6	2	**8**	+ Change in collective write-downs in the period	8	2	**10**	3	-7	**-4**
5	24	**29**	12	23	**35**	+ Realised losses on commitments previously written down	17	28	**46**	9	35	**44**
26	25	**51**	8	13	**21**	+ Realised losses on commitments not previously written down	10	15	**25**	27	26	**53**
-19	-5	**-24**	-4	-1	**-5**	- Recoveries on loans and guarantees previously written down	-8	-2	**-9**	-20	-6	**-26**
18	**43**	**61**	**15**	**37**	**52**	**Total losses on loans and guarantees**	**26**	**40**	**66**	**21**	**51**	**72**

2013 RM	2013 CM	2013 Total	2014 RM	2014 CM	2014 Total	Individual write-downs	2014 RM	2014 CM	2014 Total	2013 RM	2013 CM	2013 Total
42	96	**138**	43	100	**143**	Individual write-downs to cover losses on loans and guarantees at 1 January	44	105	**149**	44	106	**150**
5	24	**29**	12	23	**35**	Realised losses in the period on loans and guarantees previously written down individually	17	28	**45**	9	35	**44**
4	15	**19**	4	19	**23**	Reversal of write-downs in previous years	17	24	**41**	5	16	**21**
	13	**13**	2	15	**17**	Increase in write-downs on commitments previously written down individually	3	16	**19**		14	**14**
10	30	**40**	6	26	**32**	Write-downs on commitments not previously written down individually	29	32	**61**	14	36	**50**
43	**100**	**143**	**35**	**99**	**134**	**Individual write-downs to cover losses on loans and guarantees at 31 December ***	**41**	**101**	**143**	**44**	**105**	**149**

*Guarantee provisions are included under "Other liabilities" in the balance sheet and at 31 December amounted to NOK 14 million. The corresponding figures in 2013 are NOK 12 million.

2013 RM	2013 CM	2013 Total	2014 RM	2014 CM	2014 Total	Collective write-downs	2014 RM	2014 CM	2014 Total	2013 RM	2013 CM	2013 Total
24	74	**98**	27	66	**93**	Collective write-downs to cover losses on loans and guarantees at 1 January	31	75	**106**	27	82	**109**
3	-8	**-5**	6	2	**8**	Collective write-downs to cover losses on loans and guarantees in the period	8	2	**10**	4	-7	**-3**
27	**66**	**93**	**33**	**68**	**101**	**Collective write-downs to cover losses on loans and guarantees at 31 December**	**39**	**77**	**116**	**31**	**75**	**106**

2013	2014	Losses by sector and industry	2014	2013
19	11	Private customers	15	21
		Public sector	1	1
-1		Primary industries		-1
1		Paper and pulp industries		1
10	8	Other industry	8	10
7	1	Building and construction	3	9
	1	Power and water supply	1	
3	9	Wholesale and retail trade	9	3
-3		Hotel and restaurants		-3
28	-1	Real estate	-1	28
2	15	Commercial services	15	2
		Transport and communications	4	4
-5	8	Collective write-downs	10	-3
61	**52**	**Losses on loans to customers**	**66**	**72**

Parent bank 2010	Parent bank 2011	Parent bank 2012	Parent bank 2013	Parent bank 2014	Defaulted (more than 90 days) and doubtful commitments	Group 2014	Group 2013	Group 2012	Group 2011	Group 2010
344	368	382	257	263	Defaulted commitments	339	340	459	424	390
434	418	270	271	205	Other doubtful commitments	209	271	270	420	441
778	**786**	**652**	**528**	**468**	**Total defaulted and doubtful commitments**	**548**	**611**	**729**	**844**	**831**
221	216	138	143	134	Individual write-downs	143	149	150	228	236
557	**570**	**514**	**385**	**334**	**Net defaulted and doubtful commitments**	**405**	**462**	**579**	**616**	**595**
41	43	29	28	**25**	**Interest income from written-down loans charged to income**	**25**	28	29	43	41

Commitment means the customer's total commitment including guarantee ceilings and unused credit facilities.

Until 2014, Sparebanken Hedmark had credit card portfolio on its own balance sheet, and the historic figures therefore include the defaults and doubtfull commitments for these credit cards.

Note 12 Credit risk exposure for each internal risk rating

Sparebanken Hedmark uses its own classification system that it uses to monitor credit risk in the portfolio. Categorisation into risk classes is based on each individual commitment's probability of default: In addition to default probability, the Bank uses estimated value of collateral (collateral classes) in its classification of customers. Customers are categorised into different risk groups on the basis of default probability and collateral class.

Parent bank	Average unsecured exposure (%) 2014	Total commitment 2014	Average unsecured exposure (%) 2013	Total commitment 2013
Low risk	4,2 %	25 639	8,1 %	24 394
Medium risk	11,8 %	11 243	16,2 %	10 861
High risk	10,5 %	2 429	14,0 %	2 195
Defaulted and written down	21,9 %	486	11,0 %	547
Total	**6,9 %**	**39 797**	**8,8 %**	**37 997**

Group	Average unsecured exposure (%) 2014	Total commitment 2014	Average unsecured exposure (%) 2013	Total commitment 2013
Low risk	5,3 %	28 122	8,5 %	26 583
Medium risk	11,8 %	13 595	14,7 %	12 654
High risk	12,3 %	2 734	12,5 %	2 495
Defaulted and written down	21,9 %	487	11,0 %	548
Total	**7,9 %**	**44 939**	**10,6 %**	**42 281**

Average unsecured exposure is calculated on the basis of average security coverage in each collateral class.
Sparebanken Hedmark's policy is that a conservative evaluation of collateral security shall be used as a main principle.
The Bank has an unsecured credit card portfolio, which is included in this table.

Note 13 Maximum credit risk exposure, not taking into account assets pledged as security

The table below shows maximum exposure to credit risk.
Exposure is shown gross before any assets pledged as security or permitted off-sets.

Parent bank 2013	Parent bank 2014		Group 2014	Group 2013
		Assets		
449	642	Deposits with central banks	642	449
4 254	4 856	Loans to and receivables from credit institutions	675	699
32 822	35 144	Gross loans to and receivables from customers	39 936	37 180
-131	-120	- Individual write-downs	-129	-138
-93	-101	- Write-downs to cover groups of loans	-116	-106
32 598	34 923	Net loans to and receivables from customers	39 691	36 936
4 927	4 017	Certificates and bonds	4 017	4 927
363	531	Financial derivatives	531	363
42 591	**44 969**	**Credit risk exposure, balance sheet**	**45 557**	**43 374**
		Liabilities		
993	1 062	Contingent liabilities (guarantees provided)	942	873
4 615	4 074	Unutilised credit lines	4 061	4 321
480	459	Loans approved not disbursed	459	604
6 088	**5 595**	**Total financial guarantees**	**5 462**	**5 798**
48 678	**50 564**	**Total credit risk exposure**	**51 019**	**49 172**

Parent bank 2013	Parent bank 2014	Credit risk exposure on financial assets distributed by geographic area	Group 2014	Group 2013
		Banking activities		
31 839	32 983	Hedmark	29 943	29 611
2 439	3 059	Oppland	3 777	2 981
2 587	2 861	Akershus	3 804	3 334
6 514	7 113	Rest of Norway	8 960	7 942
142	133	Abroad	133	142
-224	-221	Provisions for losses, undistributed	-245	-244
92	88	Accrued interest, undistributed	98	116
43 389	**46 016**	**Total banking activities**	**46 470**	**43 882**
		Financial market activities		
4 696	3 898	Norway	3 898	4 696
546	597	Europe	597	546
48	53	USA	53	48
5 289	**4 548**	**Total financial market activities**	**4 548**	**5 289**
48 678	**50 564**	**Total distributed by geographic area**	**51 019**	**49 172**

Note 14 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 statesments.

Sparebanken Hedmark has two sets of agreements which regulate counterparty risk and netting of derivatives. For retail and corporate customers, use is made of framework agreements requiring provision of collateral. For customers engaged in trading activity, only cash deposits are accepted as collateral. The agreements are unilateral, i.e it is only the customers that provide collateral. As regards financial institutions, the Bank enters into standardised and mainly bilateral ISDA agreements. Additionallt the Bank has entered into supplementary agreements on provisjion of collateral (CSA) with the most central counterparties. The Bank only enters into agreements with cash as collateral.

The assets and liabilities below may be offset.

				Amounts not presented on the balance sheet on a net basis		
31.12.14	**Gross financial assets/(liabilities)**	**Recognised on a net basis**	**Net financial assets/ (liabilities) on the balance sheet**	**Financial instruments**	**Cash collateral given/(received)**	**Net amount**
Derivatives as assets	531	0	531	-57	0	474
Derivatives as liabilities	-330	0	-330	57	112	-161

31.12.13	**Gross financial assets/(liabilities)**	**Recognised on a net basis**	**Net financial assets/ (liabilities) on the balance sheet**	**Financial instruments**	**Cash collateral given/(received)**	**Net amount**
Derivatives as assets	363	0	363	-74	0	289
Derivatives as liabilities	-182	0	-182	74	9	-99

All figures are identical for the parent bank and the Group.

Note 15 Credit quality per class of financial assets

Parent bank		Neither defaulted nor written down				
2014	Notes:	Low risk	Medium risk	High risk	Defaulted or individually written down	Total
Loans to and receivables from credit institutions	7	4 856				**4 856**
Gross loans to and receivables from customers measured to amoritisert cost						
Retail market	8	14 876	3 051	616	210	**18 753**
Corporate market	8	5 637	7 117	1 427	252	**14 433**
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value through profit and loss on initial recognition						
Retail market	8	1 413	279	51	1	**1 744**
Corporate market	8	157	48	9		**214**
Total gross lending		**26 939**	**10 495**	**2 103**	**463**	**40 000**
Financial investments						
Certificates and bonds	30	3 999	8	10		**4 017**
Total financial investments		**3 999**	**8**	**10**		**4 017**
Total lending-related assets		**30 937**	**10 503**	**2 113**	**463**	**44 016**

Group		Neither defaulted nor written down				
2014	Notes:	Low risk	Medium risk	High risk	Defaulted or individually written down	Total
Loans to and receivables from credit institutions	7	675				**675**
Gross loans to and receivables from customers measured to amoritisert cost						
Retail market	8	15 671	4 519	616	246	**21 052**
Corporate market	8	7 331	7 756	1 565	273	**16 925**
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value through profit and loss on initial recognition						
Retail market	8	1 413	279	51	1	**1 744**
Corporate market	8	157	48	9		**214**
Total gross lending		**25 247**	**12 602**	**2 241**	**520**	**40 610**
Financial investments						
Certificates and bonds	30	3 999	8	10		**4 017**
Total financial investments		**3 999**	**8**	**10**		**4 017**
Total lending-related assets		**29 246**	**12 610**	**2 251**	**520**	**44 627**

Parent bank		Neither defaulted nor written down				
2013	Notes:	**Low risk**	**Medium risk**	**High risk**	**Defaulted or individually written down**	**Total**
Loans to and receivables from credit institutions	7	4 254				**4 254**
Gross loans to and receivables from customers measured to amoritisert cost						
Retail market	8	14 017	2 842	632	222	**17 713**
Corporate market	8	5 599	5 984	1 280	291	**13 154**
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value through profit and loss on initial recognition						
Retail market	8	1 357	275	49	3	**1 684**
Corporate market	8	202	57	12		**271**
Total gross lending		**25 429**	**9 157**	**1 974**	**516**	**37 076**
Financial investments						
Certificates and bonds	30	4 888	32	7		**4 927**
Total financial investments		**4 888**	**32**	**7**		**4 927**
Total lending-related assets		**30 317**	**9 189**	**1 981**	**516**	**42 003**

Group		Neither defaulted nor written down				
2013	Notes:	**Low risk**	**Medium risk**	**High risk**	**Defaulted or individually written down**	**Total**
Loans to and receivables from credit institutions	7	699				**699**
Gross loans to and receivables from customers measured to amoritisert cost						
Retail market	8	14 747	4 367	637	248	**19 999**
Corporate market	8	7 056	6 330	1 489	351	**15 226**
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value through profit and loss on initial recognition						
Retail market	8	1 357	275	49	3	**1 684**
Corporate market	8	202	57	12		**271**
Total gross lending		**24 061**	**11 028**	**2 188**	**602**	**37 879**
Financial investments						
Certificates and bonds	30	4 888	32	7		**4 927**
Total financial investments		**4 888**	**32**	**7**		**4 927**
Total lending-related assets		**28 949**	**11 060**	**2 195**	**602**	**42 806**

Classification of financial investments into different risk groups is based on ratings from Standard Poor's, Moody's, Fitch or a recognised Norwegian brokerage house according to the conversion table shown below. No official rating from the rating agencies or shadow rating from a brokerage house is available for some issues. These amount to NOK 210 million in 2014 and consist of certificates and bonds in Norwegian local authorities and county councils (NOK 202 million), as well as a subordinated loan to SpareBank 1 Kredittkort AS (NOK 8 million). The issues to Norwegian local authorities and county councils have been classified as low risk and the subordinated loan has been classified as medium risk.

Credit quality	**Rating (using S&P's system)**			
Low risk	AAA	AA	A	BBB
Medium risk	BB			
High risk	B	CCC	CC	C

Note 16 Market risk related to interest rate risk

Interest risk arises because the individual assets and liabilities have different remaining fixed rate terms.

The Board has agreed limits for the total interest rate risk, both with regard to basis risk and yield curve risk. The Bank steers interest rate risk towards the desired level on investments and funding loans by means of interest rate commitment and through the use of interest rate derivatives such as FRAs and interest rate swaps.

Basis risk is the change in the value of the Group's assets and liabilities that arises when there is a parallel shift in the entire yield curve. This risk is shown in the table below by calculating the interest rate risk as the effect on the financial instruments' fair value of a change in interest rate change assuming a parallel shift in the entire yield curve of one percentage point. Administrative interest rate risk has not been taken into account, i.e. the effect of the fact that in practice there will be a lapse between a change in interest rate in the market and the Bank having adjusted the terms and conditions for deposits and loans at floating rates of interest.

The Group's interest rate risk is related primarily to shifts in the yield curve for Norwegian kroner (NOK).

All figures are identical for the parent bank and the Group.

	Interest rate risk, 1 per cent change	
Basis risk	**2014**	**2013**
Certificates and bonds	-16	-30
Fixed-rate loans	-32	-39
Fixed-rate deposits		
Certificate-based loans		1
Bond loans	126	142
Other fixed-rate funding	1	1
Derivatives	-90	-92
Total interest rate risk, effect on profit after tax	**-11**	**-18**

Negative figures indicates that the Bank incurs a loss on an increase in interest rates.

Although the calculations above show that the Bank will incur a loss from an increase in interest rates, the way in which the increase in interest rates happens is not insignificant. The table below shows yield curve risk, i.e. the risk of the yield curve shifting differently within the different time periods when there is a change in interest rates, by measuring the Bank's net interest rate exposure within the different periods.

	Interest rate risk, 1 per cent change	
Yield curve risk	**2014**	**2013**
0–1 month	1	1
1–3 months	4	2
3–6 months	-2	
6–12 months		-1
1–3 years	-12	-11
3–5 years	9	4
5–10 years	-11	-14
Total interest rate risk, effect on profit after tax	**-11**	**-18**

Note 17 Market risk related to currency exposure

Currency risk is the risk of the Group incurring a loss as a result of changes in the currency exchange rates that disfavour the Bank's positions. Currency risk arises when the Group has differences in assets and liabilities in an individual currency.

Foreign exchange trading shall always comply with adopted guidelines, limits and authorisations. The Group's limits define quantitative goals for maximum currency exposure, measured in NOK. The Group has set limits for the net exposure in each individual currency and limits for aggregate net currency exposure and total absolute sum of net positions per currency:

- The absolute total of each net position in any single currency must not exceed NOK 75 million overnight.
- The absolute total of each net position in any single currency must not exceed NOK 100 million intraday.

Currency risk is quantified and monitored at all times. The Group's currency risk throughout the year and at year-end is limited.
At 31 December, the net positions in the most important currencies, based on fair value of the underlying assets, was as follows:

All figures are identical for the parent bank and the Group.

Net Currency exposure NOK	2014	2013
USD	5	3
GBP	3	1
EUR	2	7
SEK	2	4
PLN	1	1
JPY	1	
DKK	-1	2
CHF		4
Other		
Total	**14**	**22**
Effect on after-tax profit/loss and equity of a 3 % change in Fx-rates.	0	0
Effect on after-tax profit/loss and equity of a 10% change in Fx-rates.	1	2

Note 18 Liquidity risk

Parent bank

2014	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Cash flows related to liabilities						
Liabilities to credit institutions	-35	-20	-8	-104	-613	-780
Deposits from and liabilities to customers	-31 036					-31 036
Liabilities arising from issuance of securities		-74	-1 217	-7 051	-987	-9 329
Subordinated loan capital		-4	-12	-539		-556
Derivatives related to liabilities		19	49	124	31	223
Current tax liabilities			-146			-146
Other liabilities		-77	-123	-19	-362	-581
Total cash flows related to liabilities	**-31 071**	**-156**	**-1 457**	**-7 590**	**-1 930**	**-42 205**

Group

2014	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Cash flows related to liabilities						
Liabilities to credit institutions	-35	-20	-6	-104	-613	-778
Deposits from and liabilities to customers	-31 021		-49			-31 070
Liabilities arising from issuance of securities		-74	-1 217	-7 051	-987	-9 329
Subordinated loan capital		-4	-12	-539		-556
Derivatives related to liabilities		19	49	124	31	223
Current tax liabilities			-150			-150
Other liabilities		-61	-175	-19	-384	-639
Total cash flows related to liabilities	**-31 056**	**-140**	**-1 560**	**-7 590**	**-1 952**	**-42 299**

Parent bank

2013	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Cash flows related to liabilities						
Liabilities to credit institutions		-22	-9	-109	-630	-770
Deposits from and liabilities to customers	-28 780		-1 330			-30 110
Liabilities arising from issuance of securities		-1 160	-496	-5 660	-1 728	-9 044
Subordinated loan capital		-4	-13	-559		-575
Derivatives related to liabilities		21	56	166	47	291
Current tax liabilities			-131			-131
Other liabilities		-57	-123	-20	-303	-503
Total cash flows related to liabilities	**-28 780**	**-1 222**	**-2 045**	**-6 181**	**-2 614**	**-40 842**

Group

2013	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Cash flows related to liabilities						
Liabilities to credit institutions		-22	-9	-109	-630	-770
Deposits from and liabilities to customers	-28 767		-1 330			-30 097
Liabilities arising from issuance of securities		-1 160	-496	-5 660	-1 728	-9 044
Subordinated loan capital		-4	-13	-559		-575
Derivatives related to liabilities		21	56	166	47	291
Current tax liabilities			-144			-144
Other liabilities		-61	-323	-20	-319	-723
Total cash flows related to liabilities	**-28 767**	**-1 226**	**-2 258**	**-6 181**	**-2 630**	**-41 062**

Note 19 Maturity analysis of assets and liabilities

Parent bank

2014	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	748					748
Loans to and receivables from credit institutions	4 216	2	80	558		4 856
Gross loans to and receivables from customers	14 705	335	1 124	4 587	14 393	35 144
- Individual write-downs	-58	-7	-14	-12	-29	-120
- Write-downs of groups of loans				-101		-101
Net loans to and receivables from customers	14 647	328	1 110	4 474	14 364	34 923
Certificates and bonds		307	445	2 732	533	4 017
Financial derivatives		23	41	224	244	531
Shares, units and other equity interests					239	239
Investments in associates and joint ventures					2 323	2 323
Investments in subsidiaries					668	668
Property, plant and equipment				65	249	314
Goodwill and other intangible assets			8	30	72	110
Deferred tax asset				72		72
Other assets		16	55	116	73	260
Total assets	**19 611**	**675**	**1 739**	**8 271**	**18 766**	**49 061**
Liabilities						
Deposits from and liabilities to credit institutions	33	1	18		615	667
Deposits from and liabilities to customers	31 036		49			31 085
Liabilities arising from issuance of securities			1 045	6 881	1 025	8 951
Financial derivaties		66	7	102	155	330
Current tax liabilities			146			146
Other debt and liabilities recognised in the balance sheet		77	123	19	362	581
Subordinated loan capital				505		505
Total liabilities	**31 069**	**144**	**1 389**	**7 506**	**2 156**	**42 265**

Group

2014	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	748					748
Loans to and receivables from credit institutions	35	2	80	558		675
Gross loans to and receivables from customers	14 705	541	1 666	7 597	15 427	39 936
- Individual write-downs	-58	-7	-14	-21	-29	-129
- Write-downs of groups of loans				-116		-116
Net loans to and receivables from customers	14 647	534	1 652	7 460	15 398	39 691
Certificates and bonds		307	445	2 732	533	4 017
Financial derivatives		23	41	224	244	531
Shares, units and other equity interests					239	239
Investments in associates and joint ventures					3 073	3 073
Property, plant and equipment				80	256	336
Goodwill and other intangible assets			9	33	143	185
Deferred tax asset				33		33
Other assets		16	201	116	73	406
Total assets	**15 430**	**882**	**2 428**	**11 235**	**19 959**	**49 933**
Liabilities						
Deposits from and liabilities to credit institutions	33	1	16		615	665
Deposits from and liabilities to customers	31 021		49			31 070
Liabilities arising from issuance of securities			1 045	6 881	1 025	8 951
Financial derivatives		66	7	102	155	330
Current tax liabilities			150			150
Other debt and liabilities recognised in the balance sheet		61	175	19	384	639
Subordinated loan capital				505		505
Total liabilities	**31 054**	**128**	**1 442**	**7 506**	**2 179**	**42 309**

Parent bank

2013	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	572					572
Loans to and receivables from credit institutions	3 927		227	100		4 254
Gross loans to and receivables from customers	12 413	349	482	4 483	15 095	32 822
- Individual write-downs	-58	-1	-8	-29	-35	-131
- Write-downs of groups of loans				-93		-93
Net loans to and receivables from customers	12 355	348	474	4 361	15 060	32 598
Certificates and bonds		921	439	2 761	806	4 927
Financial derivatives		83	18	182	79	363
Shares, units and other equity interests					357	357
Investments in associates and joint ventures					2 140	2 140
Investments in subsidiaries					407	407
Property, plant and equipment				67	199	266
Goodwill and other intangible assets			8	33	76	117
Deferred tax asset				70		70
Other assets		175	365	16	43	599
Total assets	**16 854**	**1 527**	**1 531**	**7 591**	**19 166**	**46 669**
Liabilities						
Deposits from and liabilities to credit institutions	17	1	2	65	549	634
Deposits from and liabilities to customers	28 779	1 330				30 110
Liabilities arising from issuance of securities		1 141	304	5 321	1 632	8 398
Financial derivatives		11	11	90	69	182
Current tax liabilities			131			131
Other debt and liabilities recognised in the balance sheet		57	123	20	303	503
Subordinated loan capital				503		503
Total liabilities	**28 796**	**2 541**	**571**	**5 999**	**2 553**	**40 460**

Group 2013	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	572					572
Loans to and receivables from credit institutions	372		227	100		699
Gross loans to and receivables from customers	12 413	399	1 002	7 079	16 287	37 180
- Individual write-downs	-58	-1	-8	-36	-35	-138
- Write-downs of groups of loans				-106		-106
Net loans to and receivables from customers	12 355	398	994	6 937	16 252	36 936
Certificates and bonds		921	439	2 761	806	4 927
Financial derivatives		83	18	182	79	363
Shares, units and other equity interests					357	357
Investments in associates and joint ventures					2 565	2 565
Assets held for sale			1			1
Property, plant and equipment				82	206	288
Goodwill and other intangible assets			8	33	136	177
Deferred tax asset				58		58
Other assets	13	79	304	16	43	455
Total assets	**13 312**	**1 481**	**1 991**	**10 170**	**20 443**	**47 397**
Liabilities						
Deposits from and liabilities to credit institutions	17	1		65	549	632
Deposits from and liabilities to customers	28 766	1331				30 097
Liabilities arising from issuance of securities		1 141	304	5 321	1 632	8 398
Financial derivatives		11	11	90	69	182
Current tax liabilities			144			144
Other debt and liabilities recognised in the balance sheet		61	323	20	319	723
Subordinated loan capital				503		503
Total liabilities	**28 783**	**2 546**	**781**	**5 999**	**2 569**	**40 678**

Note 20 Net interest income

Parent bank			Group	
2013	2014		2014	2013
		Interest income		
131	154	Interest on loans to and receivables from credit institutions	70	46
1 640	1 611	Interest on loans to and receivables from customers	1 902	1 902
109	104	Interest on certificates and bonds	104	109
28	25	Interest income from written-down loans charged to income	25	28
1 908	**1 894**	**Total interest income**	**2 101**	**2 085**
		Interest expenses		
37	36	Interest on debt to credit institutions	36	37
807	764	Interest on deposits from and liabilities to customers	759	806
203	220	Interest on securities issued	220	203
10	18	Interest on subordinated loan capital	18	10
21	21	Fees to the Banks' Guarantee Fund	21	21
		Other interest expenses and similar expenses	5	
1 078	**1 059**	**Total interest expenses**	**1 058**	**1 077**
830	**835**	**Total net interest income**	**1 043**	**1 008**

Note 21 Net commission income and other operating income

Parent bank			Group	
2013	**2014**		**2014**	**2013**
		Commission income		
15	14	Guarantee commissions	13	14
7	6	Securities trading	6	7
111	164	Payment transmission	163	110
66	75	Insurance services	75	66
207	228	Commission from loans transferred to cover bond companies	228	207
10	11	Other commission income	11	11
416	**497**	**Total commission income**	**496**	**415**
		Commission expenses		
20	23	Payment transmission	23	20
7	8	Other commission expenses	27	25
27	**31**	**Total commission expenses**	**50**	**45**
		Other operating income		
5	5	Operating income from real estate	2	4
		Real estate brokerage		67
		Income from accounting		102
1	1	Rental income	1	1
		Income payroll	5	
10		Gains on fixed assets		10
3	11	Other operating income	209	5
19	**16**	**Total other operating income**	**217**	**189**
409	**482**	**Total net commission income and other operating income**	**663**	**560**

Note 22 Net income from financial assets and liabilities

Parent bank 2013	Parent bank 2014		Group 2014	Group 2013
		Change in value of interest rate instruments		
-12	21	Bonds and certificates at fair value through profit and loss	21	-12
-9	-181	Securities at fair value through profit and loss	-181	-9
-34	28	Fixed-rate loans to customers at fair value through profit and loss	28	-34
1	0	Fixed-rate deposits from customers at fair value through profit and loss	0	1
		Change in value of derivatives		
16	-5	Net change in value of derivatives related to bonds (assets)	-5	16
-62	129	Net change in value of derivatives related to funding loans	129	-62
3	5	Guarantee liability – Eksportfinans ASA	5	3
0	1	Net change in value of other derivatives	1	0
-95	**-2**	**Total net income from financial assets and liabilities at fair value**	**-2**	**-95**
21	13	Net income from equity instruments available for sale	13	21
-3	158	Gains / losses on realisation of equity instruments available for sale	158	-3
3	0	Write-down of and reversal of previous write-down of equity instruments available for sale	0	3
21	**171**	**Total net income from equity instruments available for sale**	**171**	**21**
189	**117**	**Income from ownership interests**	**394**	**326**
11	**10**	**Net income from currency trading**	**10**	**11**
126	**296**	**Total net income from financial assets and liabilities**	**573**	**263**

Note 23 Payroll expenses and payments to senior employees and elected officers

Parent bank 2013	Parent bank 2014		Group 2014	Group 2013
244	261	Payroll	397	358
37	40	Employers' National Insurance contribution	58	54
43	47	Pension costs (note 24)	54	49
18	26	Social security expenses	34	25
342	**374**	**Total personnel expenses**	**543**	**486**
485	482	Average no. of employees	715	693
464	459	No. of fulltime equivalents at 31 December	673	656
486	478	No. of employees at 31 December	707	687

Payments to Group management 2014 (NOK thousands)

2014 Title/name	Salaries and other short-term benefits	Other remuneration	Accrued pension entitlements in the last 12 months	Board fees in subsidiaries etc.	Loans	Guarantees
Chief Executive Officer Richard Heiberg *)	2 823	160	1 430		2 700	
Director, Corporate Market Vegard Sæten *)	1 320	27	63		1 184	
Director, Nils Arne Nordheim - to 30.04.2014	851	9			1 992	
Director, Retail Market Kari E. Gisnås	1 369	23	234	85	1 999	
Director of Finance Tore Anstein Dobloug	1 308	30	200			
HR Director Eldar Kjendlie	1 263	23	123			
Director, Operations and IT Dag-Arne Hoberg	1 263	27	281	50	2 036	
Director, Risk Management Vidar Nordheim	1 102	30	135	55	1 724	
Bank Manager Tor Morten Nygård	1 077	30	206		3 349	
Head of Information Siv Stenseth	1 108	23	196		3 355	
Managing Director, EiendomsMegler 1 Hedmark Eiendom AS Magnus Aasen	1 023	24	135		1 949	
Managing Director, SpareBank 1 Finans Østlandet AS Hans Olav Wedvik	1 235	24	161		15 936	
Managing Director, SpareBank 1 Regnskapshuset Østlandet AS Ove Jahnsen *)	1 187	6	65			

**)Managers with defined contribution scheme. Other managers have defined benefit scheme.*

2013 Title/name	Salaries and other short-term benefits	Other remuneration	Accrued pension entitlements in the last 12 months	Board fees in subsidiaries etc.	Loans	Guarantees
Chief Executive Officer Richard Heiberg *)	2 717	130	1 516		4 200	
Director, Corporate Market Vegard Sæten - from 01.10.2013 *)	392	5	16			
Director Nils Arne Nordheim	2 031	24	255	95	2 231	
Director, Retail Market Kari E. Gisnås	1 317	22	238	85	1 999	
Director of Finance Tore Anstein Dobloug	1 253	43	203			
HR Director Eldar Kjendlie	1 213	22	125	55	1 041	
Director, Operations and IT Dag-Arne Hoberg	1 214	18	285	50	2 296	
Director, Risk Management Vidar Nordheim	1 053	26	137		1 858	
Bank Manager Tor Morten Nygård	1 038	23	209		3 442	
Head of Information Siv Stenseth	1 043	19	199		4 141	
Managing Director, EiendomsMegler 1 Hedmark Eiendom AS Magnus Aasen	1 007	29	137		652	
Managing Director, SpareBank 1 Finans Østlandet AS Hans Olav Wedvik	1 170	24	164		13 735	
Managing Director, Consis AS Ove Jahnsen *)	1 205	6	69			

**)Managers with defined contribution scheme. Other managers have defined benefit scheme.*

Of the total lending to Group management, NOK 9 million was transferred to SpareBank 1 Boligkreditt AS in 2014 (NOK 9 million in 2013).

Remuneration to the Board and the Control Committee) 2014 (NOK thousands)

2014 Title/name	Fees	Other remuneration	Loans	Guarantees
Board:				
Chairman Siri J. Strømmevold	260	4	2 041	
Vice Chairman Bjørnar Håkensmoen	177			
Board member Aud Christensen	144			
Board member Nina Cecilie Lier	165		2 292	
Board member Erik Garaas	175			
Board member Morten Herud	146			
Board member Espen B. Larsen (employee, incl. in salary)	723	31	4 422	
Deputy Sverre Bjørnstad				
Deputy Alexander S. Lund	7			
Deputy Ola Reidar Gulli (employee, incl. in salary)	572	25	1779	
Control Committee:				
Chairman Vidar Brobakken	136			
Vice chairman Mikael Løken	62			
Bodil Helene Andersen	47			
Ingunn Gråbergsveen	53			
Jan Erik Myrvold	69			
Gro Svarstad to 27.04.2014	16			
Valborg Berthelsen to 27.04.2014	16			
Deputy Marit Johnsrud			2 970	
Deputy Anne Kristin Sandnes				
Deputy Svein Nymoen			2 307	
Deputy Anne Grete Melbye				
Deputy Gry Torgals			1 218	

2013 Title/name	Fees	Other remuneration	Loans	Guarantees
Board:				
Chairman Siri J. Strømmevold	257		2 219	
Vice Chairman Bjørnar Håkensmoen	186			
Board member Aud Christensen	140			
Board member Nina Cecilie Lier	177			
Board member Jan Wibe	107			
Board member Grethe G. Fossum	103			
Board member Espen B. Larsen (employee, incl. in salary)	129		4 434	
Deputy Sverre Bjørnstad				
Deputy Morten Herud	15			
Deputy Ola Reidar Gulli (employee, incl. in salary)	74		2 015	
Control Committee:				
Chairman Vidar Brobakken	131			
Vice Chairman Mikael Løken	66			
Gro Svarstad	61			
Jan Erik Myrvold	61			
Valborg Berthelsen	66			
Deputy Marit Johnsrud				
Deputy Anne Grete Melbye				
Deputy Gry Torgals			1 269	
Deputy Bodil Helene Andersen			891	
Deputy Gunn S. Hvamstad			1 064	
Varamedlem Bodil Helene Andersen			891	
Varamedlem Gunn S. Hvamstad			1 064	

Of the total lending to the Board and the Control Committee, NOK 2 million was transferred to SpareBank 1 Boligkreditt AS in 2014 (NOK 3 million in 2013)

Remuneration to the Board of Representatives (NOK thousands)	**2014**	**2013**
Chairman Jonny Holen, 2013	6	24
Chairman Pål Jan Stokke, 2014		
Other members	2–50	2–46

All of the above-mentioned remuneration for executive personnel and elected officers, apart from loans and guarantees, are liable to employers' National Insurance contributions.

Remuneration in accordance with the 'Regulation on Remuneration Arrangements in Financial Institutions, Investment Firms and Management Companies'
Sparebanken Hedmark's remuneration for executive personnel complies with the rules and guidelines laid down in the 'Regulation on Remuneration Arrangements in Financial Institutions, Investment Firms and Management Companies'.

Executive personnel and others covered by the regulation's definition receive remuneration in the form of a fixed salary. They are members of the Bank's ordinary pension schemes. The chief executive has an agreement on possible early retirement from the age of 62. If the company decides to exercise the option of early retirement, the company will pay an annual early retirement pension that amounts to 70 per cent of the applicable fixed salary on the retirement date. Should the chief executive wish to retire between the ages of 62 to 67, the company will pay an annual early retirement pension that amounts to 60 per cent of the applicable fixed salary on the retirement date. Early retirement pensions that are being paid, including previous adjustment supplements, are adjusted upwards on 1 May each year by the percentage-wise increase in the National Insurance Scheme's basic amount (G). From age 67 to 77, a service pension equivalent to 5.47 times the National Insurance Scheme's basic amount (G) has been agreed in addition to the company's ordinary defined contribution scheme, in which the ceiling for pensionable income is 12 G. No schemes involving variable pay elements or other special administrative schemes have been established for this group of employees.

The company has no form of bonus scheme or any obligations concerning considering bonuses for the chief executive or chairman of the board.

There are no incentive schemes in the company or obligations concerning share value based remuneration for the benefit of employees or elected officers.

The pay conditions are assessed via annual processes at the end of the year and any changes normally come into effect on 1 January the following year. The assessments are based on the Bank's pay policy and described processes. The chief executive's assessments and proposals on limits and conditions for changes for the members of the Bank's executive management team are presented to the Remuneration Committee before any decision is made by the chief executive.

The Remuneration Committee also receives a briefing on the assessments that have been made concerning the pay conditions of the managing directors of the Bank's subsidiaries.

The chief executive's terms are set by the Board following recommendations from the Remuneration Committee.

Note 24 Pensions

Defined benefit scheme
The pension scheme is administered by a separate pension fund and gives entitlement to future pension benefits from the age of 67. The scheme also covers a disability pension subject to specific rules. The Group's defined benefit pension scheme guarantees most of the members a pension of approximately 70 per cent of their final salary, up to a maximum of 12G. The defined benefit scheme is closed to new members.

Defined contribution scheme
Defined contribution pension schemes entail that the Group does not guarantee a future pension of a given size, and that the Group pays instead an annual contribution to the employees' collective pension savings plan. The future pension will depend on the size of the contribution and the annual return on the pension savings. The Group does not have any further obligation related to work performed after the annual contribution has been paid. There are no provisions for accrued pension liabilities in such schemes. Defined contribution pension schemes are recognised directly as an expense. The Group has offered a defined contribution pension scheme to its employees since 1 July 2008.

Early retirement pension scheme
The banking and financial services industry has entered into an early retirement pension (AFP) scheme contract. This scheme covers early retirement from the age of 62 to 67. The Bank is responsible for 100 per cent of the pension that is paid from the age of 62 to 64 and 60 per cent of the pension that is paid from the age of 65 to 67. Admission of new pensioners ceased with effect from 1 January 2011.

New early retirement pension scheme
The Act on state subsidies to employees who take out an early retirement pension in the private sector (Early Retirement Subsidy Act) entered into force on 19 February 2010. Employees who take out early retirement from an implementation date in 2011 or later, will receive benefits in accordance with the new scheme. The new early retirement pension (AFP) scheme is a lifelong addition to National Insurance benefits and can be taken out from age 62. The employers' premium is determined as a percentage of salary payments up to 7.1G. In accordance with the recommendations of the Norwegian Accounting Standards Board, no provisions have been set aside for the Group's real early retirement pension (AFP) scheme liabilities. This is because the Joint Office for LO/NHO Schemes has still not made the necessary calculations.

In addition, the Group has pension liabilities in relation to early retirement pensioners and employees with a salary over 12G.

For futher details of the Group's pension plans see note 2 Accounting Principles and note 23 Payroll expenses and payments to senior employees and elected officers.

Defined-contribution pension from 1 July 2008	
Salary between 1 and 6 times the National Insurance basic amount (G)	5 %
Salary between 6 and 12 times the National Insurance basic amount (G)	8 %

Salary includes regular supplements, but does not include overtime, taxable benefits in kind and other remuneration of expenses.

The discontinued pension scheme includes	**Parent bank**	**Group**
Employees	290	322
Pensioners	269	275

The calculation of costs and liabilities for the closed pension scheme is based on the following assumptions:

Assumptions 31 December	**01/01/15**	**01/01/14**	**01/01/13**
Discount rate	2,30 %	4,00 %	3,90 %
Expected return on assets	2,30 %	4,00 %	3,90 %
Expected future wage development	2,50 %	3,75 %	3,50 %
Expected adjustment of the basic amount (G)	2,50 %	3,50 %	3,25 %
Expected pension adjustment	2,50 %	3,50 %	3,25 %
Employers' National Insurance contribution	14,10 %	14,10 %	14,10 %
Expected voluntary retirement	2,00 %	2,00 %	2,00 %
Expected contractual early retirement from 62 years	0,00 %	0,00 %	0,00 %
Disability table applied	IR02	IR02	IR02
Mortality table applied	K2013 BE	K2013 BE	Reinforced K2005

The dates used above indicate the date from which the liability is calculated with changed assumptions. For example, this means that the pension liability at 31 December 2014 has been discounted on the basis of the assumptions that apply on 1 January 2015, whereas the annual cost for 2014 is based on the assumptions that applied at the beginning of the year.

The Norwegian Accounting Standards Board (NASB) reassessed the market for corporate bonds in 2012 as a result of input form market actors with regard to the growth of the covered bond market. These actors had found that the covered bond market was deep enough and that the pricing was reliable. The NASB can accordingly not deny use of the covered bond market interest rate for calculation of the discount rate. Sparebanken Hedmark decided on this basis to use the covered bond interest rate as its discount rate as of 31 December 2012..

Pension cost

SECURED SCHEME

Parent bank			Group	
2013	**2014**		**2014**	**2013**
19	21	Present value of pension accruals for the year	26	22
25	29	Interest cost of pension liability	30	26
-17	-18	- Return on pension assets	-18	-17
1		Adminstrative cost		1
4	3	Accrued employer contributions	3	4
32	**35**	**Net pension cost**	**41**	**36**

Actual return on pension assets:

3,6%	**3,2 %**		**3,2 %**	3,6 %

UNSECURED PENSION SCHEME

Parent bank			Group	
2013	**2014**		**2014**	**2013**
2	2	Present value of pension accruals for the year	2	2
1	1	Interest cost of pension liability	1	1
4	5	Defined-contribution pension charged to profit and loss	5	5
3	4	Effect of new AFP scheme charged to profit and loss	4	3
1	1	Accrued employer contributions	1	1
11	**13**	**Net pension cost**	**13**	**12**

TOTAL SECURED AND UNSECURED SCHEMES

Parent bank			Group	
2013	**2014**		**2014**	**2013**
21	23	Present value of pension accruals for the year	28	24
26	30	Interest cost of pension liability	31	27
-17	-18	- Return on pension assets	-18	-17
1		Adminstrative cost		1
4	5	Defined-contribution pension charged to profit and loss	6	5
3	4	Effect of new AFP scheme charged to profit and loss	4	3
5	4	Accrued employer contributions	4	5
43	**47**	**Net pension cost**	**54**	**49**

Pension liability

SECURED SCHEME

Parent bank 2013	Parent bank 2014		Group 2014	Group 2013
705	791	Gross liabilities at 1 January	825	731
20	20	Pension accruals for the year	25	23
25	28	Interest on pension liability	30	26
-17	-20	Benefits paid	-20	-17
-5	-3	Employers' National Insurance contribution on pension premium paid in	-3	-5
63	54	Actuarial differences included in equity	56	67
791	**869**	**Gross liability at 31 December**	**912**	**825**
524	558	Pension assets at 1 January	578	541
40	24	Paid into the scheme	28	44
-5	-2	Employers' National Insurance contribution on pension premium paid in	-2	-5
19	18	Expected return on pension assets	18	19
		Adminstrative cost	0	
-17	-20	Benefits paid	-20	-17
-3	5	Actuarial gains and losses included in equity	4	-4
558	**583**	**Pension assets at 31 December**	**605**	**578**
26	33	Employers' National Insurance contribution liability at 1 January	35	29
-5	-3	Employers' National Insurance contribution on pension premium paid in	-3	-6
8	6	Employers' National Insurance contribution on actuarial differences	6	8
4	4	Employers' National Insurance contribution on the pension cost for the year	4	4
33	**40**	**Employers' National Insurance contribution liability at 31 December**	**42**	**35**
207	266	Net pension liability secured scheme at 1 January	282	219
266	326	Net pension liability secured scheme at 31 December	349	282

Premium transfers in 2015 are estimated to NOK 43 million for the parent bank and NOK 47 million for the Group.

UNSECURED PENSION SCHEME

Parent bank 2013	Parent bank 2014		Group 2014	Group 2013
36	32	Gross liabilities at 1 January	32	36
2	2	Pension accruals for the year	2	2
1	1	Interest on pension liability	1	1
-8	-6	Benefits paid	-6	-8
1	2	Actuarial differences included in equity	2	1
32	**30**	**Gross liability at 31 December**	**30**	**32**
5	5	Employers' National Insurance contribution liability at 1 January	5	5
-1	-1	Employers' National Insurance contribution on paid benefits	-1	-1
		Employers' National Insurance contribution on actuarial differences		
		Employers' National Insurance contribution on the pension cost for the year		
5	**5**	**Employers' National Insurance contribution liability at 31 December**	**5**	**5**
41	37	Net pension liability unsecured scheme at 1 January	37	41
37	35	Net pension liability unsecured scheme at 31 December	35	37

TOTAL SECURED AND UNSECURED SCHEMES

Parent bank 2013	Parent bank 2014		Group 2014	Group 2013
248	303	Net pension liability at 1 January	319	261
303	362	Net pension liability at 31 December	384	319

ACTUARIAL GAINS AND LOSS (CHANGES IN ESTIMATES)

Parent bank 2013	Parent bank 2014		Group 2014	Group 2013
-67	-51	Actuarial gains and losses and pre-tax losses in equity capital for the period	-87	-68
144	194	Cumulative actuarial gains and losses and pre-tax losses in equity capital	225	138

Parent bank	2014	2013	2012	2011	2010
Present value of pension liability	944	861	773	885	767
Fair value of pension assets	583	558	524	490	472
Deficit / surplus	**362**	**303**	**249**	**395**	**295**
Experience adjustments to pension liabilities	63	73	-129	90	-7
Experience adjustments to pension assets	6	-3	-18	-23	5

Group	2014	2013	2012	2011	2010
Present value of pension liability	989	897	801	925	791
Fair value of pension assets	605	578	541	507	482
Deficit / surplus	**384**	**319**	**260**	**418**	**309**
Experience adjustments to pension liabilities	65	78	-148	93	-9
Experience adjustments to pension assets	5	-5	-24	-24	2

Composition of the Group's pension assets	2014	2013
Fixed income funds	55,4 %	32,9 %
Shares	5,8 %	2,9 %
Short-term bonds	14,4 %	31,2 %
Certificates/bonds	5,7 %	16,2 %
Money market	17,7 %	14,9 %
Other	1,0 %	1,8 %

Note 25 Other operating expenses

Parent bank			Group	
2013	2014		2014	2013
42	44	External services	48	45
39	45	External data processing	46	40
40	43	Marketing	69	65
24	22	Postage, courier, telephone, computer lines	26	29
75	76	IT equipment, software	79	79
33	33	Depreciation (notes 33 and 34)	41	39
11	13	Rent *	29	28
18	16	Operating expenses property	16	18
12	22	Wealth tax	22	12
45	38	Other operating expenses	62	75
339	**353**	**Total other operating expenses**	**438**	**430**
		Auditor's fee (NOK thousands)		
945	1 885	Statutory audit	3 169	1 733
		Other attestation services		50
76		Other services	111	389
1 021	**1 885**	**Total, including VAT**	**3 280**	**2 172**

* Specification of rent (NOK thousands):

Parent bank		Group
2014		2014
9	Rent of premises	15
	Machine hire	8
1	Electricity and fuel – rented premises	2
2	Other operating expenses – rented premises	4
13	**Total rent**	**29**

Note 26 Taxes

Parent bank 2013	Parent bank 2014		Group 2014	Group 2013
622	835	Profit before taxes	1 232	841
-192	-262	+/- permanent differences *	-519	-328
	-40	+/- group contribution	-40	
104	54	+/- changes in temporary differences	-60	70
-67	-51	+/- tax effect recorded directly against equity	-53	-73
467	**536**	**Tax base / taxable income for the year**	**560**	**511**
131	146	Of which is tax payable 27 % (28 %)	150	143
1	-1	Tax at source	28	1
-24		Change in deferred tax	0	-14
-2	-1	Excess/insufficient tax allocation in previous years	(1)	-2
18	15	- of which change not recorded in income statement	15	18
124	**159**	**Total tax charge**	**192**	**146**
		Explanation of why the tax charge for the year is not 27 % of the year's profit before tax		
174	225	27% tax on profit before tax	332	235
-52	-67	27% of permanent differences*	-140	-92
1	1	Tax at source	1	1
-2		Excess/insufficient tax allocation in previous years		-2
	-1	Excess/insufficient deferred tax allocation in previous years	-1	1
3		Reduction in the tax rate for deferred tax assets from 28% to 27%		2
124	**159**	**Estimated tax charge**	**192**	**146**
20 %	**19 %**	**Effective tax rate (%)**	**16 %**	**17 %**
		Deferred tax assets		
-98	-131	Deferred tax assets that reverse in more than 12 months	-138	-113
-2	-2	Deferred tax assets that reverse within 12 months	-15	-2
-100	**-132**	**Total deferred tax assets**	**-153**	**-115**
29	60	Deferred tax that reverse in more than 12 months	121	55
		Deferred tax that reverse within 12 months		2
29	**60**	**Total deferred tax**	**121**	**57**
-70	**-72**	**Net deferred tax/deferred tax asset**	**-33**	**-58**
		Specification of temporary differences		
16	12	Gains and loss account	12	16
-303	-362	Pension liabilities	-384	-320
40	99	Operating equipment	324	191
	40	Group contribution	40	
	-71	Differences in finacial items	-71	
-12	15	Other temporary differences	14	-58
		Carry forward tax loss	-54	-45
-260	**-267**	**Total temporary differences**	**-120**	**-215**
27 %	27 %	Tax rate applied	27 %	27 %

*) Includes tax-exempted dividends, non-tax-deductible expenses, net tax-exempt gains on realisation of shares in the European Economic Area (EEA), and tax allowances for profit attributable to associated companies (the percentage of the profit is extracted as it has already been taxed in the individual company).

Pursuant to IFRS, wealth tax is classified as a levy and not as a tax charge. For 2014, the wealth tax is calculated to be NOK 22 mill (2013 NOK 12 mill) and is classified as other operating expenses.

Note 27 Determination of fair value of financial instruments

The table below shows the financial instruments at fair value by the measurement method.
The different levels are defines 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.

2014

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit and loss				
– Derivatives		529	3	531
– Bonds and certificates		4 017		4 017
– Fixed-rate loans to customers		1 793		1 793
– Loans with interest-rate guarantees to customers			1	1
Financial assets available for sale				
– Equity instruments	131		108	239
Total assets	**131**	**6 339**	**112**	**6 581**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at fair value through profit and loss				
– Derivatives		330		330
– Securities issued		8 951		8 951
– Subordinated loan capital		505		505
– Fixed-rate deposits from customers		50		50
Total liabilities	**0**	**9 835**	**0**	**9 835**

2013

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit and loss				
– Derivatives		360	3	363
– Bonds and certificates		4 927		4 927
– Fixed-rate loans to customers		1 976		1 976
– loans with interest-rate guarantees to customers			3	3
Financial assets available for sale				
– Equity instruments	101		256	357
Total assets	**101**	**7 262**	**261**	**7 624**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at fair value through profit and loss				
– Derivatives		182		182
– Securities issued		8 398		8 398
– Subordinated loan capital		503		503
– Fixed-rate deposits from customers		76		76
– Term deposits from customers			51	51
Total liabilities	**0**	**9 159**	**51**	**9 210**

Fair value of financial instruments traded on active markets is based on the market value on the balance sheet day. A market is considered active if the market prices are easily and regularly available, and these prices represent actual and regularly occurring arm's-length market transactions.

The market price used for financial assets is the current purchase price; for financial liabilities the current selling price is used. Instruments included in level 1 include only equity instruments listed on Oslo Børs or the New York Stock Exchange.

Fair value value of financial instruments that are not traded in an active market (such as individual OTC derivatives) is determined using valuation methods. These valuation methods make maximum use of observable data where available and try to avoid using the Group's own estimates. If all the significant data required to determine the fair value of an instrument is observable data, the instrument is included in level 2.

If one or more important inputs required to determine the fair value of an instrument are is observable market data, the instrument is included in level 3.

Valuation methods used to determine the value of financial instruments include:

- Fair value of interest rate swaps is calculated as the present value of the estimated future cash flow based on observable yield curves.
- Fair value forward contracts in a foreign currency is determined by looking at the present value of the difference between the agreed forward exchange rate and the foreign exchange rate on balance sheet day.
- Fair value of bonds and certificates (assets and liabilities) is calculated as the present value of the estimated future cash flow based on observable yield curves, including an indicated credit spread on issuers from a recognised broker a reputable brokerage firms or Reuters pricing service.
- Fair value of fixed-rate deposits and loans is calculated as the present value of the estimated future cash flow based on an observable swap yield curve, plus an implicit mark-upcalculated as the difference between the reference rate and the interest rate indicated by the Bank's price list on balance sheet day.
- Other methods, such as multiplier models, have been used to determine the fair value of the remaining financial instruments.

The table below presents the changes in value of the instruments classified in level 3:

2014	Loans with interest-rate guarantees	Equity instruments	Derivatives	Market-linked certificates of deposit (BMA)	Total
Opening balance	3	256	3	-51	**210**
Investments in the period		16			**16**
Sales / redemption in the period	-2	-271	-5	51	**-226**
Gains / losses recognised through profit and loss		157	5		**163**
Gains / losses recognised directly against comprehensive income		-51			**-51**
Closing balance	1	108	3	0	**112**
Gains / losses for the period included in the profit for assets owned on the balance sheet day		-1	5		**4**

2013	Loans with interest-rate guarantees	Equity instruments	Derivatives	Market-linked certificates of deposit (BMA)	Total
Opening balance	4	251	11	-206	**59**
Investments in the period		2		-51	**-49**
Sales / redemption in the period	-1	-29	-11	205	**164**
Gains / losses recognised through profit and loss		-3	3	1	**1**
Gains / losses recognised directly against comprehensive income		35			**35**
Closing balance	3	256	3	-51	**210**
Gains / losses for the period included in the profit for assets owned on the balance sheet day		-3	3		**0**

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.

A realistic change in the observable factors linked to the valuation of loans with a guaranteed interest rate, derivatives and terms deposits at level 3, will only have an insignificant effect on profit or loss. Unlisted equity instruments will be valued in accordance with the valuation hierarchy in Note 3.
There is a great deal of uncertainty related to establishing the fair value for these instruments. However, sensitivity considerations cannot be linked to specific valuation factors. All equity instruments at level 3 are also classified as available for sale with changes in value recognised under other comprehensive income.

For fixed-rate loans to customers, the higher credit markups in 2014 have reduced the fair value of the Bank's receivables by an estimated NOK 12 million. For fixed-rate deposits from customers the same effect is insignificant.
This estimate represents the difference between the book value of the loans and the calculated fair value of agreed cash flows on the balance sheet day discounted by the balance sheet day's yield curve and applicable risk premium at the start of the year. The corresponding effect is insignificant for fixed-rate deposits from customers.

Note 28 Classification of financial instruments

Parent bank 2014	Financial investments at fair value through profit and loss Held for trading	 To be recognised at fair value	Financial investments held to maturity	Financial instruments assessed at amortised cost	Total
Assets					
Cash and deposits with central banks				748	748
Loans to and receivables from credit institutions				4 856	4 856
Gross loans to and receivables from customers		1 782		33 362	35 144
- Individual write-downs				-120	-120
- Write-downs of groups of loans				-101	-101
Net loans to and receivables from customers	0	1 782	0	33 141	34 923
Certificates and bonds		4 017			4 017
Financial derivatives	531				531
Shares, units and other equity interests			239		239
Total assets	**531**	**5 799**	**239**	**38 744**	**45 313**
Liabilities					
Deposits from and liabilities to credit institutions				667	667
Deposits from and liabilities to customers		49		31 036	31 085
Liabilities arising from issuance of securities		8 951			8 951
Financial derivatives	330				330
Subordinated loan capital		505			505
Total liabilities	**330**	**9 504**	**0**	**31 703**	**41 537**

Group 2014	Financial investments at fair value through profit and loss Held for trading	 To be recognised at fair value	Financial investments held to maturity	Financial instruments assessed at amortised cost	Total
Assets					
Cash and deposits with central banks				748	748
Loans to and receivables from credit institutions				675	675
Gross loans to and receivables from customers		1 782		38 154	39 936
- Individual write-downs				-129	-129
- Write-downs of groups of loans				-116	-116
Net loans to and receivables from customers	0	1 782	0	37 909	39 691
Certificates and bonds		4 017			4 017
Financial derivatives	531				531
Shares, units and other equity interests			239		239
Total assets	**531**	**5 799**	**239**	**39 322**	**45 901**
Liabilities					
Deposits from and liabilities to credit institutions				665	665
Deposits from and liabilities to customers		49		31 021	31 070
Liabilities arising from issuance of securities		8 951			8 951
Financial derivatives	330				330
Subordinated loan capital		505			505
Total liabilities	**330**	**9 504**	**0**	**31 686**	**41 520**

Parent bank 2013	Financial investments at fair value through profit and loss Held for trading	 To be recognised at fair value	Financial investments held to maturity	Financial instruments assessed at amortised cost	Total
Assets					
Cash and deposits with central banks				572	572
Loans to and receivables from credit institutions				4 254	4 254
Gross loans to and receivables from customers		1 978		30 844	32 822
- Individual write-downs				-131	-131
- Write-downs of groups of loans				-93	-93
Net loans to and receivables from customers	0	1 978	0	30 620	32 598
Certificates and bonds		4 927			4 927
Financial derivatives	363				363
Shares, units and other equity interests			357		357
Total assets	**363**	**6 905**	**357**	**35 446**	**43 070**
Liabilities					
Deposits from and liabilities to credit institutions				634	634
Deposits from and liabilities to customers		127		29 983	30 110
Liabilities arising from issuance of securities		8 398			8 398
Financial derivatives	182				182
Subordinated loan capital		503			503
Total liabilities	**182**	**9 028**	**0**	**30 617**	**39 827**

Group 2013	Financial investments at fair value through profit and loss Held for trading	 To be recognised at fair value	Financial investments held to maturity	Financial instruments assessed at amortised cost	Total
Assets					
Cash and deposits with central banks				572	572
Loans to and receivables from credit institutions				699	699
Gross loans to and receivables from customers		1 978		35 202	37 180
- Individual write-downs				-138	-138
- Write-downs of groups of loans				-106	-106
Net loans to and receivables from customers	0	1 978	0	34 958	36 936
Certificates and bonds		4 927			4 927
Financial derivatives	363				363
Shares, units and other equity interests			357		357
Total assets	**363**	**6 905**	**357**	**36 229**	**43 853**
Liabilities					
Deposits from and liabilities to credit institutions				632	632
Deposits from and liabilities to customers		127		29 970	30 097
Liabilities arising from issuance of securities		8 398			8 398
Financial derivatives	182				182
Subordinated loan capital		503			503
Total liabilities	**182**	**9 028**	**0**	**30 603**	**39 812**

Note 29 Information about fair value

Parent bank	Book value 2014	Fair value 2014	Level in the valuation hierarchy	Book value 2014	Fair value 2014	Level in the valuation hierarchy
ASSETS						
Loans to and receivables from credit institutions	4 856	4 856	2	4 254	4 254	2
Net loans to and receivables from customers						
RM	20 428	20 428	3	19 324	19 324	3
CM	14 495	14 495	3	13 274	13 274	3
Securities	4 255	4 255	1,2,3	5 283	5 283	1,2,3
Derivatives	531	531	2	363	363	2
Total financial assets	**44 565**	**44 565**		**42 498**	**42 498**	
LIABILITIES						
Liabilities to credit institutions	667	667	2	634	634	2
Deposits from and liabilities to customers	31 085	31 085	3	30 110	30 110	3
Liabilities arising from issuance of securities	8 951	8 951	2	8 398	8 398	2
Derivatives	330	330	2	182	182	2
Subordinated loan capital	505	505	2	503	503	2
Total financial liabilities	**41 537**	**41 537**		**39 827**	**39 827**	

Group	Book value 2014	Fair value 2014	Level in the valuation hierarchy	Book value 2014	Fair value 2014	Level in the valuation hierarchy
ASSETS						
Loans to and receivables from credit institutions	675	675	2	699	699	2
Net loans to and receivables from customers						
RM	22 717	22 717	3	21 328	21 328	3
CM	16 975	16 975	3	15 608	15 608	3
Securities	4 256	4 256	1,2,3	5 283	5 283	1,2,3
Derivatives	531	531	2	363	363	2
Total financial assets	**45 154**	**45 154**		**43 281**	**43 281**	
LIABILITIES						
Liabilities to credit institutions	665	665	2	632	632	2
Deposits from and liabilities to customers	31 070	31 070	3	30 097	30 097	3
Liabilities arising from issuance of securities	8 951	8 951	2	8 398	8 398	2
Derivatives	330	330	2	182	182	2
Subordinated loan capital	505	505	2	503	503	2
Total financial liabilities	**41 521**	**41 521**		**39 812**	**39 812**	

General

Financial instruments assessed at fair value

Financial instruments – with the exception of loans to and deposits from customers with floating rates of interest, and debts to credit institutions – are assessed at fair value. For a more detailed description, see notes 2 and 3.

Financial instruments assessed at amortised cost

Financial instruments that are not assessed at fair value are recognised at amortised cost. See note 2 for a more detailed description. Amortised costs entails assessing balance sheet items after originally agreed cash flows and, as applicable, adjusted for write-downs.

Assessment at fair value will always be subject to uncertainty.

Assessment at fair value of items recognised at amortised cost

In connection with assessment at fair value of items recognised at amortised cost, we divide items into the following categories: loans to and receivables from credit institutions, loans to retail and corporate customers, deposits from and liabilities to customers, and liabilities to credit institutions.

Differing pricing methods are used for loans to customers and loans to credit institutions. Below is a summary of the various pricing models for the different categories:

- Loans to and receivables from credit institutions are priced using NIBOR.
- Loans to retail market customers are priced using floating and fixed customer interest rates.
- Loans to corporate market customers are priced using floating and fixed customer interest rates, and a number of loans are priced using NIBOR.

All fixed-rate loans are recognised at fair value in the Bank's accounts.

It is the Bank's view that loans in the retail and corporate market with floating interest rates always have a fair market price. The justification for this is that floating interest is subject to continuous assessment and adjustment to the interest rates in the capital market and changes in the competition situation.

Liabilities to credit institution and deposits from customers

For deposits to customers and liabilities to credit institutions, fair value is estimated to be equal to book value, since they generally have floating rates of interest.

In the light of these assessments, there is no difference between book value and real value in the table above.

Note 30 Certificates, bonds and fixed-income funds

All figures are identical for the parent bank and the Group.

Certificates and bonds by sector of issuers	2014	2013
Government		
– nominal value	150	150
– fair value	160	157
Other public sector issuers		
– nominal value	505	1 098
– fair value	527	1 111
Financial institutions		
– nominal value	3 084	3 018
– fair value	3 161	3 098
Non-financial institutions		
– nominal value	172	566
– fair value	169	560
Total fixed-income papers, nominal value	**3 911**	**4 832**
Total fixed-income papers at fair value	**4 017**	**4 927**

Fair value is presented including accrued interest (dirty price). Accrued interest amounts to NOK 27 million i 2014 (NOK 43 million in 2013).

See note 15 for a more detailed specification of risk linked to fixed-income funds.

Note 31 Financial derivatives

All figures are identical for the parent bank and the Group.

Assessment at fair value through profit and loss	2014		
Currency instruments	**Contract sum**	**Fair value Assets**	**Fair value Liabilities**
Currency forward contracts	881	18	11
Currency swaps	1 386	14	57
Total currency instruments	2 267	32	67
Interest rate instruments			
Interest rate swaps (including currency swaps)	8 763	486	263
Forward Rate Agreements (FRA)	150	10	
Total interest rate instruments	8 913	497	263
Other derivatives			
Guarantee liability in respect of Eksportfinans ASA	66	3	0
Total currency and interest rate instruments			
Total currency instruments	**2 267**	**32**	**67**
Total interest rate instruments	**8 913**	**497**	**263**
Total other derivatives	**66**	**3**	**0**
Total	**11 247**	**531**	**330**

Assessment at fair value through profit and loss	2013		
Currency instruments	**Contract sum**	**Fair value Assets**	**Fair value Liabilities**
Currency forward contracts	672	25	15
Currency swaps	1 369	14	4
Total currency instruments	2 041	38	19
Interest rate instruments			
Interest rate swaps (including currency swaps)	9 468	310	163
Forward Rate Agreements (FRA)	150	11	
Total interest rate instruments	9 618	322	163
Other derivatives			
Guarantee liability in respect of Eksportfinans ASA	66	3	0
Total currency and interest rate instruments			
Total currency instruments	**2 041**	**38**	**19**
Total interest rate instruments	**9 618**	**322**	**163**
Total other derivatives	**66**	**3**	**0**
Total	**11 725**	**363**	**182**

Note 32 Shares, units and other equity interests

All figures are identical for the parent bank and the Group.

	2014	2013
Available for sale (AFS)	**239**	**357**
– Listed	131	101
– Unlisted	108	256
Total shares and units	**239**	**357**

Listed companies	Classification	Ownership (%)	No. of shares	Cost of acquisition (NOK thousands)	Market value/ book value (NOK thousands)
Visa Inc.	TFS	0,0 %	13 710	5 891	26 875
Total listed shares				**5 891**	**26 875**
Totens Sparebank	TFS	23,5 %	1 440 530	94 782	103 718
Total listed equity certificates				**94 782**	**103 718**
Total listed shares and equity certificates				**100 673**	**130 593**
Unlisted companies					
Eiendomskreditt AS	TFS	1,1 %	32 510	3 446	3 836
Eksportfinans ASA	TFS	1,3 %	3 499	52 127	72 097
Norgesinvestor IV AS	TFS	1,7 %	79 000	7 308	7 347
Norgesinvesto Proto AS	TFS	16,9 %	150 000	15 000	14 906
Other	TFS			19 299	10 070
Total unlisted shares and units				**97 180**	**108 256**
Total shares, units and equity certificates				**197 853**	**238 849**

Note 33 Goodwill and other intangible assets

Parent bank 2013	Parent bank 2014		Group 2014	Group 2013
		Goodwill		
22	22	Acquisition cost at 1 January	99	93
		Acquisitions / disposals	16	6
22	22	Acquisition cost at 31 December	115	99
		Accumulated write-downs at 1 January	20	
		Current year's write-downs		20
		Accumulated write-downs at 31 December	20	20
22	**22**	**Goodwill incorporated in the balance sheet at 31 December**	**95**	**79**

Parent Bank
Goodwill was recognised in the balance sheet of the Parent Bank due to the acquisition of the Hamar branch of in Bank 1 Oslo Akershus AS in 2006.

On acquisition of the portfolio from Bank 1 Oslo Akershus AS in 2006, the names of the customers who were transferred to Sparebanken Hedmark were noted to enable them to be identified at a later time. The remaining customers in the portfolio are therefore regarded as the smallest identifiable group of assets for a cash-generating unit. When testing the value of this portfolio for impairment, in principle an estimate is made of the net cash flows expected to arise from the portfolio by determining its earnings from loans and deposits, and the costs and revenues derived from mutual funds and insurance products. Furthermore, an estimate is made of expected losses on the portfolio. The cash flow is calculated over 20 years and is discounted using a risk free interest rate with the addition of a premium that reflects the risk associated with similar businesses. The calculations show that the present value of the discounted future cash flows connected to the portfolio acquired from Bank 1 Oslo Akershus AS exceeds the carrying value of goodwill.

Group
The Group's goodwill consists, in addition to the goodwill from the takeover of Bank 1 Oslo Akershus AS, of a small goodwill item in EiendomsMegler 1 Hedmark Eiendom AS, as well as a larger goodwill item in the subsidiary SpareBank 1 Regnskapshuset Østlandet AS.
All of the items arose in connection with previous acquisitions in companies, the latest in 2014 through the acquisition of Regnskap Lønn AS and Dataregnskap AS. There is also a goodwill item linked to the Bank's acquisition of SpareBank 1 Regnskapshuset Østlandet AS in April 2011. The residual value of this item is NOK 4 million.

The value of goodwill in subsidiaries, associated companies and joint ventures has been tested as at 31 December 2014. Given the equity and expected future earnings of the companies, goodwill was not written down in the consolidated profit for 2014.

Parent bank 2013	Parent bank 2014		Group 2014	Group 2013
		Other intangible assets		
130	130	Acquisition cost at 1 January	133	133
		Acquisitions		
		Disposals		
130	130	Acquisition cost at 31 December	133	133
26	35	Accumulated depreciation at 1 January	35	27
		Disposals accumulated depreciation		
8	8	Current year's depreciation	8	8
35	43	Accumulated depreciation at 31 December	43	35
95	**87**	**Other intangible assets at 31 December**	**90**	**98**

Other intangible assets consist primarily of NOK 47 million related to the acquisition of the customer portfolio of Bank 1 Oslo Akershus AS's Hamar office in 2006, NOK 21 million related to the acquisition of the customer portfolio from Sparebank1 Ringerike Hadeland in October 2011, as well as NOK 18 million related to the acquisition of the customer portfolio from Bank1 Oslo Akershus AS in Årnes in October 2012. The portfolios will be amortised over 20 years and 14 years, respectively.

Parent bank 2013	Parent bank 2014		Group 2014	Group 2013
117	**109**	**Total intangible assets at 31 December**	**185**	**177**

See note 3 for a description of the valuation models used for goodwill and intangible assets.

Note 34 Property, plant and equipment

Parent bank				Group		
Buildings, land and other property	Fixtures, fittings and vehicles	Total		Buildings, land and other property	Fixtures, fittings and vehicles	Total
345	224	569	Acquisition cost at 1 January 2013	409	267	676
22	24	46	Acquisitions	22	31	53
17	20	37	Disposals	17	20	37
350	228	578	Acquisition cost at 31 December 2013	414	278	692
148	171	319	Accumulated depreciation and write-downs at 1 January 2013	203	201	404
9	15	24	Current year's depreciation	10	21	31
12	19	31	Current year's write-downs Current year's disposal	12	19	31
145	167	312	Accumulated depreciation and write-downs at 31 December 2013	201	203	404
205	**61**	**266**	**Book value at 31 December 2013**	**214**	**75**	**288**
350	228	578	Acquisition cost at 1 January 2014	414	278	692
62	20	81	Acquisitions	62	25	86
8	28	36	Disposals	8	28	36
404	219	622	Acquisition cost at 31 December 2014	468	274	742
145	167	312	Accumulated depreciation and write-downs at 1 January 2014	201	203	404
10	16	26	Current year's depreciation	10	23	33
6	25	31	Current year's write-downs Current year's disposal	6	25	31
149	157	307	Accumulated depreciation and write-downs at 31 December 2014	205	201	406
254	**61**	**315**	**Book value at 31 December 2014**	**263**	**73**	**336**
		0	**Buildings available for sale**			**0**

Collateral security

The Bank has not mortgaged or accepted any other limitations on its right to dispose of the fixed assets.

Acquisition cost of depreciated assets

The acquisition cost of fully depreciated assets still in use in the Bank in 2014 was NOK 158 million.
The corresponding figures for 2013 are NOK 171 million.

Gross value of fixed assets temporarily not in operation

The Group did not have any fixed assets temporarily not in operation at 31 December 2014.

Investment properties (NOK thousands)

Parent bank						Group				
Value 01/01/14	Acqu./ depr.	Value 31/12/14	Rent	Rented on 31/12/14		Value 01/01/14	Acqu./ depr.	Value 31/12/14	Rent	Rented on 31/12/14
6 827	-105	6 722	436	100 %	Brugata 7–Brumunddal	6 827	-105	6 722	223	66 %
6 827	**-105**	**6 722**	**436**		**Total**	**6 827**	**-105**	**6 722**	**223**	
		9 036			Fair value			9 036		

Parent bank						Group				
Value 01/01/14	Acqu./ depr.	Value 31/12/14	Rent	Rented on 31/12/14		Value 01/01/14	Acqu./ depr.	Value 31/12/14	Rent	Rented on 31/12/14
7 144	-317	6 827	410	100 %	Brugata 7 - Brumunddal	7 144	-317	6 827	174	66 %
7 144	**-317**	**6 827**	**410**		**Total**	**7 144**	**-317**	**6 827**	**174**	
		8 000			Fair value			8 000		

Fair value of investment properties is based on an appraisal by an independent appraiser.

Note 35 Other assets

Parent bank 2013	Parent bank 2014		Group 2014	Group 2013
43	73	Capital payments into pension fund	73	43
298	19	Accrued income, not yet received	19	298
32	23	Prepaid costs, not yet incurred	15	32
226	144	Other assets	299	82
599	**260**	**Other assets**	**406**	**455**

Note 36 Deposits from and liabilities to customers

Parent bank 2013	Parent bank 2014	**Deposits from and liabilities to customers**	Group 2014	Group 2013
28 777	31 035	Deposits from and liabilities to customers at call	31 021	28 767
1 330	49	Deposits from and liabilities to customers with agreed maturity dates	49	1 330
3	1	Accrued interest		
30 110	**31 085**	**Total deposits from and liabilities to customers**	**31 070**	**30 097**
		Of total deposits, deposits stated at fair value through profit and loss (FVO):		
74	49	*Fixed-rate deposits, book value*	49	74
74	49	*Fixed-rate deposits, nominal value*	49	74
50		*Term deposits, book value*		50
50		*Term deposits, nominal value*		50

2013	2014	**Deposits by sector and industry**	2014	2013
18 744	19 047	Private customers	19 047	18 744
3 966	3 666	Public sector	3 666	3 966
831	927	Primary industries	927	831
135	101	Paper and pulp industries	101	135
410	514	Other industry	514	410
616	671	Building and construction	671	616
108	118	Power and water supply	118	108
666	665	Wholesale and retail trade	665	666
84	95	Hotel and restaurants	95	84
1 688	1 565	Real estate	1 565	1 688
2 602	3 452	Commercial services	3 437	2 589
254	258	Transport and communications	258	254
6	6	Other operations	6	6
30 110	**31 085**	**Total deposits by sector and industry**	**31 070**	**30 097**

2013	2014	**Deposits by geographic area**	2014	2013
26 043	26 012	Hedmark County	25 997	26 033
541	691	Oppland County	691	541
954	1 259	Akershus County	1 259	954
2 211	2 748	Rest of Norway	2 748	2 211
358	375	Abroad	375	358
3		Accrued interest, undistributed		
30 110	**31 085**	**Total deposits by geographic area**	**31 070**	**30 097**

Note 37 Liabilities arising from issuance of securities

All figures are identical for the parent bank and the Group.	2014	2013
Certificate-based debt		
- nominal value		300
- fair value		304
Bond debt		
- nominal value	8 410	7 718
- fair value	8 951	8 094
Subordinated loan capital		
- nominal value	500	500
- fair value	505	503
Total liabilities arising from issuance of securities, nominal value	**8 910**	**8 518**
Total liabilities arising from issuance of securities, fair value	**9 455**	**8 901**
Average interest rate on certificate-based debt	1,9 %	2,3 %
Average interest rate on bond debt	2,8 %	2,8 %
Average interest rate on subordinated loan capital	3,6 %	3,5 %

Liabilities from issuance of securities by maturity date	2014	2013
2014		1 388
2015	1 012	1 205
2016	1 468	1 745
2017	1 900	1 000
2018	2 480	1 580
2019	1 150	700
2020	300	300
2022	200	200
2023	400	400
Total liabilities from issuance of securities, nominal value	**8 910**	**8 518**

All figures are identical for the parent bank and the Group.

Certificate-based debt, nominal value	31.12.14	Issued	Due/redeemed	Other changes	31.12.13
Bond debt, nominal value	0		-300		300
Subordinated loan capital, nominal value	8 410	2 050	-1 250	-108	7 718
Accrued interest	500				500
Adjustments	131			-33	164
Total debt raised through issuance of securities, fair value	415			196	219
Total debt raised through issuance of securities, fair value	**9 455**	**2 050**	**-1 550**	**54**	**8 901**

Changes in liabilities from issuance of securities	31.12.13	Issued	Due/redeemed	Other changes	31.12.12
Certificate-based debt, nominal value	300	300	-300		300
Bond debt, nominal value	7 718	1 700	-1 350	22	7 346
Subordinated loan capital, nominal value	500	500			0
Accrued interest	164			-19	183
Adjustments	219			10	209
Total debt raised through issuance of securities, fair value	**8 901**	**2 500**	**-1 650**	**13**	**8 038**

Securities issued are presented net own holdings. Fair value includes accrued interest (dirty price). All debts from issuance of securities are raised in Norwegian kroner (NOK).

The contraction of trading spreads in 2014 has in isolation increased the fair value of the Bank's debt securities by an estimated NOK 46 million. The estimate corresponds to the calculated difference between the market value of the debt securities based on the spread curve on the date of the balance sheet and the estimated market value of the same holdings based on the spread curve at the end of 2013, possibly with initial recognition of debt that was issued in 2014. All other factors remain the same.

In comparison, the reduced trading spreads in 2013 resulted in a increase of the fair value of the debt securities by an estimated NOK 36 million.

As at 31 December 2014 an accumulated unrealised loss, including hedging derivatives, of NOK 172 million was recognised relating to the assessment of the Bank's debt securities at fair value.

Note 38 Other debt and liabilities

Parent bank 2013	Parent bank 2014	Other debt and liabilities recognised in the balance sheet	Group 2014	Group 2013
303	362	Pension liabilities (note 24)	384	319
12	14	Guarantee provisions	14	12
8	9	Banker's drafts	9	8
41	37	Accounts payable	42	44
139	159	Other	190	339
503	**581**	**Total other debt and liabilities recognised in the balance sheet**	**639**	**722**
		Guarantee commitments etc. (amounts guaranteed)		
563	627	Payment guarantees	507	443
385	385	Contract guarantees	385	385
5	5	Guarantees for taxes	5	5
40	45	Other guarantees	45	40
993	**1 062**	**Total guarantees**	**942**	**873**
		Other liabilities - not on the balance sheet		
4 615	4 074	Unutilised credit lines	4 061	4 321
480	459	Loans approved (not discounted)	459	604
18		Other liabilities		18
5 113	**4 533**	**Total other liabilities**	**4 520**	**4 943**
6 609	**6 176**	**Total liabilities**	**6 101**	**6 538**

Securities	Total	Assets pledged as security	Securities	Total
2 575	2 575	Assets pledged as security in 2014*	2 575	2 575
		Related liabilities 2014		
2 681	2 681	Assets pledged as security in 2013*	2 681	2 681
		Related liabilities 2013		

* Bonds in escrow as collateral for loan access from Norges Bank.

SpareBank 1 Boligkreditt AS
Together with the other shareholders of SpareBank 1 Boligkreditt AS, Sparebanken Hedmark agreed in 2010 to provide a liquidity facility to SpareBank 1 Boligkreditt AS. This involves the banks committing themselves to buying residential mortgage bonds with a maximum total value corresponding to SpareBank 1 Boligkreditt's debt maturing over the next twelve months.

The agreement means that each shareholderhas principal responsibility for his share of the requirement, and secondary responsibility for double the value of his principal responsibility. The bonds can be deposited with Norges Bank, which means that they do not significantly increase the Bank's risk exposure.

Ongoing lawsuits
The Group is involved in some legal disputes whose financial implications are deemed not to have significant impact on its financial position. The Group has made provisions for losses in the cases in which there is a probability that it will suffer losses as a consequence of the lawsuits.

Note 39 Investments in subsidiaries, associates and joint ventures

Company	Type of business	Date of acquisition	Business office [2], headquarters	Percentace ownership [1]
Investments in subsidiaries				
Shares owned by the parent bank				
EiendomsMegler 1 Hedmark Eiendom AS	Real estate	1988	Hamar, Norway	100,00 %
SpareBank 1 Finans Østlandet AS	Financing	1995	Hamar, Norway	100,00 %
SpareBank 1 Regnskapshuset Østlandet AS	Accounting	2011	Hamar, Norway	100,00 %
Vato AS	Rental of real estate	1981	Hamar, Norway	100,00 %
Investments in associated companies				
Bank 1 Oslo Akershus AS	Banking	2010	Oslo, Norway	40,50 %
SpareBank 1 Boligkreditt AS	Coverd bond company	2007	Stavanger, Norway	9,50 %
SpareBank1 Næringskreditt AS	Coverd bond company	2012	Stavanger, Norway	3,84 %
SpareBank 1 Kredittkort AS	Credit card	2012	Trondheim, Norway	7,99 %
SpareBank 1 Markets AS	Investment firm	2013	Oslo, Norway	16,80 %
KOMM-IN AS	Consulting	2013	Raufoss, Norway	23,10 %
Investments in joint ventures				
Torggt 22 AS	Rental of real estate	2001	Hamar, Norway	50,00 %
SpareBank 1 Gruppen AS	Financial holding company	2006	Tromsø, Norway	11,00 %
SpareBank 1 Utvikling DA	Develp and coordinate cooperation in SpareBank 1 Alliansen	2006	Oslo, Norway	11,30 %
Oslo Eiendom Holding AS	Rental of real estate	2013	Lena, Norway	50,00 %

[1] The voting share corresponds to the ownership interest in all the companies.

[2] Registered office and head quarters are the same for all companies exept SpareBank 1 Gruppen AS whose headquarters is placed in Oslo.

Shares in subsidiaries parent bank

Investments are recognised at cost in the parent bank. The figures are fully consolidated in the consolidated financial statements.

2014	The company's share capital	No. of shares	Assets *)	Short-term debt	Long-term debt	Total income	Total expenses	company profit	Book value
SpareBank 1 Finans Østlandet AS	600,0	600 000	4 938	71	4 192	190	75	73	600
Total investments in credit institutions			**4 938**	**71**	**4 192**	**190**	**75**	**73**	**600**
EiendomsMegler 1 Hedmark Eiendom AS	0,5	500	26	26		79	67	8	8
SpareBank 1 Regnskapshuset Østlandet AS	13,8	1 250 000	108	29	41	124	118	4	51
Vato AS	0,6	352	11	1		2	1	1	9
Total investments in other subsidiaries			**145**	**56**	**41**	**205**	**186**	**13**	**68**
Total investments in Group companies parent bank			**5 083**	**127**	**4 233**	**395**	**261**	**86**	**668**

2013	The company's share capital	No. of shares	Assets *)	Short-term debt	Long-term debt	Total income	Total expenses	company profit	Book value
SpareBank 1 Finans Østlandet AS	370,0	370 000	4 345	350	3 564	161	70	58	370
Total investments in credit institutions			**4 345**	**350**	**3 564**	**161**	**70**	**58**	**370**
EiendomsMegler 1 Hedmark Eiendom AS	0,5	500	30	14	7	70	63	3	8
SpareBank 1 Regnskapshuset Østlandet AS	12,5	750 000	90	30	30	100	104	-4	20
Vato AS	0,6	352	11			2	1	1	9
Total investments in other subsidiaries			**131**	**44**	**37**	**172**	**168**	**0**	**37**
Total investments in Group companies parent bank			**4 476**	**394**	**3 601**	**333**	**238**	**58**	**407**

*) Assets classified as fixed assets

Investments in associates and joint ventures

Investments in associates and joint ventures are recognised at cost in the parent bank. Consolidated figures are presented according to the equity method of accounting.

Parent bank			Group	
2013	**2014**		**2014**	**2013**
1 299	2 140	Book value at 1 January	2 565	1 558
841	183	Acquisitions/disposals	264	868
		Write-downs		
		Changes in equity	-14	2
		Share of the profit	393	261
		Dividend paid	-135	-124
2 140	**2 323**	**Book value at 31 December**	**3 073**	**2 565**

Inntekter fra investeringer i datterselskaper, tilknyttede selskaper og felleskontrollert virksomhet

Parent bank			Group	
2013	**2014**		**2014**	**2013**
82	19	Dividend SpareBank 1 Gruppen AS		
	27	Dividend Bank 1 Oslo Akershus AS		
12	25	Dividend SpareBank 1 Boligkreditt AS		
3	4	Dividend EM 1 Hedmark Eiendom AS		
27	58	Dividend SB 1 Finans Østlandet AS		
	2	Dividend from others		
		Share of the profit SpareBank 1 Gruppen AS	202	132
		Share of the profit Bank 1 Oslo Akershus AS	183	133
		Share of the profit SpareBank 1 Boligkreditt AS	19	17
		Share of the profit from others	-11	-2
-17	-17	Impairment		-20
82	-1	Gains/losses on realisation of ownership investments		66
189	**117**	**Total income**	**394**	**326**

The Group's stake in associates companies

2014	**SpareBank 1 Gruppen AS**	**SpareBank 1 Banksamarbeidet DA**	**Torggt 22 AS**	**Oslo Eiendom Holding AS**	**Total associates companies**
Ownership i per cent	11,00 %	11,30 %	50,00 %	50,00 %	
Number of shares	215 204		8 000	15 000	
Current assets	4 337	2	1	2	
Fixed assets	1 758	96	20		
Total assets	**6 095**	**98**	**21**	**2**	
Short-term liabilities	628	40	1		
Long-term liabilities	4 654	46	6		
Equity capital	813	12	14	2	
Total equity capital and liabilities	**6 095**	**98**	**21**	**2**	
Income	1 389	76	2		
Operating expenses	1 124	75	1		
Profit/loss before tax	265	1	1		
Tax	62				
Result for the accounting year	**203**	**1**	**1**		
Comprehensive income	**-5**				
Book value Parent Bank	**492**	**13**	**8**	**2**	**515**
Book value Group	**883**	**13**	**14**	**2**	**912**

2013	SpareBank 1 Gruppen AS	SpareBank 1 Banksamarbeidet DA	Torggt 22 AS	Oslo Eiendom Holding AS	Total associates companies
Ownership i per cent	11,00 %	11,30 %	50,00 %	50,00 %	
Number of shares	215 204		8 000	15 000	
Current assets	3 930	5			
Fixed assets	1 653	58	20		
Total assets	**5 583**	**63**	**20**		
Short-term liabilities	416	14	1		
Long-term liabilities	4 529	38	6		
Equity capital	638	11	13		
Total equity capital and liabilities	**5 583**	**63**	**20**		
Income	1 374	78	2		
Operating expenses	1 210	79	1		
Profit/loss before tax	164	-1	1		
Tax	43				
Result for the accounting year	**121**	**-1**	**1**		
Comprehensive income	**9**				
Book value Parent Bank	**492**	**13**	**8**	**2**	**515**
Book value Group	**709**	**13**	**13**	**2**	**737**

The Group's stake in joint ventures

2014	Bank 1 Oslo Akershus AS	SpareBank 1 Boligkreditt AS	SpareBank 1 Næringskreditt AS	SpareBank 1 Kredittkort AS	SpareBank 1 Markets AS	Other joint ventures companies	Total joint ventures
Ownership i per cent	40,50 %	9,50 %	3,84 %	7,99 %	16,80 %		
Number of shares	1 854 126	5 237 544	560 000	204 922	110 033		
Current assets	13 875	21 621	697	381	74		
Fixed assets	533				21		
Total assets	**14 407**	**21 621**	**697**	**381**	**95**		
Short-term liabilities	9 221	2 702	2	7	64		
Long-term liabilities	3 999	18 114	620	312			
Equity capital	1 187	805	75	62	31		
Total equity capital and liabilities	**14 407**	**21 621**	**697**	**381**	**95**		
Income	503	30	7	17	18		
Operating expenses	284	3		16	46		
Profit/loss before tax	219	27	7	1	-28		
Tax	36	7	2		-9		
Result for the accounting year	**183**	**20**	**5**	**1**	**-19**		
Comprehensive income	**-9**						
Book value Parent Bank	**857**	**786**	**70**	**64**	**24**	**7**	**1 808**
Book value Group	**1 187**	**805**	**75**	**62**	**24**	**8**	**2 161**

2013	Bank 1 Oslo Akershus AS	SpareBank 1 Boligkreditt AS	SpareBank 1 Næringskreditt AS	SpareBank 1 Kredittkort AS	SpareBank 1 Markets AS	Other joint ventures companies	Total joint ventures
Ownership i per cent	40,50 %	8,37 %	2,93 %	7,99 %	14,70 %		
Number of shares	1 854 126	4 442 411	400 000	55 486	8 821		
Current assets	471	17 256	462	17	89		
Fixed assets	12 372				11		
Total assets	**12 843**	**17 256**	**462**	**17**	**100**		
Short-term liabilities	8 100	1 234	1	1	73		
Long-term liabilities	3 707	15 329	410	1			
Equity capital	1 036	693	51	15	27		
Total equity capital and liabilities	**12 843**	**17 256**	**462**	**17**	**100**		
Income	456	28	2	1	7		
Operating expenses	247	4		3	9		
Profit/loss before tax	209	24	2	-2	-2		
Tax	76	7	1	-1	-1		
Result for the accounting year	**133**	**17**	**1**	**-1**	**-1**		
Comprehensive income	**-15**						
Book value Parent Bank	**857**	**667**	**50**	**17**	**22**	**12**	**1 625**
Book value Group	**1 036**	**693**	**51**	**15**	**26**	**7**	**1 828**

Contingent liabilities related to investments in joint ventures and associates are disclosed in note 38

Note 40 Acquisition of businesses/business combinations

SPAREBANK 1 REGNSKAPSHUSET ØSTLANDET AS
Sparebanken Hedmark bought back 40 per cent of the shares in the accounting chain SpareBank 1 Regnskapshuset Østlandet AS from SpareBank 1 SMN Regnskap AS on 23 December 2014.

The SpareBank 1 Alliance's market strategy for the SMB market includes a greater focus on advice services. It is envisaged that Regnskapshuset will play a key role in this. The acquisition helps to ensure that from a regional perspective one is freer to develop the partnership between the accounting chain and the corporate market in Sparebanken Hedmark, and to facilitate greater growth for the Group in Eastern Norway.

The takeover entailed a correction directly against the equity in the Sparebanken Hedmark Group of NOK 11.4 million in the fourth quarter of 2014.

In connection with the acquisition, Sparebanken Hedmark has paid the following remuneration at fair value:

Acquisition analysis	
Remuneration 23 December 2014	**28,5**
The book value of identifiable assets and liabilities as a result of the acquisition	
Intangible assets	77,2
Property, plant and equipment	2,3
Current assets	19,3
Bank deposits, cash, etc.	9,3
Long-term debt to credit institutions	-37,3
Pension liabilities	-1,8
Current debt to credit institutions	-1,2
Other current liabilities	-29,3
Total identifiable net assets	**38,5**
Of this 40% constitutes	15,4
Minority's share of previous Group goodwill amounts to:	1,7
Minority's share then amounts to:	**17,1**
Correction of equity upon buy back:	**11,4**

SpareBank 1 Regnskapshuset Østlandet AS has been fully consolidated into the consolidated financial statements the entire time it has been owned by the Bank, and the bought back stake of 40 per cent is thus shown in the consolidated financial statements as the minority's share of the result and equity.

Note 41 Material transactions with related parties

Transactions between related parties in this context, related parties are associated companies, joint ventures and subsidiaries. The Bank's business with employees and Board members is shown in notes 8 and 23. For the purchase of shares, se note 40.

Subsidiaries

2014	Loans	Bonds and sub-ordinated loans	Deposits	Interest income	Interest expences	Commission income	Other operating income	Operating expences	Guarantees
SpareBank 1 Finans Østlandet AS	4 180		2	84		1	2		120
EiendomsMegler 1 Hedmark Eiendom AS			4	4			2		
Other subsidiaries	39		15	3					
Total subsidiaries	**4 219**	**0**	**21**	**90**	**0**	**1**	**5**	**0**	**120**

2013	Loans	Bonds and sub-ordinated loans	Deposits	Interest income	Interest expences	Commission income	Other operating income	Operating expences	Guarantees
SpareBank 1 Finans Østlandet AS	3 555		1	84		1	1		120
EiendomsMegler 1 Hedmark Eiendom AS			7	3	4				
Other subsidiaries	30		11	2					
Total subsidiaries	**3 585**	**0**	**19**	**89**	**4**	**1**	**1**	**0**	**120**

Associated companies and joint ventures

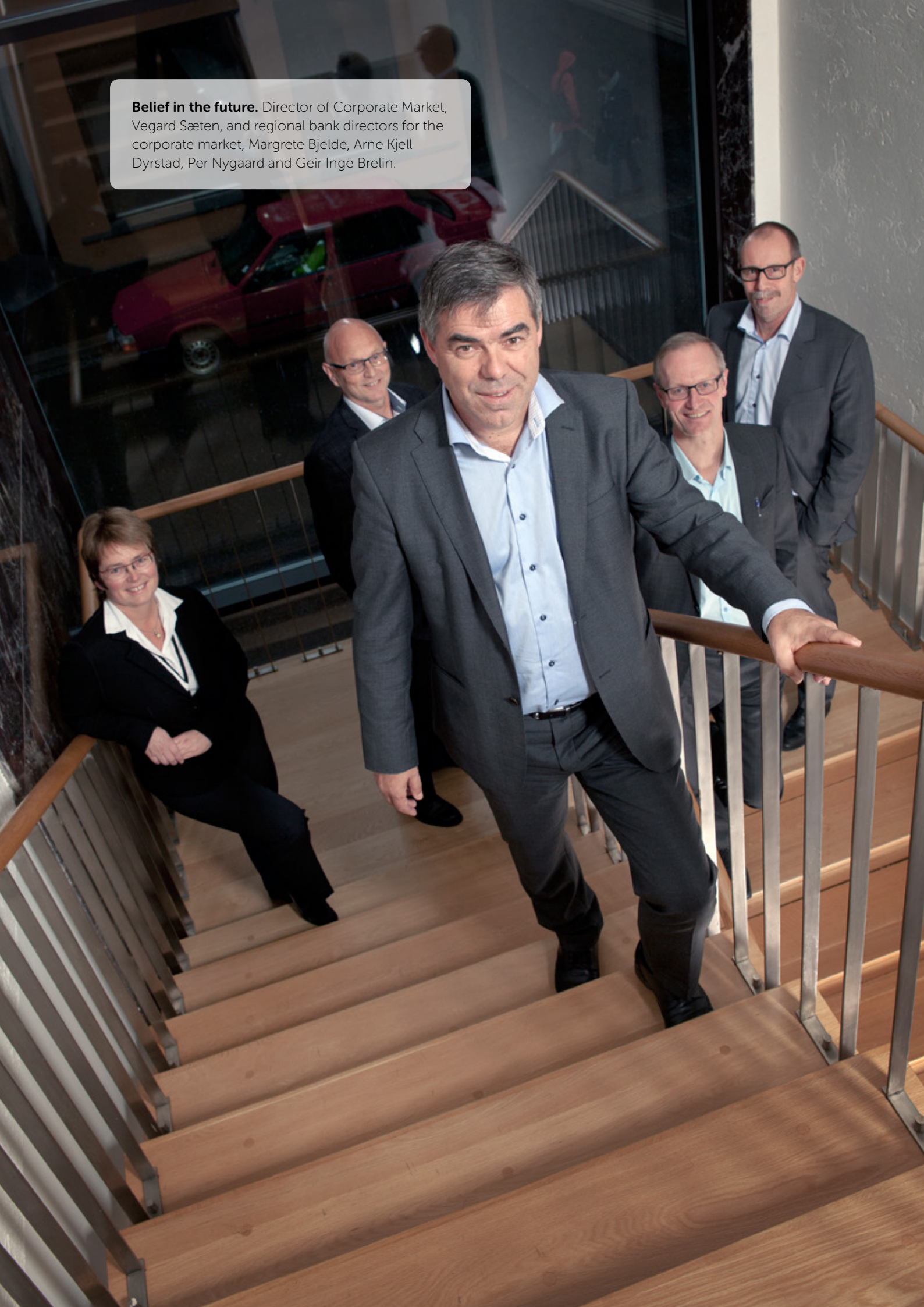
2014	Loans	Bonds and sub-ordinated loans	Deposits	Interest income	Interest expences	Commission income	Other operating income	Operating expences	Guarantees
Bank 1 Oslo Akershus AS									
SpareBank 1 Boligkreditt AS		502		12		221			
SpareBank 1 Næringskreditt AS		150		4		7			
SpareBank 1 Gruppen AS	313			10		75			
SpareBank 1 Kredittkort AS	325	8		7		60			
Other associated companies and joint ventures									
Total associated companies and joint ventures	**638**	**660**	**0**	**34**	**0**	**363**	**0**	**0**	**0**

2013	Loans	Bonds and sub-ordinated loans	Deposits	Interest income	Interest expences	Commission income	Other operating income	Operating expences	Guarantees
Bank 1 Oslo Akershus AS									
SpareBank 1 Boligkreditt AS		476		15		205			
SpareBank 1 Næringskreditt AS		150		1		2			
SpareBank 1 Gruppen AS	327			8		66			
Other associated companies and joint ventures								79	
Total associated companies and joint ventures	**327**	**626**	**0**	**24**	**0**	**273**	**0**	**79**	**0**

All loans to related parties are recognised in the parent bank.

Note 42 Dividends from subsidiaries

Dividends	2014	2013
Dividends received from:		
EiendomsMegler 1 Hedmark Eiendom AS	4	3
SpareBank 1 Finans Østlandet AS	58	27
Vato AS	1	1
Total dividends	**63**	**31**



Belief in the future. Director of Corporate Market, Vegard Sæten, and regional bank directors for the corporate market, Margrete Bjelde, Arne Kjell Dyrstad, Per Nygaard and Geir Inge Brelin.

STATEMENT FROM THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

We confirm that according to our firm belief the annual accounts for the period from 1 January to 31 December 2014 have been prepared in accordance with international standards for financial reporting (IFRS) and that the information in the annual report gives a true picture of the Parent Bank's and Group's assets, liabilities, financial position and result as a whole, and a correct overview of the information mentioned in the Securities Trading Act, § 5-5.

Sparebanken Hedmark's Board of Directors
Hamar, 5. March 2015

Siri J. Strømmevold
Chairman

Bjørnar Håkensmoen

Erik Garaas

Espen Bjørklund Larsen

Nina C. Lier

Aud Christensen

Morten Herud

Richard Heiberg
Chief Executive Officer

REPORT FOR 2014 TO THE

SUPERVISORY BOARD OF SPAREBANKEN HEDMARK

In accordance with the Financial Institutions Act, Savings Banks Act and its own instructions and working plan, the Control Committee has overseen the Bank's activities in 2014.

Minutes of board meetings and associated documentation have been reviewed on an ongoing basis, together with the management's loan records and authority rules.

In its activities, the Committee has particularly focused on assessing larger commitments, risk, plans and the regulatory framework. The Committee has continuously monitored overdraft and arrears lists for the Bank's employees, employees of subsidiaries and elected officers.

The Committee has received a report from the Bank's internal audit on selected areas of the Bank's activities in accordance with the set working instructions and schedule for control activities. The internal auditor has been invited to the Committee's meetings according to plan and answered the Committee's questions. As in previous years, there has been a special emphasis on risk management and credit issues, as well as compliance with legislation and regulations.

The Bank's executive personnel have met in committee according to plan and provided information about major management issues and individual matters.

The Director of Risk Management has presented risk reports and matters of material importance.

The Committee has particularly focused on commitments exposed to potential loss and commitments with a high credit risk. The Committee has received reports on such commitments from the Director of Corporate Market and from the credit management department.

The Committee has focused on the Bank's funding management and finance strategy. The Committee has monitored the Bank's equity certificate processes. A joint meeting has been held with the Bank's Board.

In its review of the proposed annual financial statements for the Parent Bank, Directors' Report and Independent Auditor's Report the Committee paid particular attention to reviewing the annual financial statements in light of the regulations on recording losses and write-downs for losses. The external auditor met the Committee and presented the audit plan. No circumstances of significance for the Bank's financial strength and operations have been revealed that require reporting to the Bank's Supervisory Board or the Financial Supervisory Authority of Norway.

In the opinion of the Committee, the financial statements have been presented in accordance with the current rules and regulations and can be recommended to the Supervisory Board for approval as the Bank's financial statements for 2014.

Hamar, 13 March 2015, Control

Committee of Sparebanken Hedmark

Vidar Brobakken

MikaeL Løken

Ingunn GråbergSveen

Jan Erik Myrvold

Bodil Andersen



To the Supervisory board ("Forstanderskapet") of Sparebanken Hedmark

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Sparebanken Hedmark, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2014, income statement, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for the parent company and the group Sparebanken Hedmark as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 5 March 2015
PricewaterhouseCoopers AS

Magne Sem
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

Subsidiaries

SpareBank 1 Finans Østlandet AS

Demand for SpareBank 1 Finans Østlandet AS's products continued to grow well in 2014. New sales totalled NOK 2 693 million, an increase of NOK 356 million. The company achieved a historic milestone in 2014 with a profit before tax of NOK 101 million.

The result was affected by good growth in both loans and leasing, as well as stable costs development. The company continued to grow in accordance with the adopted strategy. Total assets increased by 17 per cent and totalled NOK 4 938 million. The company's credit losses have been satisfactorily low in recent years. The loss costs for 2014 were 0.3 per cent of the average gross lending. The board is satisfied with the efforts being made to manage and limit losses. The company still has ambitions for further growth and expects to see positive effects from its increased presence in Eastern Norway. In recent years, the business has developed to become an important player in the company's focus areas in Eastern Norway. We currently have 55 employees, including temporary employees. The business is experiencing a higher level of activity in both the retail and corporate markets. The profitability of some transport and building companies is not satisfactory.

Combined with little capacity to withstand tough times, the situation could become challenging for some companies.

About SpareBank 1 Finans Østlandet AS

SpareBank 1 Finans Østlandet is a wholly owned subsidiary of Sparebanken Hedmark and its head office is in Hamar. The company also has branches in Akershus and Oppland and is a major player in leasing and secured financing in Eastern Norway. Our activities around the Oslo fjord are increasing, partly as a result of our association with the SpareBank 1 Alliance.

For more information, see www.sb1fo.no.

EiendomsMegler 1 Hedmark Eiendom AS

2014 was the best year ever for EiendomsMegler 1 Hedmark Eiendom AS. Its operating profit was NOK 11.4 million, a year-on-year improvement of more than NOK 7 million.

The big improvement in the result was due to higher turnover; no less than 17 per cent growth without any increase in staffing. The number of properties sold rose from 1 376 to 1 593. The company has improved the quality and efficiency of its work processes by introducing continuous improvements. More customers have been served and at the same time they have experienced better quality. This has made the company more profitable and competitive.

The company has strengthened its presence in the county with the establishment of a branch in Moelv. In 2014, EiendomsMegler 1 had an average of 46 full time equivalents. Profit after tax totalled NOK 8.4 million. The company is expecting further growth and aims to strengthen its position as the largest real estate agent in the Interior Region.

About EiendomsMegler 1 Hedmark Eiendom AS

EiendomsMegler 1 Hedmark Eiendom AS is a wholly owned subsidiary of Sparebanken Hedmark and the largest real estate agent in the county. The company has its own offices in the largest towns in Hedmark, including Hamar, Kongsvinger, Elverum, Trysil, Brumunddal, Stange, Moelv and Tynset, as well as Årnes in Akershus.

For more information, see www.eiendomsmegler1.no/hedmark.

SpareBank 1 Regnskapshuset Østlandet AS

SpareBank 1 Regnskapshuset Østlandet AS demonstrated good progress with respect to its turnover and result in 2014. Operating income increased from NOK 103 million in 2013 to NOK 127 million in 2014. The profit after tax amounted to NOK 4 million, a year-on-year improvement of NOK 10 million.

The company acquired three branches in 2014 and now also has a presence in Kongsvinger, Jessheim and Oslo. The company continues to aim for growth and expects to develop well going forward.

Its main market areas will continue to be Hedmark, Oppland, Akershus and Oslo, and the company aims to strengthen its position in this market.

About SpareBank 1 Regnskapshuset Østlandet AS

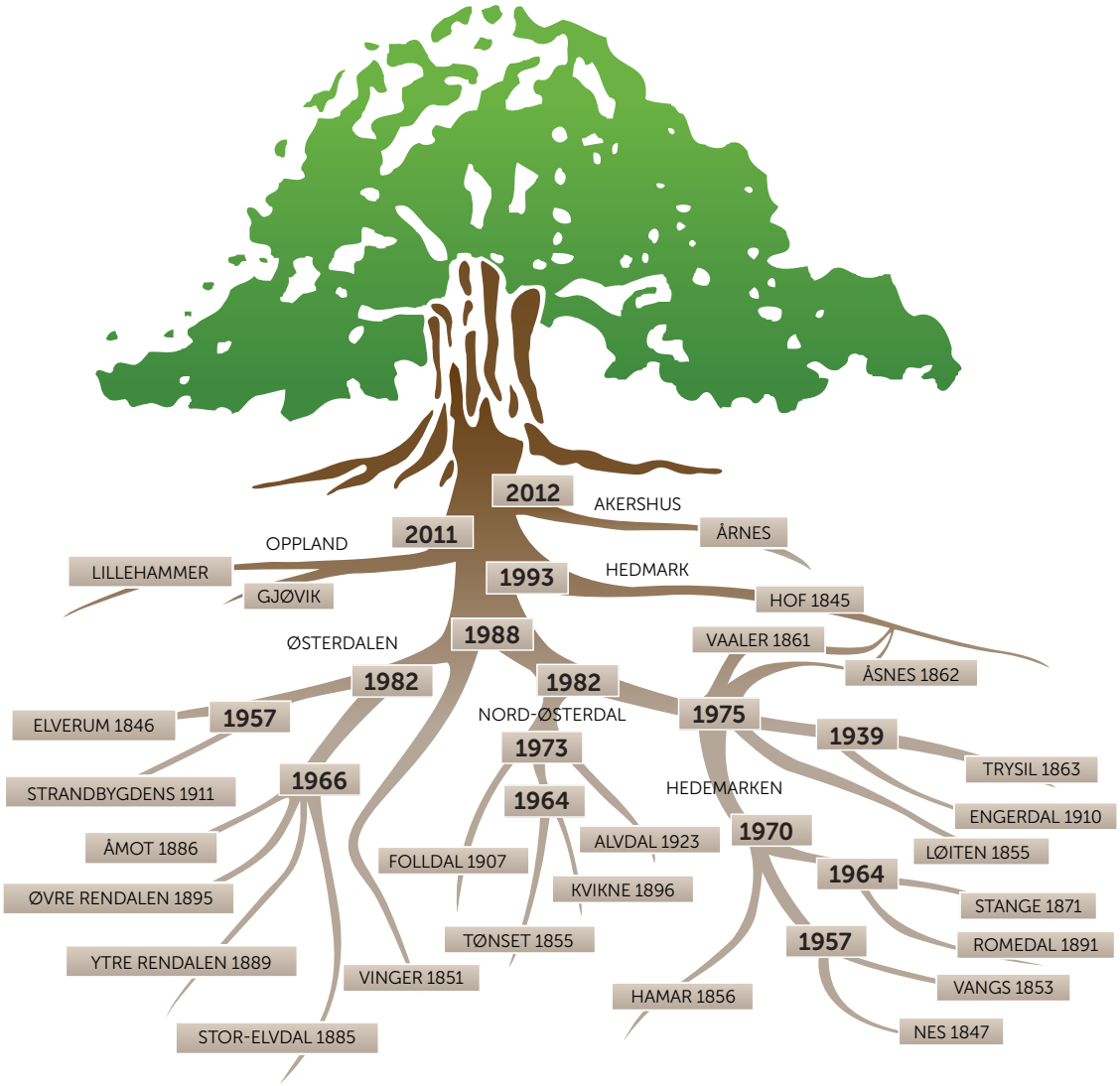
SpareBank 1 Regnskapshuset Østlandet AS provides accounting, payroll and consulting services. The company is a wholly owned company of Sparebanken Hedmark and had 14 branches at year-end 2014 in Eastern Norway and Rogaland. The company serves the SMB market within production, retail and farming in Norway and had 137 employees at year-end 2014.

For more information, see www.sb1r.no.

Highest level of education in the Interior Region.
When entrepreneur Trude Emaus moved to Lillehammer so she could go skiing, she also helped to ensure the city's status as the highest educated in the Interior Region. Last year the business and administration postgraduate started working as an entrepreneur consultant. In 2014, she established an bookkeeping firm with her son Markus.
SOURCE: Sparebanken Hedmark's Economic Barometer.



Rooted in Hedmark



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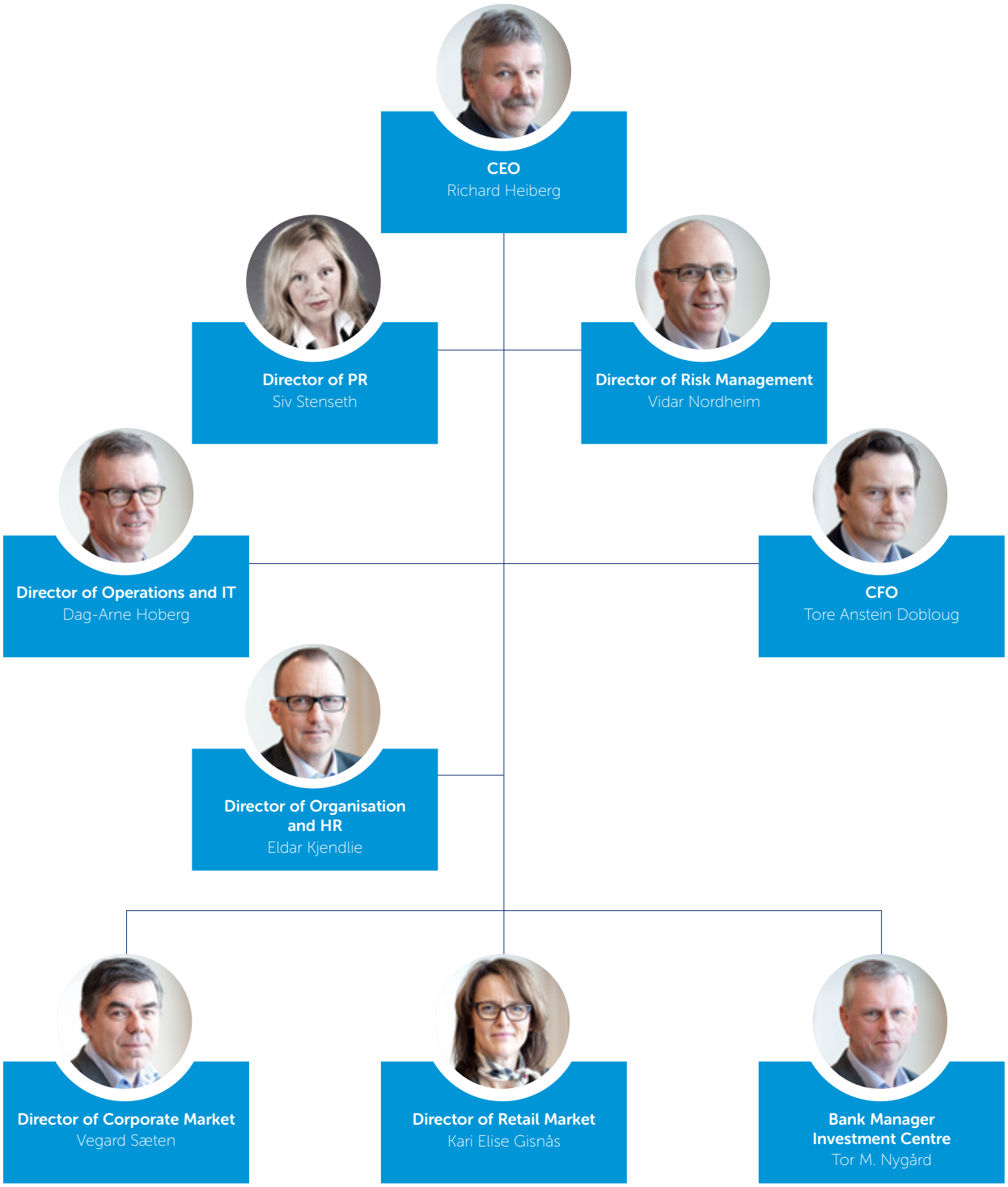
Corporate Management 2014



Creating together

Sparebanken Hedmark is a mainstay of the region. By lending to private individuals and businesses and managing customer deposits, the Bank helps people build, live and work in Hedmark. The Bank's vision, '***creating together***', makes the point that the Bank's results are achieved in partnership with our customers.

Sparebanken 1 HEDMARK

Quarterly report

Interim report

First Quarter 2017

SpareBank 1 ØSTLANDET

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Main figures Group

	Q1 2017		Q1 2016		31.12.2016	
Result summary (NOK mill and % of average assets)	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Net interest income	464	1,85 %	297	2,11 %	1 490	1,79 %
Net commissions and other (non-interest) income	308	1,23 %	160	1,14 %	939	1,13 %
Net income from financial investments	0	0,00 %	7	0,05 %	220	0,26 %
Total income	**773**	**3,09 %**	**464**	**3,30 %**	**2 649**	**3,19 %**
Total operating expenses before losses on loans and guarantees	**437**	**1,75 %**	**253**	**1,80 %**	**1 203**	**1,45 %**
Profit before losses on loans and guarantees	**335**	**1,34 %**	**211**	**1,50 %**	**1 446**	**1,74 %**
Losses on loans and guarantees	-26	-0,10 %	9	0,06 %	75	0,09 %
Profit/loss before tax	**361**	**1,44 %**	**202**	**1,44 %**	**1 371**	**1,65 %**
Tax charge	88	0,35 %	33	0,23 %	271	0,33 %
Results for the accounting period	**274**	**1,09 %**	**169**	**1,20 %**	**1 100**	**1,32 %**
Minority interests	**1**	**0,01 %**	**1**	**0,01 %**	**4**	**0,00 %**
Profitability						
Return on equity capital[1)]		9,3 %		7,7 %		10,5 %
Cost-income ratio[2)]		56,6 %		54,5 %		45,4 %
From the balance sheet						
Gross loans to customers	84 901		44 308		82 945	
Gross loans to customers including loans transferred to covered bond companies[3)]	121 701		62 156		119 450	
Lending growth during the last 12 months		91,6 %		9,4 %		89,5 %
Lending growth in last 12 months including loans transferred to covered bond companies		95,8 %		9,8 %		95,4 %
Deposits from customers	62 782		33 675		63 070	
Deposit-to-loan ratio[4)]		73,9 %		76,0 %		76,0 %
Deposit growth during the last 12 months		86,4 %		8,4 %		88,5 %
Total assets	101 861		57 185		101 242	
Total adjusted assets [5)]	138 661		75 033		137 747	
Losses and commitments in default						
Losses on loans as a percentage of gross loans		-0,1 %		0,1 %		0,1 %
Commitments in default as a percentage of total commitments		0,2 %		0,5 %		0,3 %
Other bad and doubtful commitments as a percentage of total commitments		0,3 %		0,4 %		0,3 %
Net commitment in default and commitments with loss provisions as a percentage of total commitments[6)]		0,3 %		0,7 %		0,4 %
Financial strength						
Common equity Tier 1 capital ratio		16,7 %		16,9 %		16,9 %
Tier 1 Capital ratio		17,6 %		17,3 %		17,9 %
Capital adequacy ratio		19,3 %		18,8 %		20,3 %
Net subordinated capital	12 649		7 229		12 656	
Equity ratio		12,1 %		15,7 %		12,0 %
Leverage Ratio		7,5 %		9,2 %		7,4 %
LCR [7)]		92,5 %		139,0 %		116,6 %

1) Annualizied results for the accounting period (after taxes) as a percentage of average equity. In the calculation of average equity, hybrid capital has been reclassified from hybrid capital to debt, and interests on hybrid capital has been reclassified as interest cost. Further, average equity has been calculated as the average of equity, as at 31. December 2016 and as at 31. March 2017

2) Total operating expenses as a percentage of total operating income

3) Covered bond companies used are SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS

4) Deposit from customers as a percentage of gross loans to customers (excl. loans transferred to covered bond companies)

5) Total assets and loans transferred to the covered bond companies.

6) Net defaulted and doubtful commitments equals the sum of commitments in default and doubtful commitments minus individual write-downs

7) Liquidity Coverage Ratio; measures the size of bank's liquid assets in relation to net liquidity outflows 30 days ahead given a stress situation

Interim report Q1 2017

Summary

The Sparebanken Hedmark Group posted a profit after tax for the first quarter of NOK 274 (169) million (last year's figure in brackets) and a return on equity of 9.3 (7.7) per cent. The common equity Tier 1 capital ratio was 16.7 (16.9) per cent, while the capital adequacy ratio was 19.3 (18.8) per cent.

74 per cent of the Sparebanken Hedmark Group's total lending, including loans transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, is loans for the retail market, primarily consisting of mortgages. The corporate market portfolio has no exposure to the oil and gas industry and is otherwise characterised by low risk. In the first quarter, the group booked net reversals on loan losses of NOK 26 (costs of 9) million. The proportion of problem loans, defined as non-performing and impaired loans, represents a very small proportion of the Group's lending and was 0.5 (0.9) per cent of gross commitments on its balance sheet.

Sparebanken Hedmark and Bank 1 Oslo Akershus merged operations with effect from 1 April 2017. At its meeting on 30 March, the supervisory board of Sparebanken Hedmark agreed that the merged bank would be called SpareBank 1 Østlandet. The new executive management team also assumed their positions on 1 April, with Richard Heiberg continuing as the chief executive. The re-profiling of the bank will take place during 2017. The technical merger of the banks will take place in autumn 2017.

The Group and accounting matters relating to the acquisition of Bank 1 Oslo Akershus AS

The Group consists of Sparebanken Hedmark and the wholly owned subsidiaries Bank 1 Oslo Akershus AS, EiendomsMegler 1 Hedmark Eiendom AS, SpareBank 1 Regnskapshuset Østlandet AS, Youngstorget 5 AS and Vato AS, as well as the 95 per cent owned subsidiary SpareBank 1 Finans Østlandet AS.

Sparebanken Hedmark owns, directly and indirectly, 12.4 per cent of SpareBank 1 Gruppen AS, 21.2 per cent of SpareBank 1 Mobilbetaling AS and 19.6 per cent of SpareBank 1 Kredittkort AS. The Bank also owns 20.3 per cent of SpareBank 1 Boligkreditt AS and 9.2 per cent of SpareBank 1 Næringskreditt AS (the covered bond companies). The results from the above companies are recognised in the Bank's consolidated financial statements proportionate to the Bank's stake. The Group prepares its financial statements in accordance with international accounting standards adopted by the EU (IAS 34).

Sparebanken Hedmark's acquisition of the remaining 59,5 per cent of the shares in Bank 1 Oslo Akershus AS was completed with accounting effect from 29 June 2016.

The results from Bank 1 Oslo Akershus AS were in the first half of 2016 consolidated into the Group using the equity method with an ownership interest of 40.5 per cent. From and including the second half of 2016, the results from Bank 1 Oslo Akershus AS were fully consolidated into the accounts of Sparebanken Hedmark. The consolidation of the accounts of Bank 1 Oslo Akershus AS means that Sparebanken Hedmark's consolidated financial statements for the first quarter of 2017 are not directly comparable with the figures for the year before. Please see note 8 for comparable figures for last year. It shows the adjusted consolidated profit for the first quarter of 2016 as it would have been with 100 per cent ownership of Bank 1 Oslo Akershus AS from 1 January 2016.

Sparebanken Hedmark – Group

Bank 1 Oslo Akershus AS was fully consolidated into the consolidated financial statements for the first quarter with 100 per cent ownership. The figures for the year before are, therefore, not directly comparable with the year's result.

The consolidated profit after tax was NOK 274 (169) million.

The return on equity was 9.3 (7.7) per cent.

Specification of the consolidated profit after tax in NOK millions:

	2017	2016
Parent Bank's profit after tax	190	158
Dividends received from subsidiaries/associated companies	-84	- 80
Share of the result from:		
SpareBank 1 Gruppen AS	42	34
Bank 1 Oslo Akershus AS	119	23
SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS	-25	13
EiendomsMegler 1 Hedmark Eiendom AS	2	1
SpareBank 1 Finans Østlandet AS	28	18
SpareBank 1 Regnskapshuset Østlandet AS	2	1
SpareBank 1 Kredittkort AS	2	3
SpareBank 1 Mobilbetaling AS	-14	-3
Others	12	1
Consolidated profit after tax	**274**	**169**

Interest income and other operating income

Net interest income amounted to NOK 464 (297) million. Total net interest income amounted to NOK 540 (336) million, inclusive of commissions from loans and credit transferred to the partly-owned covered bond companies (recognised as commissions) totalling NOK 76 (40) million.

The lending margin, inclusive of mortgages in the covered bond company, amounted to 2.17 (2.44) per cent. The deposit margin was 0.11 (0.19) per cent and the net interest margin was 2.29 (2.63) per cent.

Net commissions amounted to NOK 255 (110) million, while other operating income was NOK 53 (50) million.

For more detailed information about the various profit centres in the Group, please see note 3 "Segment information".

The net profit from financial assets and liabilities was NOK 0 (7) million. Of this, the result from ownership interests, primarily SpareBank 1 Gruppen AS and other alliance companies, amounted to NOK 6 (70) million. Dividends of NOK 9 (0) million were primarily dividends from Totens Sparebank of NOK 9 (0) million in the first quarter.

The net investment result from other financial assets and liabilities was NOK -14 (-63) million.

The Group's securities issued, fixed-income investments, derivatives and fixed-rate products for customers are generally assessed at fair value through profit and loss pursuant to IAS 39, and changes in market value are recognised in profit and loss.

The first quarter saw a contraction in the risk premium for Norwegian senior securities. For a five-year, senior issue in a Norwegian regional savings bank, the market's risk premium was reduced from an indicative 85 basis points at the start of the year to around 66 basis points at the end of the first quarter. All other things being equal, this results in the relevant discount rate on previously issued fixed-income securities with fixed coupons decreasing and thus their present value (price) rising. The rise in prices for own debt results in an unrealised loss, while the rise in prices for purchased fixed-income securities results in an unrealised gain.

The net effect for Sparebanken Hedmark of price changes for all fixed-income securities, inclusive of hedging transactions, was NOK -34 (-72) million in the first quarter, almost all of which are unrealised losses. The change in value for securities issued, inclusive of hedging, was NOK -66 (-71) million.

Please also see note 7 "Net result from financial assets and liabilities".

Costs and losses on loans

Total operating costs amounted to NOK 437 (253) million and accounted for 56.5 (54.5) per cent of net income. The increase in operating costs was primarily attributable to the consolidation of the accounts of Bank 1 Oslo Akershus AS and EiendomsMegler 1 Oslo Akershus AS, where NOK 142 million was consolidated into the Group's operating costs for the first quarter. Bank 1 Oslo Akershus AS closed its defined benefit pension scheme on 1 January 2017 and this resulted in a gain that reduced operating costs by NOK 53 million. A recalculation of the pension costs for 2016 resulted in a cost of NOK 12 million in Sparebanken Hedmark. Furthermore, a total of NOK 22 million accrued in merger costs in the first quarter, NOK 11 million of which was linked to severance pay.

74 per cent of the Sparebanken Hedmark Group's total lending, including loans transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, is loans for the retail market, primarily consisting of mortgages.

The corporate market portfolio has no exposure to the oil and gas industry and is otherwise characterised by low risk.

In the first quarter, the group booked net reversals on loan losses of NOK 26 (costs of 9) million. The net receipts on losses were primarily due to a NOK 27 (0) million reduction in group write-downs.

Credit risk

The total group write-downs to cover net loan loss provisions amounted to NOK 235 (121) million and represented 0.28 (0.27) per cent of gross lending.

The loan loss provision ratio, measured as total individual write-downs of NOK 153 (151) million in relation to total non-performing and other impaired loans of NOK 479 (479) million, was 32 (31) per cent at the end of the first quarter.

Credit quality, measured as total problem commitments in relation to total lending, improved significantly compared with the corresponding period last year. In total, the Group's problem commitments amounted to 0.5 (0.9) per cent of gross commitments on its balance sheet and 0.4 (0.7) per cent if one includes loans transferred to the covered bond companies. The improvement in credit quality is due to both the consolidation of Bank 1 Oslo Akershus AS's balance sheet and positive development in the loan portfolio.

Equity certificates

The equity share capital consists of 106,202,540 equity certificates with a nominal value of NOK 50 per certificate. The equity certificates are owned by Sparebanken Hedmark Sparebankstiftelse (75.08 per cent), the Norwegian Confederation of Trade Unions (LO) and affiliated trade unions (14.95 per cent), Samarbeidende Sparebanker AS (5.12 per cent), SpareBank 1 Nord-Norge (1.61 per cent), SpareBank 1 SMN (1.61 per cent), and SpareBank 1 SR-Bank ASA (1.61 per cent).

The book value per equity certificate (Group) at the end of the first quarter was NOK 75.50 and earnings per equity certificate was NOK 1.73.

Assets and funding

Total assets amounted to NOK 101.9 (57.2) billion at the end of the first quarter. Total business capital, defined as total assets plus loans transferred to the covered bond companies, amounted to NOK 138.7 (75.0) billion.

Gross lending to customers, inclusive of loans transferred to the covered bond companies, totalled NOK 121.7 (62.2) billion. At the end of the first quarter, loans totalling NOK 35.5 (17.3) billion had been transferred to SpareBank 1 Boligkreditt AS and loans totalling NOK 1.3 (0.6) billion had been transferred to SpareBank 1 Næringskreditt AS. Retail customer loans transferred to the retail loan covered bond company as a percentage of the overall retail customer loans (loans on its balance sheet and transferred loans) was 39.3 (40.8) per cent.

Lending growth for the last 12 months, inclusive of transferred loans, was 9.0 (9.2) per cent in the Parent Bank Sparebanken Hedmark. Bank 1 Oslo Akershus AS's lending growth was 9.7 (11.4) per cent.

Customer deposits totalled NOK 62.8 (33.7) billion. Deposit growth was 6.4 (8.4) per cent in the Parent Bank Sparebanken Hedmark and 9.5 (15.0) per cent in Bank 1 Oslo Akershus AS. The deposit coverage ratio in the Group was 73.9 (76.0) per cent.

Borrowing from financial institutions and senior securities issued totalled NOK 25.5 (13.5) billion. The average term to maturity of the Group's long-term funding was 3.6 (3.8) years. The average term to maturity for all borrowing was 3.2 (3.3) years. The average risk premium on the Group's borrowing portfolio, exclusive of subordinated loans and hybrid tier 1 capital, was 89 (79) basis points at the end of the quarter. The increase was primarily due to Bank 1 Oslo Akershus AS having higher borrowing costs than Sparebanken Hedmark. In addition to senior debt, the Group had NOK 1.2 (0.5) billion in outstanding subordinated loans and NOK 0.4 (0.0) billion in outstanding hybrid tier 1 capital.

At the end of the quarter, the Group had enough reserves to maintain normal operations for 17 (18) months. The liquidity coverage ratio (LCR) was 92.5 (139.0) per cent. The change in LCR in the last 12 months was due to the Bank having adjusted to an expected statutory requirement of 100 per cent for LCR at the start of 2016. At the end of the first quarter of 2017, LCR has been adjusted to the current statutory requirement of 80 per cent.

In the opinion of the Board, the Group's liquidity risk is low.

Financial strength and capital adequacy

The Group's equity amounted to NOK 12.4 (9.0) billion, which is equivalent to 12.1 (15.7) per cent of the balance sheet. The leverage ratio was 7.5 (9.2) per cent.

The Group's common equity Tier 1 captial ratio was 16.7 (16.9) per cent. The capital adequacy ratio was 19.3 (18.8) per cent.

The common equity Tier 1 capital ratio of 16.7 per cent represents a 0.2 percentage point decline from the fourth quarter of 2016. The decline was due to a combination of lending growth and a higher ownership share and consolidation of SpareBank 1 Kredittkort AS.

The Group's long-term capital target for core equity tier 1 capital is 16 per cent.

The profit for the year after expected tax and dividends is included in the capital adequacy calculation.

Rating

Sparebanken Hedmark is rated A1 by Moody's Investor Service. The latest credit statement from Moody's (12 April) maintains the stable outlook rating.

Sparebanken Hedmark – Parent Bank

Results

Profit after tax was NOK 190 (158) million. Banking operations, defined as net interest income plus commissions and other operating income less operating costs and losses, achieved a profit before tax of NOK 180 (167) million. This was an improvement of 8 per cent. Net interest income and commissions from transferred loans to the covered bond companies increased by NOK 14 million. Net other operating income increased by NOK 6 million, operating costs increased by NOK 36 million, and net losses were NOK 29 million lower.

Interest income and other operating income

Net interest income amounted to NOK 259 (244) million. Total net interest income amounted to NOK 297 (283) million, inclusive of commissions from loans and credit transferred to part-owned companies (recognised as commissions) totalling NOK 38 (40) million. The NOK 14 million improvement is attributable to the NOK 15 million increase in net interest income due to growth and higher deposit margins, while lower commission rates for loans transferred to the covered bond companies made a negative contribution.

The net interest margin for loans on the balance sheet (exclusive of currency loans) was 2.63 (2.57) per cent. The lending margin was 2.38 (2.38) per cent and the deposit margin was 0.25 (0.19) per cent.

The interest margin for the retail market was 2.31 (2.37) per cent, and for the corporate market it was 3.10 (2.90) per cent.

The net margin for the portfolio transferred to SpareBank 1 Boligkreditt AS was 0.85 (0.91) per cent.

The net profit from financial assets and liabilities was NOK 46 (17) million. Please see note 7 "Net result from financial assets and liabilities".

Operating costs

Total operating costs amounted to NOK 211 (175) million and accounted for 51.2 (48.2) per cent of net income. The increase in operating costs is primarily due to NOK 10 million in accrued merger costs, NOK 2 million of which was linked to severance pay, as well as a recalculation of pension costs for 2016 of NOK 12 million. At the end of the quarter, the Parent Bank had 460 (470) full-time equivalents.

Net loan loss provisions

Net loan loss provisions amounted to NOK -26 (4) million. NOK 1 (3) million of the losses occurred in the retail market and NOK -27 (5) million in the corporate market, while NOK 0 (4) million was recognised as income in connection with the sale of a portfolio of loans with recorded losses. The change in group write-downs accounted for NOK -27 (0) million of total losses.

Loans and deposits

Gross lending to customers at the end of the first quarter totalled NOK 61.5 (56.4) billion, inclusive of loans worth NOK 18.5 (17.8) billion transferred to the covered bond companies. The Parent Bank's lending growth for the last 12 months, inclusive of loans transferred to the covered bond companies, was 9.0 (9.2) per cent.

Lending growth, inclusive of transferred loans, was 8.7 (8.4) per cent in the retail market and 9.6 (10.8) per cent in the corporate market. The risk profile of the Bank's credit portfolio is low and did not change in the last year.

Deposits from and liabilities to customers totalled NOK 35.9 (33.7) billion at the end of the quarter. The growth in deposits over the past 12 months was 6.4 (8.4) per cent. NOK 22.8 (21.9) billion of deposits came from the retail market, while NOK 13.1 (11.8) billion came from the corporate market.

Financial strength

The common equity Tier 1 capital ratio was 31.6 (23.5) per cent at the end of the quarter.

The Parent Bank's equity was NOK 10.6 (7.9) billion. The total equity in the Parent Bank amounted to 17.0 (14.0) per cent of the balance sheet at the end of the quarter.

Subsidiary - Bank 1 Oslo Akershus AS, Group

The Bank 1 Oslo Akershus AS Group posted a profit after tax of NOK 111 (57) million. The increase was due to income recognition in connection with the closure of the defined benefit pension scheme, capital gains on securities, and increased net interest income. Reduced income from ownership interests pulled in the opposite direction.

The Group's return on equity was 13.0 per cent in the first quarter of 2017, compared with 7.3 per cent in the first quarter of 2016.

Interest income and other operating income

The first quarter's net interest income amounted to NOK 137 (120) million. The increase is due to lending growth and increased deposit margins. Seen in isolation, lower lending margins reduced net interest income.

Net interest income must be viewed in the context of commissions from SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. These commissions amounted to NOK 38 (37) million in the first quarter.

Net commissions and other operating income in the first quarter amounted to NOK 137 (126) million. The increase is primarily attributable to higher commissions from estate agency due to more units sold.
The net profit from financial investments at the end of the first quarter was NOK 12 (10) million.

The change in value for financial assets was NOK 24 (-5) million. The gains on securities were primarily due to gains in the Bank's liquidity portfolio due to spread contractions.

Income from ownership interests decreased by NOK 26 million. The reduction was primarily attributable to a reduction in the profit share from SpareBank 1 Boligkreditt AS due to the profit being heavily affected by a negative change in value for basis swaps linked to its own borrowing. The reasons for this are twofold: the market price for new basis swaps has decreased and previously booked gains have been reversed in line with the maturity of the swaps.

Operating costs and losses on loans

Operating costs in the first quarter were NOK 142 (183) million. The reduction was due to lower personnel costs. These decreased because the Bank's defined benefit pension scheme was closed on 1 January 2017, which resulted in a gain of NOK 53 million. NOK 9 million has been recognised as severance pay costs in connection with the merger process.

The number of full-time equivalents at the end of the first quarter was 402 (412), which represents a reduction of 11 since the beginning of the year.

Net loan loss provisions show net receipts on losses of NOK 7 (0) million. Gross non-performing and impaired loans at the end of the first quarter amounted to NOK 56 (92) million. Measured against gross lending, this was 0.2 (0.3) per cent. Individual write-downs at the end of the first quarter amounted to NOK 13 (10) million. Group write-downs amounted to NOK 120 (107) million at the end of the first quarter. The increase in group write-downs reflects the weaker economic situation at the beginning of the year and was in line with indications in the Financial Supervisory Authority of Norway's letter to Norwegian banks concerning assessing their level of loss write-downs.

Loans and deposits

Lending to customers has grown by NOK 4.7 billion, or 9.7 per cent, to NOK 53.7 billion in the last 12 months. This is inclusive of loans transferred to the covered bond companies, which amounted to NOK 18.3 billion.

In the first quarter, lending to customers grew by NOK 0.7 billion to NOK 53.7 billion. NOK 0.4 billion of the growth came in the retail market, while the corporate market showed an increase of NOK 0.3 billion.

The ratio of loans between the retail market and the corporate market at the end of the first quarter was 82/18 (81/19) per cent, inclusive of loans transferred to the covered bond companies. Exclusive of these transferred loans, the ratio was 74/26 (71/29) per cent. The credit risk profile remained stable in the first quarter of 2017, with minimal effects on the credit risk parameters. The distribution of loans between the categories low and high probability of default is on a par with the levels at the end of beginning of the year.

At the end of the first quarter, customer deposits totalled NOK 26.9 (24.6) billion. This represents an increase of NOK 2.3 billion or 9.5 per cent.

Customer deposits increased by NOK 75 million in the first quarter. The growth was distributed as follows: NOK 329 million, equivalent to 2.3 per cent, in the retail market and a reduction of NOK 254 billion, equivalent to -2.0 per cent, in the corporate market. The on balance sheet deposit coverage ratio (deposits/loans) at the end of the first quarter was 76.0 (75.7) per cent. The deposit coverage ratio, inclusive of loans transferred to the covered bond companies, was 50.1 (50.2) per cent at the end of the first quarter.

Demerger

Bank 1 Oslo Akershus spun off the building "Youngstorget 5" into a separate company in the first quarter. At the end of the first quarter this was a subsidiary of Sparebanken Hedmark. The demerger was regarded as a simplified demerger under the Limited Liability Companies Act's rules and was carried out with tax continuity.

Funding and financial strength

The bank's liquidity situation is good. New borrowing takes place through funding from the Parent Bank, Sparebanken Hedmark.

SpareBank 1 Boligkreditt AS is included in the Bank's CRD IV group from and including 1 January 2017 due to the provisions concerning "collaborative groups" in the Financial Institutions Act. The Bank has previously recognised this exposure as a deduction in capital. The change in how this ownership interest is treated has a significantly negative effect on the Bank's capital adequacy. Thus, while the Bank fulfils all of its capital requirements, including the buffer requirement, it is reporting a core equity tier 1 ratio below the Bank's internal target of at least 13.5 per cent. The reduction in the core equity tier 1 ratio is in line with the capital planning in Bank 1 Oslo Akershus AS and must be viewed in the light of the fact that the capital adequacy has been steered at a group level since Sparebanken Hedmark's acquisition of the bank.

The Group's capital adequacy ratio and Tier 1 capital ratio at the end of the first quarter were 17.4 (17.0) per cent and 14.6 (14.8) per cent, respectively. The common equity Tier 1 capital ratio was 12.6 (13.7) per cent. The group's primary capital was NOK 4.4 (3.1) billion. The increase is largely due to the fact that SpareBank 1 Boligkreditt AS is proportionally consolidated into the Group's capital adequacy from and including 1 January 2017. The bank group has previously deducted this ownership position.

A simplified audit has been conducted of the income statement and balance sheet in relation to the Regulations, which resulted in the half-year results after expected taxes and dividends being included in the capital adequacy.

Subsidiaries - other

The financing company SpareBank 1 Finans Østlandet AS (95 per cent ownership interest) posted a profit after tax of NOK 28 (18) million. The financing company's gross loans at the end of the quarter totalled NOK 6.5 (5.8) billion. Gross lending growth over the past 12 months was 12.9 (15.5) per cent.

SpareBank 1 Regnskapshuset Østlandet AS posted earnings of NOK 46 (45) million and achieved a profit after tax of NOK 2 (1) million.

The estate agency EiendomsMegler 1 Hedmark Eiendom AS posted earnings of NOK 23 (20) million and achieved a profit after tax of NOK 2 (1) million.

Partly-owned companies

SpareBank 1 Gruppen AS (12.4 per cent ownership interest) achieved a consolidated profit after tax of NOK 362 (284) million. The return on equity was 18.5 (12.8) per cent.

SpareBank 1 Boligkreditt AS (20.3 per cent stake) is the alliance banks' joint retail loan covered bond company. The company posted a loss after tax of NOK -127 (105) million. The result for the first quarter was heavily affected by a negative change in value for basis swaps linked to its own borrowing. The reasons for this are twofold: the market price for new basis swaps has decreased and booked gains are reversed in line with the maturity of the swaps.

SpareBank 1 Næringskreditt AS (9.2 per cent stake) is the alliance banks' joint corporate loan covered bond company. The company posted a profit after tax of NOK 21 (23) million.

SpareBank 1 Kredittkort AS (19.6 per cent stake) is the alliance banks' joint credit card company. The company posted a profit after tax of NOK 9 (34) million.

SpareBank 1 Mobilbetaling AS (21.2 per cent stake) is the alliance banks' joint mobile phone payment company. The company posted a loss after tax of NOK -27 (-30) million.

For more information about the accounts of the various companies, please see the interim reports available from the companies' own websites.

Outlook

The upturn in the international economy in the second half of 2016 appears to have continued into 2017. During the first quarter of the year, the international financial markets were also characterised by optimism with relatively low volatility and rising share prices. However, oil prices fell towards the end of the period.

Economic activity in Norway remains lower than normal. A better international economic outlook combined with smaller negative contributions from oil investments have, however, engendered expectations of higher growth in the Norwegian economy as well. Norges Bank expects unemployment to fall slowly going forward, but low inflation is part of the reason why the central bank is still preparing for an expansive monetary policy.

Sparebanken Hedmark's home market comprises the counties of Hedmark, Oppland, Oslo and Akershus. The Interior Region, the counties of Hedmark and Oppland, has traditionally been less cyclically sensitive than other regions, in part due to industry in the region not being particularly exposed to the oil and gas industry. In recent years, growth in this region has outpaced growth in the rest of Norway. The activity in the capital region, with the counties of Oslo and Akershus, largely reflects the rest of the country, partly because the region accounts for a large proportion of the Norway's wealth creation. According to Norges Bank's regional network, economic growth in the Interior Region fell slightly at the beginning of 2017. However, Interior Region companies expected higher growth in activity in the next 6 months. The growth in activity in the capital region increased in the first months of the year and the companies in the regional network expect even higher growth going forward.

The rise in house prices slowed somewhat at the beginning of the year, due in part to the government's new Mortgage Regulation of 1 January 2017. The Group is heavily involved in the mortgage market in the capital region. The rise in house prices in this region in the last year has appeared excessive. However, the Board believes that the Bank's lending practices reduce its vulnerability to any correction in the housing market. The Bank's prudent lending practices for housing purposes are reflected in a low proportion of problem loans and the fact that the Bank is operating well within the limits of the new Mortgage Regulation.

The Board believes the Group is well-positioned for further profitable growth, with a strong position in the Bank's traditional home market and good opportunities in the Bank's new growth areas. The future development of business will be based on continued cautious lending practices and coordinating the two merged banks into a larger, stronger unit. Based on its high capital adequacy, good liquidity situation and conservative loan portfolio, the Board believes that the Group is well-prepared should the macroeconomic trends deteriorate.

Sparebanken Hedmark and Bank 1 Oslo Akershus AS merged operations with effect from 1 April 2017. At its meeting on 30 March, the supervisory board of Sparebanken Hedmark agreed that the merged bank would be called SpareBank 1 Østlandet. The re-profiling of the bank will take place during 2017. The technical merger of the banks will take place in autumn 2017.

The Bank is planning to list on the stock exchange in the first half of June 2017, if market conditions are satisfactory. Listing will enable the Bank to take advantage of profitable growth opportunities in its market area and play an active role in future structural developments in the industry. At the same time, it will give the Bank an opportunity to offer ownership to customers, staff and investors.

The Board of Directors of SpareBank 1 Østlandet

Hamar, 4. May 2017

INCOME STATEMENT

Parent bank					Group		
31.12.16	31.03.16	31.03.17	(NOK million)	Notes	31.03.17	31.03.16	31.12.16
1 692	419	433	Interest income		787	472	2 494
689	176	175	Interest expenses		322	176	1 004
1 003	**244**	**259**	**Net interest income**		**464**	**297**	**1 490**
427	104	107	Commission income		277	123	830
28	7	7	Commission expenses		22	13	71
21	5	8	Other operating income		53	50	180
420	**102**	**107**	**Net commission and other income**		**308**	**160**	**939**
45		9	Dividends from other than group companies	7	9		46
369	80	75	Net profit from ownership interests	7	6	70	236
-122	-63	-38	Net profit from other financial assets and liabilities	7	-14	-63	-62
293	**17**	**46**	**Net income from financial assets and liabilities**		**0**	**7**	**220**
1 714	**363**	**412**	**Total net income**		**773**	**464**	**2 649**
162	91	116	Personnel expenses		232	148	573
38	9	10	Depreciation		21	11	65
320	75	85	Other operating expenses		184	94	565
519	**175**	**211**	**Total operating expenses before losses on loans and guarantees**		**437**	**253**	**1 203**
1 195	**188**	**200**	**Profit before losses on loans and guarantees**		**335**	**211**	**1 446**
47	4	-26	Losses on loans and guarantees	6	-26	9	75
1 148	**184**	**226**	**Profit/loss before tax**		**361**	**202**	**1 371**
186	26	36	Tax charge		88	33	271
964	**158**	**190**	**Results for the accounting period**		**274**	**169**	**1 100**
			Majority interests		273	168	1 095
			Minority interests		1	1	4
			Earnings per equity certificate (NOK)		1,73		6,95
			Statement of comprehensive income according to IAS 1				
964	**158**	**190**	**Results for the accounting year**		**274**	**169**	**1 100**
-71			Actuarial gains / losses on pensions				-52
18			Tax effect of actuarial gains / losses on pensions				12
			Share of other comprehensive income from associates and joint ventures				-7
-54	**0**	**0**	**Total items not reclassified through profit or loss**		**0**	**0**	**-46**
5	9	12	Change in value of financial assets available for sale		14	9	4
			Financial assets available for sale transferred to profit and loss on write-down due to permanent impairment of value				
			Financial assets available for sale transferred to profit and loss on realisation				
			Share of other comprehensive income from associates and joint ventures		-1		7
5	**9**	**12**	**Total items reclassified through profit or loss**		**-13**	**9**	**11**
-47	**9**	**12**	**Total profit and loss items recognised in equity**		**-13**	**9**	**-35**
915	**167**	**202**	**Total profit/loss for the accounting year**		**287**	**178**	**1 065**
			Majority share of comprehensive income		286	177	1 060
			Minority interest of comprehensive income		1	1	4

BALANCE SHEET

Parent Bank					Group		
31.12.16	Q1 2017	Q1 2017	(NOK million)	Notes	Q1 2017	Q1 2016	31.12.16
			ASSETS				
354	544	114	Cash and deposits with central banks		430	544	761
7 191	5 908	7 255	Loans to and receivables from credit institutions		1 462	888	1 335
41 762	38 351	42 785	Loans to and receivables from customers	5,6	84 523	44 050	82 537
5 630	6 262	4 891	Certificates, bonds and fixed-income funds	10	8 425	6 261	9 776
349	507	336	Financial derivatives	9,10,11	786	507	810
321	303	346	Shares, units and other equity interests	10	419	303	747
1 681	2 457	1 681	Investments in associates and joint ventures		3 617	3 538	3 618
3 842	822	3 937	Investments in subsidiaries				
			Assets held for sale		5		5
304	315	304	Property, plant and equipment		586	345	587
102	102	83	Goodwill and other intangible assets		368	210	371
	30	18	Deferred tax asset				
338	335	789	Other assets	12	1 240	538	695
61 873	**55 935**	**62 540**	**Total assets**		**101 861**	**57 185**	**101 242**
			LIABILITIES				
1 666	1 251	1 281	Deposits from and liabilities to credit institutions		1 558	1 250	1 654
36 259	33 708	35 882	Deposits from and liabilities to customers	13	62 782	33 675	63 070
12 404	11 743	13 724	Liabilities arising from issuance of securities	10,14	22 754	11 742	21 937
233	312	187	Financial derivatives	9,10,11	307	312	349
148	126	62	Current tax liabilities		117	135	247
10			Deferred tax liabilities		106	48	118
222	453	278	Other debt and liabilities recognised in the balance sheet	15	662	538	556
502	491	505	Subordinated loan capital	10,14	1 206	491	1 203
51 443	**48 083**	**51 918**	**Total liabilities**		**89 491**	**48 190**	**89 135**
			EQUITY CAPITAL				
5 310	3 987	5 310	Equity certificates	17	5 310	3 987	5 310
520		520	Premium fund	17	520		520
974	503	974	Cohesion funds	17	974	503	974
3 313	3 015	3 307	Primary capital	17	3 307	3 015	3 313
33	46	29	Endowment fund	17	29	46	33
134	151	136	Fund for unrealised gains	17	136	151	134
148		148	Dividends	17	148		148
			Hybrid capital		400		400
	151	200	Other equity		1 498	1 253	1 229
			Minority interests		49	40	47
10 430	**7 853**	**10 622**	**Total equity capital**		**12 370**	**8 995**	**12 107**
61 873	**55 935**	**62 540**	**Total liabilities and equity capital**		**101 861**	**57 185**	**101 242**

The Board of Directors of SpareBank 1 Østlandet

Hamar, 4. May 2017

Changes in equity capital

Parent Bank	Paid-up equity			Earned equity capital					
(NOK million)	Equity certificates	Premium fund	Primary capital	Cohesion fund	Endow-ment fund	Fund for unrealised gains	Other equity	Dividends	Total equity capital
Equity capital at 1 January 2016	**3 987**		**3 019**	**503**	**50**	**135**			**7 695**
Results for the accounting year						7	151		158
Actuarial gains after tax on pensions									0
Change revaluation reserve						9			9
Donations distributed from profit 2015			-6						-6
Grants from endowment fund in 2016					-4				-4
Equity capital at 31 March 2016	**3 987**	**0**	**3 015**	**503**	**46**	**151**	**151**	**0**	**7 853**
Equity capital at 1 January 2016	**3 987**		**3 019**	**503**	**50**	**135**			**7 695**
Equity certificates issued and transferred to owners	1 323	520							1 843
Results for the accounting year			316	506		-1		148	969
Actuarial gains after tax on pensions			-17	-35					-53
Change revaluation reserve						0			0
Donations distributed from profit 2015			-6						-6
Grants from endowment fund in 2016					-18				-18
Equity capital at 31 December 2016	**5 310**	**520**	**3 313**	**974**	**33**	**134**	**0**	**148**	**10 430**
Equity capital at 1 January 2017	**5 310**	**520**	**3 313**	**974**	**33**	**134**	**0**	**148**	**10 430**
Equity certificates issued and transferred to owners									0
Results for the accounting year						-10	200		190
Change revaluation reserve						12			12
Donations distributed from profit 2016			-6						-6
Grants from endowment fund in 2017					-4				-4
Equity capital at 31 March 2017	**5 310**	**520**	**3 307**	**974**	**29**	**136**	**200**	**148**	**10 622**

Group	Paid-up equity			Earned equity capital							
(NOK million)	Equity certifi-cates	Pre-mium fund	Primary capital	Cohe-sion funds	En-dow-ment fund	Fund for unreali-sed gains	Other equity	Divi-dens	Hybrid capital	Minority interests	Total equity capital
Equity capital at 1 January 2016	**3 987**		**3 019**	**503**	**50**	**135**	**1 023**				**8 718**
Results for the accounting year						7	162			1	170
Share of other comprehen-sive income from associated companies and joint ventures not reclassified through profit or loss											
Change revaluation reserve						9					9
Share of other comprehen-sive income from associated companies and joint ventures reclassified through profit or loss											
Adjusted equity in associated companies and joint ventures							70				70
Change in shareholding in Group companies										39	39
Donations distributed from profit 2015			-6								-6
Grants from endowment fund in 2016					-4						-4
Equity capital at 31 March 2016	**3 987**	**0**	**3 015**	**503**	**46**	**151**	**1 253**	**0**	**0**	**40**	**8 995**

Group	Paid-up equity			Earned equity capital							
(NOK million)	Equity certificates	Premium fund	Primary capital	Cohesion funds	Endowment fund	Fund for unrealised gains	Other equity	Dividens	Hybrid capital	Minority interests	Total equity capital
Equity capital at 1 January 2016	**3 987**		**3 019**	**503**	**50**	**135**	**1 023**			**0**	**8 718**
OB Correction: correction of previous years' errors in joint ventures							**73**				**73**
Adjusted equity capital as at 1 January 2016	**3 987**	**0**	**3 019**	**503**	**50**	**135**	**1 096**			**0**	**8 791**
Equity certificates issued and transferred owners	1 323	520									1 843
Results for the accounting year			316	506		-7	130	148		4	1 100
Actuarial gains after tax on pensions			-17	-35			13				-39
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss							-7				-7
Change revaluation reserve						5					5
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss							11				11
Interest cost for hybrid capital in subsidiary							-13				-13
Reclassification of hybrid capital in subsidiary									400		400
Change in shareholding in Group companies										43	43
Donations distributed from profit 2015			-6								-6
Grants from endowment fund in 2016					-18						-18
Equity capital at 31 December 2016	**5 310**	**520**	**3 313**	**974**	**33**	**134**	**1 228**	**148**	**400**	**47**	**12 107**
Equity capital at 1 January 2017	**5 310**	**520**	**3 313**	**974**	**33**	**134**	**1 228**	**148**	**400**	**47**	**12 107**
OB Correction: correction of previous years' errors in joint ventures							**-11**				**-11**
Adjusted equity capital as at 1 March 2017	**5 310**	**520**	**3 313**	**974**	**33**	**134**	**1 217**	**148**	**400**	**47**	**12 096**
Results for the accounting year						-10	283			1	274
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss											
Change revaluation reserve						12	2				14
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss											
Interest cost for hybrid capital in subsidiary							-4				-4
Reclassification of hybrid capital in subsidiary											
Change in shareholding in Group companies										1	1
Donations distributed from profit 2015			-6								-6
Grants from endowment fund in 2016					-4						-4
Equity capital at 31 March 2017	**5 310**	**520**	**3 307**	**974**	**29**	**135**	**1 498**	**148**	**400**	**49**	**12 370**

Cash Flow Statement

Parent Bank				Group		
31.12.16	Q1 2016	Q1 2017	(NOK million)	Q1 2017	Q1 2016	31.12.16
11 442	1 816	3 094	This year's down-payment on repayment loans etc. to customers	8 276	2 461	24 740
			Change in advance rent leasing	4	41	15
-16 232	-3 053	-4 590	Newly discounted repayment loans etc. to customers for the year	-10 944	-3 847	-31 296
157	74	13	Change in balances of foreign currency lending	12	74	167
760	740	481	Change in balances of credits	704	739	650
1 314	322	352	Interest and commission income on lending	703	408	2 251
24	23	1	Included in previous years' realised losses on lending	9	24	33
			Net cash flow from assets held for sale			
-2 535	**-79**	**-649**	**Cash flow from lending operations (A)**	**-1 235**	**-100**	**-3 441**
1 201	-662	-442	Change in balances of deposits from customers at call	-316	-648	2 295
1 548	791	2	Change in balances of deposits from customers with agreed maturity dates	-80	791	1 503
-374	-37	-37	Interest payments to customers	-106	-37	-518
2 375	**93**	**-478**	**Cash flow from deposit operations (B)**	**-503**	**106**	**3 279**
517	-132	741	Net cash flow from certificates and bonds	1 351	-132	-540
-85	-31	-21	Cash flow linked to exchange rate gains / losses on certificates and bonds	-19	-31	-112
89	16	15	Interest received on certificates and bonds	29	16	120
522	**-148**	**735**	**Cash flow from investments in securities (C)**	**1 361**	**-148**	**-532**
-1 502	-241	-83	Change in receivables from credit institutions with agreed maturity dates	-289	-48	-44
150	39	35	Interest received on deposits in credit institutions	36	39	153
-1 352	**-201**	**-49**	**Cash flow from deposits in credit institutions (D)**	**-254**	**-9**	**110**
562	135	138	Other income	355	202	1 108
-766	-166	-201	Operating expenses payable	-393	-250	-1 500
-177	-79	-133	Tax payments	-186	-78	-181
-23	-9	-10	Donations	-10	-9	-23
			Contributions from the group			
-30	-16	-437	Net cash flow from change in other assets	-482	-38	61
-67	-23	-25	Net cash flow from change in accruals	-60	-106	-164
10	17	57	Net cash flow from change in other liabilities	165	30	520
-491	**-141**	**-611**	**Remaining cash flow from current operations (E)**	**-612**	**-249**	**-178**
-1 482	**-477**	**-1 051**	**CASH FLOW FROM OPERATIONS (A+B+C+D+E=F)**	**-1 243**	**-400**	**-762**
999	599	-371	Change in deposits from credit institutions	-75	616	467
2 901	543	2 204	Receipts arising from issuance of securities	2 204	531	2 901
-1 631	-439	-182	Payments arising from redemption of securities issued	-817	-439	-1 846
-492	-47	-755	Buy-back of own securities	-765	-47	-542
-261	-41	-67	Interest payments on financing	-117	-41	-336
1 517	**615**	**829**	**Cash flow from financing activities (G)**	**431**	**621**	**644**
-27	-9	-14	Investments in fixed assets and intangible assets	-22	-11	-43
		6	Sales of fixed assets and intangible assets at sales price	6		
-49	38	-22	Net cash flow from purchase and sale of equity interests	328	-2	-49
435	80	91	Share dividends from equity interests	11	38	371
358	**108**	**62**	**Cash flow from investments (H)**	**323**	**26**	**279**
-225			Liquidity effect of acquisition and sale of ownership interests (I)			-238
-95		-95	Liquidity effect from placements in subsidiaries (J)	1		5
73	**246**	**-255**	**CHANGE IN CASH AND CASH EQUIVALENTS (F+G+H+I+J)**	**-488**	**246**	**-71**
309	309	382	Cash and cash equivalents at 1 January (B1OA 100 % incl. for year 2016 and Q1 2017)	1 082	309	1 152
382	**555**	**127**	**Cash and cash equivalents at the end of the period**	**594**	**555**	**1 082**
			Cash and cash equivalents comprise:			
354	544	114	Cash and deposits with central banks	430	544	759
28	11	14	Deposits etc. at call with banks	165	11	323
382	**555**	**127**	**Cash and cash equivalents at the end of the period (BOA1 100 % incl. for year 2016 and Q1 2017)**	**594**	**555**	**1 082**

Results from the Quarterly Accounts

Group

(Isolated figures in NOK million)	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Interest income	787	786	765	472	472	481	497	492	501
Interest expenses	322	333	323	172	176	192	218	221	236
Net interest income	**464**	**452**	**442**	**300**	**297**	**289**	**280**	**271**	**265**
Commission income	277	275	295	137	123	129	132	130	123
Commission expenses	22	23	23	13	13	14	14	12	13
Other operating income	53	43	37	51	50	44	37	48	61
Net commission and other income	**308**	**295**	**310**	**175**	**160**	**159**	**155**	**166**	**171**
Dividends	9	0	1	45				1	7
Net profit from ownership interests	6	49	21	96	70	70	66	76	88
Net profit from other financial assets and liabilities	-14	17	30	-47	-63	33	142	5	26
Net income from financial assets and liabilities	**0**	**66**	**53**	**94**	**7**	**103**	**208**	**82**	**121**
Total net income	**773**	**813**	**804**	**569**	**464**	**551**	**643**	**519**	**557**
Personnel expenses	232	253	27	145	148	155	145	143	147
Depreciation	21	22	19	12	11	13	11	11	11
Other operating expenses	184	201	168	102	94	126	92	97	100
Total operating expenses before losses on loans and guarantees	**437**	**477**	**214**	**259**	**253**	**294**	**248**	**251**	**258**
Profit before losses on loans and guarantees	**335**	**337**	**590**	**310**	**211**	**260**	**395**	**268**	**299**
Losses on loans and guarantees	-26	43	3	20	9	18	-2	35	5
Profit/loss before tax	**361**	**294**	**587**	**289**	**202**	**242**	**397**	**233**	**294**
Tax charge	88	14	163	62	33	48	89	43	54
Results for the accounting period	**274**	**281**	**424**	**227**	**169**	**194**	**307**	**190**	**240**
Profitability									
Return on equity capital [1]	9,3 %	9,6 %	15,0 %	9,0 %	7,7 %	8,9 %	14,7 %	9,5 %	12,5 %
Net interest income [2]	1,85 %	1,79 %	1,75 %	1,53 %	2,09 %	2,08 %	2,05 %	2,08 %	2,13 %
Cost-income ratio [3]	56,6 %	58,6 %	26,6 %	45,6 %	54,5 %	52,9 %	38,6 %	48,4 %	46,3 %
From the balance sheet									
Gross loans to customers	84 901	82 945	81 336	79 286	44 308	43 779	42 793	42 091	40 484
Gross loans to customers including loans transferred to covered bond companies [4]	121 701	119 450	117 625	115 224	62 156	61 140	59 437	57 995	56 619
Lending growth during the last 12 months	91,6 %	89,5 %	90,1 %	88,4 %	9,4 %	9,6 %	9,1 %	10,0 %	9,8 %
Lending growth in last 12 months including loans transferred to covered bond companies	95,8 %	95,4 %	99,9 %	98,7 %	9,8 %	9,3 %	8,4 %	7,6 %	7,7 %
Deposits from customers	62 782	63 070	62 107	62 637	33 675	33 458	33 052	33 205	31 054
Deposit-to-loan ratio [5]	73,9 %	76,0 %	76,4 %	79,0 %	76,0 %	76,4 %	77,2 %	78,9 %	76,7 %
Deposit growth during the last 12 months	86,4 %	88,5 %	87,9 %	88,6 %	8,4 %	7,7 %	4,7 %	3,6 %	3,7 %
Total assets	101 861	101 640	99 720	100 883	57 185	55 970	54 501	53 558	51 101
Losses and commitments in default									
Losses on loans as a percentage of gross loans	-0,1 %	0,1 %	0,1 %	0,1 %	0,1 %	0,2 %	0,0 %	0,3 %	0,1 %
Commitments in default as a percentage of total commitments	0,2 %	0,3 %	0,4 %	0,3 %	0,5 %	0,6 %	0,7 %	0,8 %	0,7 %
Other bad and doubtful commitments as a percentage of total commitments	0,3 %	0,3 %	0,2 %	0,3 %	0,4 %	0,5 %	0,4 %	0,5 %	0,5 %
Net defaulted and doubtful commitments as a percentage of total commitments [6]	0,3 %	0,4 %	0,5 %	0,4 %	0,7 %	0,8 %	0,8 %	0,9 %	0,8 %
Financial strength									
Common equity Tier 1 capital ratio	16,7 %	16,9 %	17,5 %	16,0 %	16,9 %	17,2 %	17,1 %	17,0 %	15,3 %
Tier 1 Capital ratio	17,6 %	17,9 %	18,3 %	16,7 %	17,3 %	17,5 %	17,5 %	17,4 %	15,8 %
Capital adequacy ratio	19,3 %	20,3 %	20,2 %	18,6 %	18,8 %	19,1 %	18,8 %	19,0 %	17,6 %
Net subordinated capital	12 649	12 656	9 608	9 305	7 229	7 178	7 030	6 924	6 318

1) Net profit for the period as a percentage of average equity
2) Net interest income for the period as a percentage of average total assets
3) Total operating expenses for the period as a percentage of total operating income
4) Covered bond companies used are SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS
5) Deposits from customers as a percentage of gross loans to customers (excl. loans transferred to covered bond companies)
6) Liquidity Coverage Ratio; measures the size of bank's liquid assets in relation to net liquidity outflows 30 days ahead given a stress situation

Notes to the accounts

Note 1 Accounting principles

Basis for preparation
The quarterly accounts for Sparebanken Hedmark cover the period 01.01 - 31.03.2017 The quarterly accounts have been prepared in accordance with IAS 34 Interim Financial Reporting, relevant IFRS standards and IFRIC interpretations.

The presentation currency is NOK (Norwegian kroner), which is also the functional currency of all the units in the group. All amounts are in NOK millions unless stated otherwise.

The quarterly accounts do not contain all the information required in a full set of annual accounts and should be read in conjunction with the annual financial statements for 2016.

The group has applied the same accounting principles and calculation methods in this quarterly report as in the last annual report.

Important accounting estimates and discretionary assessments
In drawing up the consolidated financial statements, group management applies estimates and discretionary assessments and makes assumptions that determine the effect of applying accounting principles. These will therefore affect reported amounts for assets and liabilities, income and expenses. The annual financial statements for 2016 provide more details of critical estimates and assessments in relation to the use of accounting principles in note 3.

New standards and interpretations that have not yet been implemented
A series of new standards, changes to standards and interpretations need to be used in future financial accounts. IFRS 9 "Financial instruments", IFRS 15 "Revenue from contracts with customers" and IFRS 16 "Leases" are among the most significant standards that the group has chosen not to implement early.

The group has started preparations for the implementation of IFRS 9 and an assessment of its impact. The group has worked with models and clarifications around valuation, classifications etc. throughout 2016. The work with models and the assessment of financial consequences continues through 2017 so that the group will be ready for implementation by 01.01.2018. The group has considered the impact of IFRS 15 "Revenue from contracts with customers" and IFRS 16 "Leases", concluding that these will not have significant consequences.

There are no new standards or interpretations that have yet to come into effect that are expected to impact significantly the financial accounts of the group.

Note 2 Changes in the composition of the group

2017
On 17 January 2017, Sparebanken Hedmark became the 100 per cent owner of the newly established company Youngstorget 5 AS after the assets and liabilities belonging to Bank 1 Oslo Akershus AS (B1OA) were spun off and transferred to the shareholder in B1OA. A reallocation of shares in SpareBank 1 Kredittkort AS pursuant to the shareholder agreement resulted in the Sparebanken Hedmark Group increasing its stake in the company from 18.9 per cent to 19.6 per cent with effect from 1 January 2017.

Sparebanken Hedmark and Bank 1 Oslo Akershus merged operations with effect from 1 April 2017. The merged bank will be called SpareBank 1 Østlandet.

2016
On 29 June 2016 Sparebanken Hedmark puchased the remaining 59.5 per cent of the shares in Bank 1 Oslo Akerhus AS (B1OA). As a consequence, Sparebanken Hedmark owns 100 per cent of the shares in B1OA. B1OA was until 29 June 2016 classified as an associated company. From 29 June 2016 B1OA is classified as a wholly owned subsidiary.

On 01 January 2016 , 5 per cent of the shares in SpareBank 1 Finans Østlandet AS were sold to SpareBank 1 Ringerike Hadeland.
The company was a wholly-owned subsidiary of Sparebanken Hedmark.

Note 3 Segment information

This segment information is linked to the way the group is run and followed up internally in the entity through reporting on performance and capital, authorisations and routines. Reporting on segments is divided into following areas:
- Retail banking, corporate banking, real estate, financing, accounting and other activities.
- Real estate brokerage, leasing, financing and accounting are organised as independent companies.
- The result of the elimination of companies appears with other activities in a separate column.
- Tax is calculated at 25 per cent for retail banking and corporate banking.

31 March 2017	Sparebanken Hedmark PM	Sparebanken Hedmark BM	Bank 1 Oslo Akershus AS konsern	SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	SpareBank 1 Regnskapshuset Østlandet	Unallocated activitites	Total
Income statement								
Net interest income	138	130	137	73	0	0	-14	464
Net commission and other income	83	22	137	-9	23	46	6	308
Net return on financial investments	1		12				-14	0
Operating expenses*	133	51	142	21	20	43	27	437
Profit before losses by segment:	**90**	**100**	**144**	**44**	**3**	**3**	**-49**	**335**
Losses on loans and guarantees	1	-27	-7	7				-26
Profit / loss per segment before taxes	**89**	**127**	**152**	**37**	**3**	**3**	**-49**	**361**
Tax charge	22	32	41	9	1	1	-18	88
Profit / loss after tax charge	**67**	**95**	**111**	**28**	**2**	**2**	**-31**	**274**
Balance sheet								
Lending to customers	24 411	17 842	35 410	6 525			714	84 901
Individual loan write-downs	-28	-85	-13	-18				-143
Collective loan write-downs	-37	-58	-120	-21				-235
Other assets	94	4	6 751	181	58	147	10 104	17 338
Total assets	**24 440**	**17 703**	**42 028**	**6 667**	**58**	**147**	**10 818**	**101 861**
Deposits from and liabilities to customers	21 996	13 096	26 913				777	62 782
Other liabilities and equity	2 445	4 607	15 115	6 667	58	147	10 041	39 079
Total equity and liabilities	**24 440**	**17 703**	**42 028**	**6 667**	**58**	**147**	**10 818**	**101 861**

31 March 2016	Sparebanken Hedmark PM	Sparebanken Hedmark BM		SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	SpareBank 1 Regnskapshuset Østlandet	Unallocated activitites	Total
Income statement								
Net interest income	135	108		54			1	297
Net commission and other income	79	20		-6	20	45	3	160
Net return on financial investments							7	7
Operating expenses*	60	26		18	18	43	88	253
Profit before losses by segment:	**154**	**102**		**30**	**1**	**2**	**-78**	**211**
Losses on loans and guarantees	3	5		5			-4	9
Profit / loss per segment before taxes	**151**	**97**		**25**	**1**	**2**	**-74**	**202**
Tax charge	38	24		6	0	0	-36	33
Profit / loss after tax charge per segment	**113**	**73**		**19**	**1**	**2**	**-39**	**169**
Balance sheet								
Gross lending to customers	21 479	16 335		5 780			713	44 308
Individual loan write-downs	-28	-93		-15				-136
Collective loan write-downs	-27	-76		-18				-121
Other assets	113	3		74	55	146	12 743	13 134
Total assets	**21 538**	**16 169**		**5 820**	**55**	**146**	**13 457**	**57 185**
Deposits from and liabilities to customers	21 295	11 775					604	33 674
Other liabilities and equity	243	4 393		5 820	55	146	12 853	23 511
Total equity and liabilities	**21 538**	**16 169**		**5 820**	**55**	**146**	**13 457**	**57 185**

31 December 2016	Spare-banken Hedmark PM	Spare-banken Hedmark BM	Bank 1 Oslo Akershus AS	SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	SpareBank 1 Regnskapshuset Østlandet	Unallocated activitites	Total
Income statement								
Net interest income	552	457	262	238		-1	-19	1 490
Net commission and other income	340	87	280	-29	99	158	4	939
Net return on financial investments	2		53				165	220
Operating expenses*	509	202	383	68	79	155	-193	1 203
Profit before losses by segment:	**385**	**343**	**212**	**142**	**19**	**2**	**343**	**1 446**
Losses on loans and guarantees	15	31	1	27				75
Profit / loss per segment before taxes	**370**	**311**	**211**	**115**	**19**	**2**	**343**	**1 371**
Tax charge	93	78	50	29	5		16	271
Profit / loss after tax charge per segment	**278**	**234**	**160**	**86**	**14**	**2**	**327**	**1 100**
Balance sheet								
Gross lending to customers	24 053	17 169	34 659	6 327			737	82 945
Individual loan write-downs	-28	-90	-13	-14				-145
Collective loan write-downs	-36	-87	-120	-20				-262
Other assets	102	1	8 324	165	55	144	9 913	18 704
Total assets	**24 091**	**16 994**	**42 850**	**6 458**	**55**	**144**	**10 650**	**101 242**
Deposits from and liabilities to customers	21 985	13 614	26 838				634	63 070
Other liabilities and equity	2 106	3 380	16 012	6 458	55	144	10 016	38 171
Total equity and liabilities	**24 091**	**16 994**	**42 850**	**6 458**	**55**	**144**	**10 650**	**101 242**

Note 4 Capital Adequacy

Parent bank				Group		
Basel III	Basel III	Basel III		Basel III	Basel III	Basel III
31.12.2016	31.03.2016	31.03.2017		31.03.2017	31.03.2016	31.12.2016
5 310	3 987	5 310	Equity certificates	5 310	3 987	5 310
520		520	Cohesion funds	520		520
974	503	974	Equalisation fund	974	503	974
3 313	3 015	3 307	Primary capital	3 307	3 015	3 313
33	46	29	Endowment fund	29	46	33
134	151	136	Fund for unrealised gains	136	151	134
148		148	Dividends	148		148
			Hybrid capital	400		400
	151	200	Other equity	1 498	1 253	1 228
			Minority interests	49	40	47
10 430	**7 853**	**10 622**	**Total equity carried**	**12 370**	**8 994**	**12 106**
			Tier 1 capital			
		-173	Share of positive annual results that can not be included in Tier 1 capital	-224		
-148	-158	-113	Share of equity not included in Tier 1 capital	-500	-169	-604
			Minority interests that can be included in LET 1 capital	37	-9	36
43	-60	96	Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	96	-60	43
-102	-102	-100	Goodwill and other intangible assets	-368	-221	-371
-117	-159	-120	Positive value of expected losses under the IRB approach	-207	-181	-205
	-401		CET1 instruments of financial sector entities where the institution does not have a significant investment			
			CET1 instruments of financial sector entities where the institution does have a significant investment	-214	-1 827	-452
			Adjustments in Tier 1 capital for regulatory fileters			10
-10	-10	-10	Value adjustments due to the requirements for prudent valuation	-31	-13	-33
	-155		Excess of deduction from AT1 items over AT1 Capital			
10 095	**6 808**	**10 201**	**Total common equity Tier 1 capital**	**10 960**	**6 514**	**10 530**
			Additional Tier 1 capital			
			Hybrid capital	563	162	619
	-155		AT1 instruments of financial sector entities where the institution does not have a significant investment			
			AT1 instruments of financial sector entities where the institution does have a significant investment		-32	
			Excess of deduction from T2 items over CET 1 Capital			
	155		Excess of deduction from AT1 items over CET 1 Capital			
0	**0**	**0**	**Total additional Tier 1 capital**	**563**	**130**	**619**

Parent Bank				Group		
Basel III 31.12.2016	Basel III 31.03.2016	Basel III 31.03.2017		Basel III 31.03.2017	Basel III 31.03.2016	Basel III 31.12.2016
			Supplementary capital in excess of Tier 1 capital			
500	500	500	Subordinated loan	1 254	784	1 524
	-211	-128	T2 instruments of financial sector entities where the institution does not have a significant investment			
			T2 instruments of financial sector entities where the institution does have a significant investment	-128	-199	-17
			Excess of deduction from T2 items over AT1 Capital			
500	**289**	**372**	**Total supplementary capital**	**1 126**	**584**	**1 507**
10 595	**7 097**	**10 574**	**Net subordinated capital**	**12 649**	**7 229**	**12 655**
3 624	4 043	3 736	Corporates - SME	4 642	4 442	4 546
6 791	6 520	6 914	Corporates - Specialised Lending	10 957	8 431	10 628
532	684	527	Corporates - Other	770	757	768
847	929	815	SME exposure	1 081	962	1 104
5 997	6 429	5 998	Retail mortgage exposure	18 553	8 740	18 393
1 392	625	1 342	Other retail exposure	1 751	709	1 834
19 183	**19 229**	**19 332**	**Risk-weighted assets credit risk IRB**	**37 754**	**24 042**	**37 273**
10 505	7 303	10 575	Exposures calculated using the standardised approach	15 160	10 427	14 495
			Market risk			
162	219	149	CVA	722	272	452
2 253	2 253	2 253	Operational risk	3 702	3 702	3 702
			Basel 1 transitional floor	8 215		6 279
32 104	**29 004**	**32 309**	**Risk-weighted assets**	**65 554**	**38 443**	**62 201**
2 568	**2 320**	**2 585**	**Capital requirements (8%)**	**5 244**	**3 075**	**4 976**
			Buffer requirements			
803	725	808	Conservation buffer (2.5%)	1 639	961	1 555
482	290	485	Countercyclical capital buffer (1.5 % as at Q1 2017, 1 % as at Q1 2016)	983	384	933
963	870	969	Systemic risk buffer (3%)	1 967	1 153	1 866
2 247	**1 885**	**2 262**	**Total buffer requirements for common equity (7 % as at Q1 2017, 6,5 % as at Q1 2016)**	**4 589**	**2 499**	**4 354**
6 403	**3 617**	**6 486**	**Available common equity (net minimum requirement of 11.5 % as at Q1 2017, 11 % as at Q1 2016)**	**3 421**	**2 286**	**3 377**
			Capital adequacy ratio			
31,4 %	**23,5 %**	**31,6 %**	Common equity Tier 1 capital ratio	**16,7 %**	**16,9 %**	**16,9 %**
31,4 %	**23,5 %**	**31,6 %**	Tier 1 Capital ratio	**17,6 %**	**17,3 %**	**17,9 %**
33,0 %	**24,5 %**	**32,7 %**	Capital adequacy ratio	**19,3 %**	**18,8 %**	**20,3 %**

Note 5 Loans to and receivables from customers

Parent Bank				Group		
31.12.2016	31.03.2016	31.03.2017		31.03.2017	31.03.2016	31.12.2016
			Loans by type of receivable			
			Financial leasing	2 943	2 579	2 854
9 884	10 206	8 942	Overdraft facilities and operating credits	12 199	10 197	13 417
1 153	853	1 611	Building loans	2 020	840	1 491
30 885	27 436	32 363	Repayment loans	67 575	30 601	65 017
81	80	77	Accrued interest	164	91	165
42 003	**38 575**	**42 993**	**Gross loans to and receivables from customers**	**84 901**	**44 308**	**82 945**
241	224	207	Write-downs	379	257	408
41 762	**38 351**	**42 785**	**Loans to and receivables from customers**	**84 523**	**44 050**	**82 537**
			Loans by type of market			
24 653	22 042	24 964	Private customers	54 244	24 527	53 421
17 346	16 527	18 024	Corporate	216	19 583	29 331
4	6	4	Public sector	30 441	198	193
42 003	**38 575**	**42 993**	**Gross loans to and receivables from customers**	**84 901**	**44 308**	**82 945**
241	224	207	Write-downs	379	257	408
41 762	**38 351**	**42 785**	**Loans to and receivables from customers**	**84 523**	**44 050**	**82 537**

Parent Bank				Group		
31.12.2016	31.03.2016	31.03.2017		31.03.2017	31.03.2016	31.12.2016
27 033	24 158	27 345	Private customers	58 106	26 644	57 269
166	175	151	Public sector	406	370	407
4 776	4 402	4 870	Primary industries	5 200	4 666	5 102
202	373		Paper and pulp industries	17	392	218
938	893	1 189	Other industry	1 504	1 242	1 236
2 447	1 491	3 035	Building and construction	4 056	2 185	3 429
237	256	220	Power and water supply	411	433	435
1 013	1 241	1 218	Wholesale and retail trade	1 890	1 634	1 660
325	183	320	Hotel and restaurants	590	197	627
8 805	8 444	8 843	Real estate	15 374	8 529	15 007
1 819	2 208	1 540	Commercial services	4 624	2 833	5 275
364	323	468	Transport and communications	1 672	1 268	1 518
57	17		Other	550	25	255
48 181	**44 164**	**49 199**	**Total commitments by sector and industry**	**94 401**	**50 418**	**92 437**

Parent Bank				Group		
31.12.2016	31.03.2016	31.03.2017		31.03.2017	31.03.2016	31.12.2016
24 653	22 042	24 964	Private customers	54 244	24 527	53 421
4	6	4	Public sector	216	198	193
4 102	3 680	4 082	Primary industries	4 412	3 929	4 428
202	297		Paper and pulp industries	17	313	218
542	564	853	Other industry	1 129	819	801
831	832	2 125	Building and construction	3 038	1 437	1 684
214	226	213	Power and water supply	404	383	407
791	850	814	Wholesale and retail trade	1 388	1 171	1 332
188	166	208	Hotel and restaurants	462	180	476
8 283	7 969	8 110	Real estate	14 275	8 035	14 157
1 917	1 682	1 289	Commercial services	3 404	2 193	4 356
220	244	331	Transport and communications	1 442	1 098	1 287
56	17		Other	469	25	187
42 003	**38 575**	**42 993**	**Total gross loans by sector and industry**	**84 901**	**44 308**	**82 945**

Parent Bank				Group		
31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
29	28	28	Private customers	41	35	41
14	9	14	Primary industries	14	9	14
1	1		Paper and pulp industries		1	1
16	5	17	Other industry	23	9	21
8	8	8	Building and construction	9	8	9
1	1	1	Power and water supply	1	1	1
16	21	13	Wholesale and retail trade	19	22	21
			Hotel and restaurants			
14	23	18	Real estate	19	25	14
20	25	11	Commercial services	11	25	20
		2	Transport and communications	5	2	4
118	**121**	**112**	**Total individual write-downs by sector and industry**	**143**	**137**	**146**

Note 6 Losses on loans and guarantees

Parent Bank				Group		
31.12.2016	31.03.2016	31.03.2017		31.03.2017	31.03.2016	31.12.2016
1	2	-5	Change in individual write-downs in the period	-1	4	7
19		-28	Change in collective write-downs in the period	-27		22
16	5	5	Realised losses on commitments previously written down	8	8	40
34	20	2	Realised losses on commitments not previously written down	3	21	38
24	23	1	-Recoveries on loans and guarantees previously written down	9	24	33
47	**4**	**-26**	**Total losses on loans and guarantees**	**-26**	**9**	**75**

Parent Bank				Group		
31.12.2016	31.03.2016	31.03.2017		31.03.2017	31.03.2016	31.12.2016
134	134	128	Individual write-downs to cover losses on loans and guarantees at 1 January	156	147	147
20	5	5	Realised losses in the period on loans and guarantees previously written down individually	8	7	39
19	3	3	Reversal of write-downs in previous years	4	4	28
6	4	2	Increase in write-downs on commitments previously written down individually	4	4	9
28	5	1	Write-downs on commitments not previously written down individually	6	11	53
			Change in closing balances due to acquisition of Bank 1 Oslo Akershus			13
128	**135**	**123**	**Individual write-downs to cover losses on loans and guarantees at the end of period *)**	**153**	**151**	**156**

*) Guarantee provisions are included under Other liabilities in the balance sheet, see Note 15.

Parent Bank				Group		
31.12.2016	31.03.2016	31.03.2017		31.03.2017	31.03.2016	31.12.2016
103	103	122	Collective write-downs to cover losses on loans and guarantees at 1 January	262	120	120
19		-28	Collective write-downs to cover losses on loans and guarantees in the period	-27	1	22
			Change in closing balances due to acquisition of Bank 1 Oslo Akershus			120
122	**103**	**95**	**Collective write-downs to cover losses on loans and guarantees**	**235**	**121**	**262**

Parent Bank				Group		
31.12.2016	31.03.2016	31.03.2017		31.03.2017	31.03.2016	31.12.2016
137	194	129	Gros defaulted commitments for more than 90 days	222	260	233
40	41	28	Individual write-downs on defaulted commitments	46	51	54
97	**153**	**101**	**Net defaulted commitments**	**176**	**208**	**179**
29 %	**21 %**	**21 %**	**Deposit ratio**	**21 %**	**20 %**	**23 %**
230	195	232	Gross problem commitments (not in default)	257	219	272
88	94	95	Individual write downs on problem commitments	107	100	101
142	**101**	**137**	**Net problem commitments**	**149**	**120**	**171**
38 %	**48 %**	**41 %**	**Deposit ratio**	**42 %**	**45 %**	**37 %**
35 %	**35 %**	**34 %**	**Total deposit ratio**	**32 %**	**31 %**	**31 %**

Note 7 Net income from financial assets and liabilities

Parent bank				Group		
31.12.2016	31.03.2016	31.03.2017		31.03.2017	31.03.2016	31.12.2016
45		9	Net income from equity instruments available for sale	9		46
45	**0**	**9**	**Net incom from other than group companies**	**9**	**0**	**46**
389	80	83	Dividends (Parent bank) or net profit (Group) from group companies	6	70	236
			Gains / losses on realisation of group companies			
-20		-7	Write-down of assets in group companies			
369	**80**	**75**	**Net income from ownership interests**	**6**	**70**	**236**
21	10	12	Net change in value on bonds and certificates identified at fair value through profit and loss	29	10	35
15	-11	4	Net change in value of derivatives related to bonds and certificates	3	-11	21
36	-1	16	Net change in value to bonds and certificates including security	32	-1	55
-65	-97	-50	Net change in value of securities at fair value through profit and loss	-41	-97	100
-87	26	-11	Net change in value in derivatives that hedge securities issued	-24	26	-246
-151	-71	-61	Net change in value to securities debt including security	-66	-71	-146
-41	8		Net change in fixed-rate loans and deposits to customers at fair value through profit and loss	7	8	-78
6	-2		Net change in value of other derivatives	-2	-2	54
1		2	Gains or losses on realization of assets designated at fair value through profit or loss	2		1
13		1	Gains / losses on realisation of equity instruments available for sale	2		29
			Write-down of and reversal of previous write-down of equity instruments available for sale			
16	3	5	Net income from currency trading	10	3	24
-122	**-63**	**-38**	**Net income from other financial assets and liabilities**	**-14**	**-63**	**-62**
293	**17**	**46**	**Total net income from financial assets and liabilities**	**0**	**7**	**220**

Note 8 Adjusted profit and loss group

Sparebanken Hedmark's acquisition of the remaining shares in Bank 1 Oslo Akershus AS was completed with accounting effect from 29 June 2016. The results from Bank 1 Oslo Akershus AS were in the first half of 2016 consolidated into the Group using the equity method with an ownership interest of 40.5 per cent. From and including the second half of 2016, the results from Bank 1 Oslo Akershus AS were fully consolidated into the accounts of Sparebanken Hedmark. The consolidation of the accounts of Bank 1 Oslo Akershus AS means that Sparebanken Hedmark's consolidated financial statements for the first quarter of 2017 are not directly comparable with the figures for the year before.

In order to present comparable figures for last year, we have prepared an adjusted consolidated income statement for the first quarter of 2016, which shows the consolidated profit as it would have been with 100 per cent ownership of Bank 1 Oslo Akershus AS from 1 January 2016. This adjusted income statement is an alternative performance measure (APM) which has been prepared in order to provide a more relevant basis for comparisons with last year.

The adjusted income statement was prepared by eliminating the profit share from the Bank 1 Oslo Akershus AS group in the "Net result from financial assets and liabilities" item. The profit share for the first quarter of 2016 that was eliminated was NOK 23.1 million. The remaining profit and loss items for the adjusted first quarter of 2016 were calculated by adding the reported first quarter of 2016 for Sparebanken Hedmark to the reported first quarter of 2016 for the Bank 1 Oslo Akershus AS group.

Group (NOK million)	Reported Q1- 2017	Reported Q1- 2016	Adjusted Q1- 2016
Interest income	787	472	757
Interest expenses	322	176	340
Net interest income	**464**	**297**	**416**
Commission income	277	123	255
Commission expenses	22	13	21
Other operating income	53	50	52
Net commission and other income	**308**	**160**	**287**
Dividends from other than group companies	9		1
Net profit from ownership interests	6	70	85
Net profit from other financial assets and liabilities	-14	-63	-91
Net income from financial assets and liabilities	**0**	**7**	**-6**
Total net income	**773**	**464**	**697**
Personnel expenses	232	148	244
Depreciation	21	11	18
Other operating expenses	184	94	174
Total operating expenses before losses on loans and guarantees	**437**	**253**	**436**
Profit before losses on loans and guarantees	**335**	**211**	**261**
Losses on loans and guarantees	-26	9	9
Profit/loss before tax	**361**	**202**	**253**
Tax charge	88	33	49
Results for the accounting period	**274**	**169**	**203**
Majority interests	273	168	203
Minority interests	1	1	1
Statement of comprehensive income according to IAS 1	**274**	**169**	**203**
Actuarial gains / losses on pensions			
Tax effect of actuarial gains / losses on pensions			
Share of other comprehensive income from associates and joint ventures			
Total items not reclassified through profit or loss	**0**	**0**	**0**
Change in value of financial assets available for sale			
Financial assets available for sale transferred to profit and loss			
on write-down due to permanent impairment of value			
Financial assets available for sale transferred to profit and loss on realisation	14	9	9
Share of other comprehensive income from associates and joint ventures	-1		
Total items reclassified through profit or loss	**13**	**9**	**9**
Total profit and loss items recognised in equity	**13**	**9**	**9**
Total profit/loss for the accounting year	**287**	**178**	**212**
Majority share of comprehensive income	**286**	**177**	**211**
Minority interest of comprehensive income	**1**	**1**	**1**

Note 9 Financial derivatives

At fair market value through p & l account	Parent bank 31.03.17		
	Contract sum	Fair market value	
Foreign exchange instruments		Assets	Liabilities
Forward exchange contracts	692	7	7
Currency swap contracts	1 555	1	11
Total foreign exchange instruments	2 247	8	18
Interest rate instruments			
Interest rate swaps (incl. int. rate & currency)	10 879	328	169
Other interest rate contracts			
Total interest rate instruments	10 879	328	169
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	20	0	0
Total financial derivates in MNOK			
Total currency instruments	**2 247**	**8**	**18**
Total interest rate instruments	**10 879**	**328**	**169**
Other financial derivatives	**20**	**0**	**0**
Total	**13 146**	**336**	**187**

At fair market value through p & l account	31.03.16		
	Contract sum	Fair market value	
Foreign exchange instruments		Assets	Liabilities
Forward exchange contracts	692	8	7
Currency swap contracts	1 947	9	1
Total foreign exchange instruments	2 639	17	8
Interest rate instruments			
Interest rate swaps (incl. int. rate & currency)	10 552	482	304
Other interest rate contracts	150	8	
Total interest rate instruments	10 702	490	304
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	20	0	0
Total financial derivates in MNOK			
Total currency instruments	**2 639**	**17**	**8**
Total interest rate instruments	**10 702**	**490**	**304**
Total other financial instruments	**20**	**0**	**0**
Total	**13 361**	**507**	**312**

At fair market value through p & l account	31.12.16		
	Contract sum	Fair market value	
Foreign exchange instruments		Assets	Liabilities
Forward exchange contracts	558	6	8
Currency swap contracts	1 686	7	3
Total foreign exchange instruments	2 244	13	11
Interest rate instruments			
Interest rate swaps (incl. int. rate & currency)	10 970	334	222
Other interest rate contracts			
Total interest rate instruments	10 970	334	222
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	20	2	0
Total financial derivates in MNOK			
Total currency instruments	**2 244**	**13**	**11**
Total interest rate instruments	**10 970**	**334**	**222**
Other financial derivatives	**20**	**2**	**0**
Total	**13 234**	**349**	**233**

At fair market value through p & l account	Group 31.03.17		
	Contract sum	Fair market value	
Foreign exchange instruments		Assets	Liabilities
Forward exchange contracts	1 085	10	10
Currency swap contracts	2 692	2	25
Total foreign exchange instruments	3 777	12	35
Interest rate instruments			
Interest rate swaps (incl. int. rate & currency)	21 897	774	271
Other interest rate contracts			
Total interest rate instruments	21 897	774	271
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	20	0	0
Total financial derivates in MNOK			
Total currency instruments	**3 777**	**12**	**35**
Total interest rate instruments	**21 897**	**774**	**271**
Other financial derivatives	**20**	**0**	**0**
Total	**25 695**	**786**	**307**

At fair market value through p & l account	31.03.16		
	Contract sum	Fair market value	
Foreign exchange instruments		Assets	Liabilities
Forward exchange contracts	692	8	7
Currency swap contracts	1 947	9	1
Total foreign exchange instruments	2 639	17	8
Interest rate instruments			
Interest rate swaps (incl. int. rate & currency)	10 552	482	304
Other interest rate contracts	150	8	
Total interest rate instruments	10 702	490	304
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	20	0	0
Total financial derivates in MNOK			
Total currency instruments	**2 639**	**17**	**8**
Total interest rate instruments	**10 702**	**490**	**304**
Total other financial instruments	**20**	**0**	**0**
Total	**13 361**	**507**	**312**

At fair market value through p & l account	31.12.16		
	Contract sum	Fair market value	
Foreign exchange instruments		Assets	Liabilities
Forward exchange contracts	805	7	10
Currency swap contracts	2 076	19	7
Total foreign exchange instruments	2 881	26	18
Interest rate instruments			
Interest rate swaps (incl. int. rate & currency)	21 853	783	331
Other interest rate contracts	50		
Total interest rate instruments	21 903	783	331
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	20	2	0
Total financial derivates in MNOK			
Total currency instruments	**2 881**	**26**	**18**
Total interest rate instruments	**21 903**	**783**	**331**
Total other financial instruments	**20**	**2**	**0**
Total	**24 804**	**810**	**349**

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

31.03.2017 (incl B1OA)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit and loss				
- Derivatives		786		786
- Bonds and certificates		8 425		8 425
- Fixed-rate loans			5 907	5 907
- Loans with interest-rate guarantees				0
Financial assets available for sale				
- Equity instruments	205		213	419
- Other financial assets (Visa Norge)			34	34
Total assets	**205**	**9 211**	**6 154**	**15 571**
Liabilities				
Financial assets at fair value through profit and loss				
- Derivatives		307		307
- Securities issued		19 492		19 492
- Subordinated loan capital		505		505
- Fixed-rate deposits		983		983
- Term deposit			56	56
Total liabilities	**0**	**21 287**	**56**	**21 343**

31.3.2016 (without B1OA)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit and loss				
- Derivatives		507		507
- Bonds and certificates		6 261		6 261
- Fixed-rate loans to customers		2 810		2 810
- Loans with interest-rate guarantees				0
Financial assets available for sale				
- Equity instruments	164		139	303
- Other financial assets (Visa Norge)			40	40
Total assets	**164**	**9 579**	**180**	**9 922**
Liabilities				
Financial assets at fair value through profit and loss				
- Derivatives		312		312
- Securities issued		11 743		11 743
- Subordinated loan capital		491		491
- Fixed-rate deposits from customers		150		150
- Term deposit			60	60
Total liabilities	**0**	**12 695**	**60**	**12 755**

31.12.2016 (with B1OA)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit and loss				
- Derivatives		808	2	810
- Bonds and certificates		9 776		9 776
- Fixed-rate loans to customers			5 913	5 913
- Loans with interest-rate guarantees	356			356
Financial assets available for sale				
- Equity instruments	188		203	391
- Other financial assets (Visa Norge)			32	32
Total assets	**544**	**10 585**	**6 150**	**17 279**
Liabilities				
Financial assets at fair value through profit and loss				
- Derivatives		349		349
- Securities issued		18 203		18 203
- Subordinated loan capital		502		502
- Fixed-rate deposits from customers		646		646
- Term deposit			107	107
Total liabilities	**0**	**19 700**	**107**	**19 807**

Fair value of financial instruments traded on active markets is based on the market value on the balance sheet day. A market is considered active if the market prices are easily and regularly available, and these prices represent actual and regularly occurring arm's-length market transactions. The market price used for financial assets is the current purchase price; for financial liabilities the current selling price is used. Instruments included in level 1 include only equity instruments listed on Oslo Børs or the New York Stock Exchange.

Fair value value of financial instruments that are not traded in an active market (such as individual OTC derivatives) is determined using valuation methods. These valuation methods make maximum use of observable data where available and try to avoid using the Group's own estimates. If all the significant data required to determine the fair value of an instrument is observable data, the instrument is included in level 2.

If one or more important inputs required to determine the fair value of an instrument are observable market data, the instrument is included in level 3.

Valuation methods used to determine the value of financial instruments include:

- Fair value of interest rate swaps is calculated as the present value of the estimated future cash flow based on observable yield curves.
- Fair value forward contracts in a foreign currency is determined by looking at the present value of the difference between the agreed forward exchange rate and the foreign exchange rate on balance sheet day.
- Fair value of bonds and certificates (assets and liabilities) is calculated as the present value of the estimated future cash flow based on observable yield curves, including an indicated credit spread on issuers from Nordic Bond Pricing or Reuters pricing service.
- Fair value of fixed-rate deposits and loans is calculated as the present value of the estimated future cash flow based on an observable swap yield curve, plus an implicit mark-upcalculated as the difference between the reference rate and the interest rate indicated by the Bank's price list on balance sheet day.
- Other methods, such as multiplier models, have been used to determine the fair value of the remaining financial instruments.

The table below presents the changes in value of the instruments classified in level 3:

31.12.16-31.03.17 (incl B1OA)	Fixed-rate loans to customers	Equity instruments	Derivatives	Term deposit	Other financial assets	Total
Opening balance	5 913	203	2	-107	32	**6 043**
Investments in the period	244	9		-9		**244**
Sales / redemption in the period	-257		-3	61		**-199**
Gains / losses recognised through profit and loss	7		1			**8**
Gains / losses recognised directly against comprehensive income		1			2	**3**
Closing balance	5 907	213		-56	34	**6 098**
Gains / losses for the period included in the profit for assets owned on the balance sheet day	7		1			**8**

31.12.15-31.12.16 (without B1OA)	Equity instruments	Derivatives	Term deposit	Other financial assets	Total
Opening balance	139	-3	-61	40	**116**
Investments in the period					**0**
Sales / redemption in the period		3	1		**3**
Gains / losses recognised through profit and loss					**0**
Gains / losses recognised directly against comprehensive income					**0**
Closing balance	139		-60	40	**119**
Gains / losses for the period included in the profit for assets owned on the balance sheet day					**0**

31.12.15-31.12.16 (incl B1OA)	Fixed -rates loans to Customers	Equity instruments	Derivatives	Term deposit	Other financial assets	Total
Opening balance	5 447	199	-3	-61	71	**5 653**
Investments in the period	1 237	1		-47		**1 190**
Sales / redemption in the period	-692	-4	3	1		**-692**
Gains / losses recognised through profit and loss	-79	-1	3	0		**-77**
Gains / losses recognised directly against comprehensive income		8			-39	**-31**
Closing balance	5 913	203	2	-107	32	**6 043**
Gains / losses for the period included in the profit for assets owned on the balance sheet day	-79		3			**-77**

Gains and losses on instruments classified in level 3 recognised in profit and loss are inclides 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:

31.03.2017 (incl B1OA)	Fixed-rate loans to Customers	Equity instruments	Derivatives	Term deposit	Other financial assets	Total
Nominal value including accrued interest (fixed income instruments) / cost (shares)	5 836	160		-56	0	**5 940**
Fair value adjustment	71	54		0	34	**159**
Closing balance	**5 907**	**213**	**0**	**-56**	**34**	**6 098**

31.03.2016 (excl. B1OA)		Equity instruments	Derivatives	Term deposit	Other financial assets	Total
Nominal value including accrued interest (fixed income instruments) / cost (shares)		132		-60	0	72
Fair value adjustment		7		0	40	47
Closing balance		**139**	**0**	**-60**	**40**	**119**

31.12.2016 (incl B1OA)	Loans with interest-rate guarantees	Equity instruments	Derivatives	Term deposit	Other financial assets	Total
Nominal value including accrued interest (fixed income instruments) / cost (shares)	5 861	152		-107		**5 907**
Fair value adjustment	52	51	2	0	32	**137**
Closing balance	**5 913**	**203**	**2**	**-107**	**32**	**6 043**

Sensitivity, instruments classified as level 3

The valuation of fixed-rate loans to customers is based on the agreed rate with the customer. The loans are discounted by the current yield curve plus a discretionary market premium. An increase in the discount rate by ten basis points would have resulted in a negative change in fair value of MNOK 15. Equity instruments in Level 3 consists of the significant shareholdings in Oslo Kongressenter Folkets Hus BA (MNOK 56), Eksportfinans ASA (MNOK 77) and SpareBank 1 Markets AS (NOK 40 million). The valuation of the two former is based on the book value of their equity adjusted for surplus and deficit values. Based on valuation from 2010 and later broker reviews, it is considered to be significant added value in the property mass of the Oslo Convention Centre People's House (P/B 4.9). Based on an external valuation in connection with a demerger in 2012 and subsequent results, the value of Eksportfinans is consicered to be substantially smaller (P/B 0.8). The value of the shareholding in SpareBank 1 Markets are based on valuation of the company in the accounts of majority shareholders as well as current issue price.

Derivatives in Level 3 is entirely a 1.3 percentage share of a portfolio hedge agreement with Eksportfinans ASA. The agreement secures Eksportfinans against further decreases in the portfolio from 29 February 2008 up to 1.5 billion. Any recovery of values relative to the nominal value accruing to participants in the portfolio hedge agreement as payment for the hedge. Eksportfinans performs monthly valuation of the hedging agreement based on the fair value of the underlying instruments.

The valuation of term deposits is based on the agreed rate with the customer. The contributions are discounted by the current yield curve plus a discretionary market premium reducing the discount rate by ten basis points would have resulted in an insignificant negative change in fair value of TNOK 22.

Other financial assets are entirely the Group's share of the remaining settlement for Visa Norway sale of Visa Europe Ltd to Visa Inc. This consists of an agreed cash consideration settled in 2019 as well as preference shares in Visa that will be converted into tradable shares no later than 2028. The valuation of the Group's assets is based on the closing exchange rates (EUR and USD), the share price of tradable Visa Inc stocks, purchase agreement conversion factor for the preference shares and the adopted settlement share of Visa Norway FLI to the member banks Sparebanken Hedmark and Bank 1 Oslo Akershus AS. The value of this record will change with the aforementioned assumptions.

Note 11 Financial instruments and offsetting

In accordance with IFRS 7.13 A-F it should be disclosed about the financial instruments the Bank considers to fulfill the requirements for offsetting, cf. IAS 32.42, and what financial instruments they have signed netting on.

The Bank has no financial instruments booked on a net basis in the financial statesments.

Sparebanken Hedmark has two sets of agreements which regulate counterparty risk and netting of derivatives. For retail and corporate customers, use is made of framework agreements requiring provision of collateral. For customers engaged in trading activity, only cash deposits are accepted as collateral. The agreements are unilateral, i.e it is only the customers that provide collateral. As regards financial institutions, the Bank enters into standardised and mainly bilateral ISDA agreements. Additionally the Bank has entered into supplementary agreements on provision of collateral (CSA) with ten institutional counterparties. Reverse repurchase agreements are governed by GMRA agreements with counterparty. The Group has as at 31.03.2017 two GMRA agreements. The assets and liabilities below may be offset.

Parent bank				Amounts not presented on the balance sheet on a net basis		
31.03.2017	Gross financial assets/(liabilities)	Recognised on a net basis	Net financial assets/ (liabilities) on the balance sheet	Financial instruments	Cash collateral given/(received)	Net amount
Derivatives as assets	336	0	336	-53	0	283
Derivatives as liabilities	-187	0	-187	53	89	-45

31.03.2016	Gross financial assets/(liabilities)	Recognised on a net basis	Net financial assets/ (liabilities) on the balance sheet	Financial instruments	Cash collateral given/(received)	Net amount
Derivatives as assets	507	0	507	-69	0	438
Derivatives as liabilities	-312	0	-312	69	127	-116

31.12.2016	Gross financial assets/(liabilities)	Recognised on a net basis	Net financial assets/ (liabilities) on the balance sheet	Financial instruments	Cash collateral given/(received)	Net amount
Derivatives as assets	349	0	349	-50	0	299
Derivatives as liabilities	-233	0	-233	50	136	-47

Group				Amounts not presented on the balance sheet on a net basis		
31.03.2017 (incl B1OA)	Gross financial assets/(liabilities)	Recognised on a net basis	Net financial assets/ (liabilities) on the balance sheet	Financial instruments	Cash collateral given/(received)	Net amount
Derivatives as assets	786	0	786	-113	-201	472
Derivatives as liabilities	-307	0	-307	113	121	-73

31.03.2016 (without) B1OA)	Gross financial assets/(liabilities)	Recognised on a net basis	Net financial assets/ (liabilities) on the balance sheet	Financial instruments	Cash collateral given/(received)	Net amount
Derivatives as assets	507	0	507	-69	0	438
Derivatives as liabilities	-312	0	-312	69	127	-116

31.12.2016 (incl B1OA)	Gross financial assets/(liabilities)	Recognised on a net basis	Net financial assets/(liabilities) on the balance sheet	Financial instruments	Cash collateral given/(received)	Net amount
Derivatives as assets	810	0	810	-126	-201	483
Derivatives as liabilities	-349	0	-349	126	168	-54

Note 12 Other assets

Parent bank				Group		
31.12.2016	31.03.2016	31.03.2017		31.03.2017	31.03.2016	31.12.2016
103	73	153	Capital payments into pension fund	153	73	103
17	16	19	Accrued income, not yet received	32	21	31
26	42	44	Prepaid costs, not yet incurred	187	41	138
193	205	574	Other assets	869	403	424
338	**335**	**789**	**Other assets**	**1 240**	**538**	**695**

Note 13 Deposits from and liabilities to customers

Parent bank				Group		
31.12.2016	31.03.2016	31.03.2017		31.03.2017	31.03.2016	31.12.2016
21 998	20 598	22 058	Private customers	36 260	20 598	38 443
4 256	3 832	3 855	Public sector	4 363	3 832	4 699
941	1 051	1 025	Primary industries	1 036	1 051	950
103	93		Paper and pulp industries	5	93	107
670	504	741	Other industry	801	504	782
884	726	981	Building and construction	1 177	726	1 092
259	277	123	Power and water supply	124	277	262
782	754	760	Wholesale and retail trade	1 270	754	1 417
120	144	121	Hotel and restaurants	266	144	247
1 920	1 769	2 592	Real estate	4 554	1 769	3 794
4 006	3 681	3 164	Commercial services	11 242	3 648	10 071
305	272	463	Transport and communications	597	272	422
14	8		Other operations	1 086	8	784
36 259	**33 708**	**35 882**	**Total deposits by sector and industry**	**62 782**	**33 675**	**63 070**

Note 14 Securities-related debt

Parent bank

Changes in liabilities from issuance of securities	31.03.2017	Issued	Due / redeemed	Other changes	31.12.2016
Certificate-based debt, nominal value	0				0
Bond debt, nominal value	13 368	2 205	-300	-630	12 093
Subordinated loan capital, nominal value	500				500
Accrued interest	129			5	123
Adjustments	232			43	189
Total debt raised through issuance of securities and subordinated loan capital, fair value	**14 229**	**2 205**	**-300**	**-581**	**12 906**

Changes in liabilities from issuance of securities	31.03.2016	Issued	Due / redeemed	Other changes	31.12.2015
Certificate-based debt, nominal value	500				500
Bond debt, nominal value	10 878	550	-1 000	514	10 814
Subordinated loan capital, nominal value	500				500
Accrued interest	142			7	136
Adjustments	213			90	123
Total debt raised through issuance of securities and subordinated loan capital, fair value	**12 233**	**550**	**-1 000**	**611**	**12 073**

Changes in liabilities from issuance of securities	31.12.2016	Issued	Due / redeemed	Other changes	31.12.2015
Certificate-based debt, nominal value	0		-500		500
Bond debt, nominal value	12 093	2 904	-2 050	425	10 814
Subordinated loan capital, nominal value	500				500
Accrued interest	123			-12	136
Adjustments	189			66	123
Total debt raised through issuance of securities and subordinated loan capital, fair value	**12 906**	**2 904**	**-2 550**	**478**	**12 073**

Group

Changes in liabilities from issuance of securities	31.03.2017	Issued	Due / redeemed	Other changes	31.12.2016
Certificate-based debt, nominal value	0				0
Bond debt, nominal value	21 984	2 205	-830	-589	21 199
Subordinated loan capital, nominal value	1 200				1 200
Accrued interest	235			14	221
Adjustments	540			21	520
Total debt raised through issuance of securities and subordinated loan capital, fair value	**23 960**	**2 205**	**-830**	**-555**	**23 140**

Changes in liabilities from issuance of securities	31.03.2016	Issued	Due / redeemed	Other changes	31.12.2015
Certificate-based debt, nominal value	500				500
Bond debt, nominal value	10 878	550	-1 000	514	10 814
Subordinated loan capital, nominal value	500				500
Accrued interest	142			7	136
Adjustments	213			90	123
Total debt raised through issuance of securities and subordinated loan capital, fair value	**12 233**	**550**	**-1 000**	**611**	**12 073**

Changes in liabilities from issuance of securities	31.12.2016	Issued	Due / redeemed	Other changes	31.12.2015
Certificate-based debt, nominal value	0		-500		500
Bond debt, nominal value	21 199	3 877	-3 345	12	20 654
Subordinated loan capital, nominal value	1 200				1 200
Accrued interest	221			-8	230
Adjustments	520			-66	586
Total debt raised through issuance of securities and subordinated loan capital, fair value	**23 140**	**3 877**	**-3 845**	**-63**	**23 170**

Note 15 Other debt and liabilities

Parent bank				Group		
31.12.2016	31.03.2016	31.03.2017		31.03.2017	31.03.2016	31.12.2016
40	266	41	Pension liabilities	64	282	119
10	14	10	Guarantee provisions	10	14	10
7	4	4	Banker's drafts	5	4	8
30	26	98	Accounts payable	102	30	37
135	142	125	Other	481	207	382
222	**453**	**278**	**Total other debt and liabilities recognised in the balance sheet**	**662**	**538**	**556**

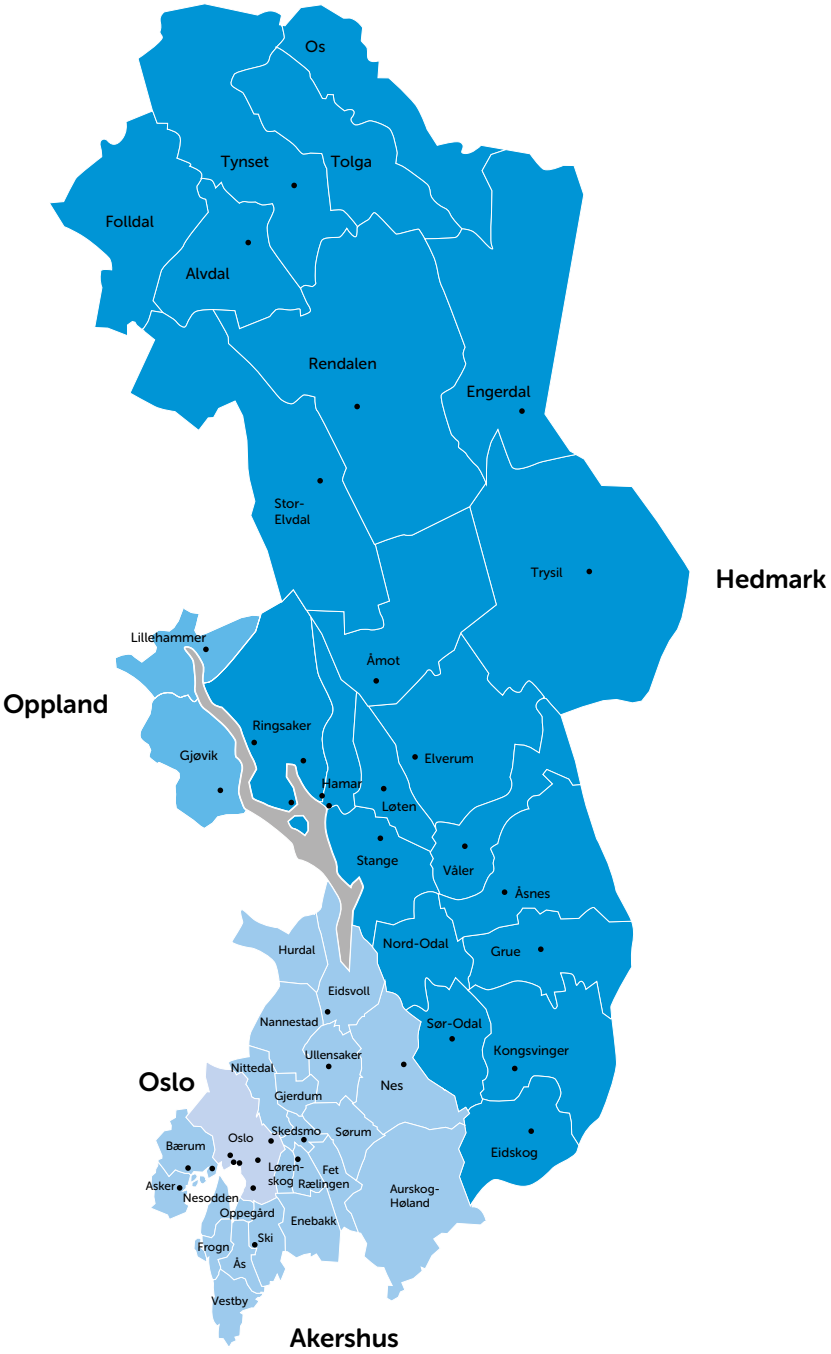
Note 16 Equity capital certificates

Equity share capital per 31.03.17 consist of 106.202.540 equity certificates at NOK 50 each.

Parent bank	**31.03.2017**	**31.12.2016**
Equity capital certificates	5310	5 310
Dividend equalisation fund	974	974
Premium Fund	520	520
Fund for unrealised gains	91	90
A. The equity capital certificate owners' capital	**6 895**	**6 894**
Primary capital	3 307	3 313
Endowment fund	44	44
B. Total primary capital	**3 351**	**3 357**
Other equity	200	
Dividend declared	148	148
Endowment fund	29	33
Total other equity	**376**	**181**
Total equity	**10 622**	**10 430**
Equity capital certificate ratio (A/(A+B))	**67,3 %**	**67,3 %**
Equity certificates issued	**106 202 540**	**106 202 540**

Equity capital certificate ratio for distribution

Owner of equity certificates:	**No. Of EC's**	**Share in %**
Sparebanken Hedmark Sparebankstiftelse	79 740 000	75,08 %
Norwegian Confederation of Trade Unions (LO) and affiliated unions	15 881 965	14,95 %
Samarbeidende Sparebanker AS	5 438 749	5,12 %
SpareBank 1 Nord-Norge	1 713 942	1,61 %
SpareBank 1 SMN	1 713 942	1,61 %
SpareBank 1 SR-Bank ASA	1 713 942	1,61 %



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SpareBank 1 ØSTLANDET

INTERIM REPORT

Q1 2016

Sparebanken 1 HEDMARK

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Main figures Group

	Q1-2016		Q1-2015		31.12.2015	
Result summary (NOK mill and % of average assets)	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Net interest income	297	2,11 %	265	2,09 %	1 105	2,08 %
Net commissions and other (non-interest) income	160	1,14 %	171	1,35 %	651	1,23 %
Net income from financial investments	7	0,05 %	121	0,96 %	514	0,97 %
Total income	**464**	**3,30 %**	**557**	**4,40 %**	**2 270**	**4,28 %**
Total operating expenses before losses on loans and guarantees	**253**	**1,80 %**	**258**	**2,04 %**	**1 052**	**1,98 %**
Profit before losses on loans and guarantees	**211**	**1,50 %**	**299**	**2,36 %**	**1 219**	**2,30 %**
Losses on loans and guarantees	9	0,06 %	5	0,04 %	56	0,11 %
Profit/loss before tax	**202**	**1,44 %**	**294**	**2,32 %**	**1 163**	**2,19 %**
Tax charge	33	0,23 %	54	0,43 %	233	0,44 %
Results for the accounting period	**169**	**1,20 %**	**240**	**1,90 %**	**930**	**1,75 %**
Minority interests	**1**	**0,01 %**	**0**	**0,00 %**	**0**	**0,00 %**
Profitability						
Return on equity capital[1)]		7,7 %		12,5 %		14,3 %
Cost-income ratio[2)]		54,5 %		46,3 %		46,3 %
From the balance sheet						
Gross loans to customers	44 308		40 484		43 779	
Gross loans to customers including loans transferred to covered bond companies[3)]	62 156		56 619		61 140	
Lending growth during the last 12 months		9,4 %		9,8 %		9,6 %
Lending growth in last 12 months including loans transferred to covered bond companies		9,8 %		7,7 %		9,3 %
Deposits from customers	33 675		31 054		33 458	
Deposit-to-loan ratio[4)]		76,0 %		76,7 %		76,4 %
Deposit growth during the last 12 months		8,4 %		3,7 %		7,7 %
Total assets	57 185		51 101		55 971	
Losses and commitments in default						
Losses on loans as a percentage of gross loans		0,1 %		0,1 %		0,1 %
Commitments in default as a percentage of total commitments		0,5 %		0,7 %		0,6 %
Other bad and doubtful commitments as a percentage of total commitments		0,4 %		0,5 %		0,5 %
Net commitment in default and commitments with loss provisions as a percentage of total commitments[5)]		0,7 %		0,8 %		0,8 %
Financial strength						
Common equity Tier 1 capital ratio		16,9 %		15,3 %		17,2 %
Tier 1 Capital ratio		17,3 %		15,8 %		17,5 %
Capital adequacy ratio		18,8 %		17,6 %		19,1 %
Net subordinated capital	7 229		6 318		7 179	
Equity ratio		15,7 %		15,4 %		15,6 %
Leverage Ratio		9,2 %		8,5 %		9,2 %
LCR [6)]		139,0 %		78,0 %		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) Deposit from customers as a percentage of gross loans to customers (excl. loans transferred to covered bond companies)
5) Net defaulted and doubtful commitments equals the sum of commitments in default and doubtful commitments minus individual write-downs
6) Liquidity Coverage Ratio; measures the size of banks liquid assets in relation to net liquidity outflows 30 days ahead given a stress situation

INTERIM REPORT Q1 2016

Summary

The Sparebanken Hedmark Group posted a profit after tax for the first quarter of NOK 169 (240) million (last year's figure in brackets). The return on equity was 7.7 (12.5) per cent. Adjusted for financial items, the return on equity was 9.8 per cent. The common equity tier 1 ratio was 16.9 (15.3) per cent and the unweighted equity ratio was 15.7 (15.4) per cent.

The group achieved a net interest margin of 2.63 (2.41) per cent, including home mortgages in the covered bond company. The twelve-month growth in lending and deposits was 9.8 (7.7) per cent and 8.5 (3.7) per cent respectively. At the end of the quarter, the deposit-to-loan ratio was 76.0 (76.7) per cent.

The parent bank's profit after tax for the first quarter was NOK 158 (218) million. The core equity tier 1 ratio was 23.5 (22.4) per cent.

Sparebanken Hedmark has signed an agreement for the purchase of the remaining shares in Bank 1 Oslo Akershus AS. Following the acquisition, the Sparebanken Hedmark Group will be Norway's fourth largest savings bank with adjusted assets capital of around NOK 130 billion and operations in the counties of Hedmark, Oppland and Akershus and Oslo.

The Ministry of Finance has given permission for the purchase. The Financial Supervisory Authority of Norway has to review the changes to the Articles of Association of Sparebanken Hedmark before the transaction can be completed.

Sparebanken Hedmark – Group

The group prepares its financial statements in accordance with the IAS 34 accounting standard.

The group consists of Sparebanken Hedmark and the consolidated, wholly-owned subsidiaries EiendomsMegler 1 Hedmark Eiendom AS, Vato AS and SpareBank 1 Regnskapshuset Østlandet AS, and the 95 per cent-owned subsidiary SpareBank 1 Finans Østlandet AS.

The bank owns 40.5 per cent of Bank 1 Oslo Akershus AS, 11 per cent of SpareBank 1 Gruppen AS, 6.2 per cent of SpareBank 1 Markets AS, and 8.7 per cent of SpareBank 1 Kredittkort AS. The bank also owns 10 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 in proportion to the bank's ownership stake.

The group's profit after tax the first quarter totalled NOK 169 (240) million. The return on equity was 7.7 (12.5) per cent. Excluding changes in the market value of securities issued, fixed-income investments, derivatives and fixed-rate products for customers which are assessed at fair value through profit and loss pursuant to IAS 39, the return on equity was 9.8 per cent.

Specification of the consolidated Group in NOK millions:

Parent bank's profit after tax	158
Dividends received from subsidiaries/associated companies	- 80
Share of the result from:	
SpareBank 1 Gruppen AS	34
Bank 1 Oslo Akershus AS	23
SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS	13
EiendomsMegler 1 Hedmark Eiendom AS	1
SpareBank 1 Finans Østlandet AS	18
SpareBank 1 Regnskapshuset Østlandet AS	1
Other associated companies/joint ventures	1
Consolidated profit after tax	**169**

Interest income and other operating income

Total net interest income, including commission income from loans and credit transferred to partly-owned companies (recognised as commissions), amounted to NOK 336 (317) million. This corresponds to an increase of 6.2 per cent over the previous year.

The group's net interest income as a percentage of the average total assets was 2.11 per cent in the first quarter, compared with 2.09 per cent the year before.

The group's lending margin, including mortgages in the covered bond company, amounted to 2.44 (2.89) per cent. The deposit margin was 0.19 (-0.48) per cent. The group's net interest margin was 2.63 (2.41) per cent.

Net commission income in the first quarter totalled NOK 110 (110) million, while other operating income amounted to NOK 50 (61) million.

The total income from the group's accounting and real estate agency business was NOK 73 million in the first quarter.

Net result from financial assets and liabilities

The net result from financial assets and liabilities fell by NOK 114 million to NOK 7 (121) million. Dividends were NOK 7 million lower, the net result from ownership interests was reduced by NOK 18 million, and the net result from other financial items was reduced by NOK 89 million.

The share of the profit from Bank 1 Oslo Akershus AS accounted for NOK 23 (31) million of the result from ownership interests and the share of the profit from SpareBank 1 Gruppen AS accounted for 34 (34) million.

The net result from other financial assets and liabilities (securities) amounted to NOK 63 (26) million.

The bank's securities issued, fixed-income investments, derivatives and fixed-rate products for customers are assessed at fair value through profit and loss pursuant to IAS 39, and changes in market value are recognised in profit and loss. The total net change in market value of fixed-income securities amounted to minus NOK 72 (-3) million, while the change in value for fixed-rate products for customers was NOK 8 (26) million. Other items amounted to NOK 1 (3) million.

The so-called trading spreads for Norwegian financial securities fell markedly in the first quarter. For a three-year senior issue in a Norwegian regional savings bank, the market spread above NIBOR fell from around 114 basis points at the start of the year to around 94 basis points at the end of the first quarter. Other things being equal, this results in the relevant discount rate on previously issued fixed income securities with fixed coupons decreasing and thus their present value (price) rising. The increase in prices for own debt results in an unrealised loss, but the rise in prices for purchased fixed income securities results in an unrealised gain. The net effect for Sparebanken Hedmark of the changes in prices for all fixed income securities, including hedging transactions, was negative in the amount of NOK 72 million in the first quarter, almost all of which is unrealised losses. Cumulatively, an unrealised gain of NOK 50 million as of year-end 2015 has turned into an unrealised loss of NOK 22 million at the end of the first quarter. Assuming that all of the securities issued and all of the purchased fixed income securities are not realised until they mature, the bank will, over the duration of the securities, reverse this unrealised loss of NOK 22 million at a rate of around NOK 7 million per year.

Costs, losses and problem loans

The group's operating costs were NOK 253 (258) million. This represent a reduction of 1.9 (increase of 6.6) per cent compared with the year before.

Staff costs were NOK 148 (147) million, while other operating expenses amounted to NOK 94 (101) million.

Operating costs as a percentage of total income were 54.5 (46.3) per cent.

Losses are still low and amounted to NOK 9 (5) million. The losses were made up of NOK 3 million in the retail division and NOK 5 million in the corporate division, while NOK 4 (0) million was recognised as income in connection with the sale of the portfolio of non-performing loans. The losses in SpareBank 1 Finans Østlandet AS amounted to NOK 5 (7) million. At the end of the first quarter, the bank's credit exposure to oil-related industries was less than 0.1 per cent.

Group write-downs to cover net loan loss provisions amounted to NOK 121 (118) million and amounted to 0.27 per cent of total lending. Group-level losses were unchanged from 31 December 2015.

The loan loss provision ratio, measured as total individual write-downs of NOK 151 million in relation to total non-performing and other impaired loans of NOK 479 million, was 31 (26) per cent at the end of the first quarter.

Credit quality, measured as total problem commitments in relation to total lending, improved from the same period last year. In total, the group's problem commitments amounted to 0.9 (1.2) per cent of gross commitments on its balance sheet and 0.7 (0.9) per cent if one includes loans transferred to the covered bond companies.

Assets and funding

Gross lending to customers, including loans transferred to the covered bond companies, totalled NOK 62.2 (56.6) billion. At quarter-end, loans totalling NOK 17.3 (15.5) billion had been transferred to SpareBank 1 Boligkreditt AS and loans totalling NOK 0.6 (0.6) billion had been transferred to SpareBank 1 Næringskreditt AS. The group's twelve-month lending growth, including transferred loans, was 9.8 (7.7) per cent.

Retail customer loans transferred to the covered bond company as a percentage of overall retail customer loans (loans on its balance sheet and transferred loans) totalled 41.3 (40.5) per cent.

Customer deposits totalled NOK 33.7 (31.1) billion. Growth in deposits over the past twelve months was 8.5 (3.7) per cent.

Deposits represented 76.0 (76.7) per cent of gross lending.

Senior debt to financial institutions and senior securities issued totalled NOK 13.0 (10.5) billion. The average term to maturity of the bank's long-term funding was 3.8 (4.1) years. The average term to maturity for all borrowing was 3.3 (3.6) years. The average risk premium on the bank's borrowing portfolio at the end of the quarter was 82 (82) basis points. In addition to senior debt, the bank had NOK 0.5 billion outstanding in subordinated loans.

Liquidity was good and there has been a good level of interest in the bank's bonds. At quarter-end, the bank had enough reserves to maintain normal operations for 18 (17) months. The LCR (liquidity coverage ratio) was 139 (78) per cent.

In the opinion of the Board, the bank's liquidity risk is low.

The group's equity amounted to NOK 9.0 (7.9) billion, which is equivalent to 15.7 (15.4) per cent of the balance sheet. The leverage ratio was 9.2 (8.5) per cent.

The group's common equity tier 1 ratio was 16.9 (15.3) per cent. The total capital adequacy ratio was 18.8 (17.6) per cent. The bank's long term capital adequacy target is a common equity tier 1 capital ratio of 16 per cent.

Equity certificates

The equity share capital as of 31.03.2016 consists of 79,740,000 equity certificates, each with a face value of NOK 50. All equity certificates are owned by Sparebanken Hedmark Sparebankstiftelse.

The book value per equity certificate as of 31.03.2016 was NOK 67.15, and the earnings per equity certificate were NOK 1.26.

Rating

Sparebanken Hedmark is rated A2 by Moody's Investor Service. The rating has a 'stable outlook'. Moody's has changed the criteria it applies in its new rating methodology to assign banks a rating that is one or more grades higher due to the likelihood of government support. Applying the new method, Moody's has moved Sparebanken Hedmark down by one grade because in its opinion the likelihood of government support is low. According to Moody's method, the county of Hedmark is too small a county. In order to mark it up a grade, total lending in the county must amount to more than 5 per cent of the total lending in Norway. In connection with the announcement of Sparebanken Hedmark's acquisition of Bank 1 Oslo Akershus AS, Moody's published an assessment of the acquisition that concluded that the acquisition was credit-positive for Sparebanken Hedmark.

Sparebanken Hedmark – Parent bank

Results

Net profit for the first quarter totalled NOK 158 (218) 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 167 (134) million. This was an improvement of 24 per cent.

Margins and net interest income

Net interest income, including loans transferred to the covered bond companies, amounted to NOK 283 (258) million. The NOK 25 million improvement is attributable to a NOK 37 million increase in net interest income due to growth and increased deposit margins, and a NOK 12 million reduction in commissions from loans transferred to the covered bond companies due to lower commission rates.

The net interest margin for loans on the balance sheet (excluding currency loans) was 2.57 (2.38) per cent. The lending margin was 2.38 (2.86) per cent and the deposit margin was 0.19 (-0.48) per cent.

The interest margin for the retail market was 2.37 (2.28) per cent, and for the corporate market it was 2.90 (2.61) per cent.

Net commissions

NOK 40 (52) million of the NOK 102 (105) million in net commissions and other operating income came from commissions on loans transferred to the covered bond companies. The net margin for the portfolio transferred to SpareBank 1 Boligkreditt AS was 0.91 (1.33) per cent.

Net result from financial assets and liabilities

Income from this area amounted to NOK 17 (127) million. Income from dividends amounted to NOK 0 (7) million. The net result from ownership interests, primarily dividends, amounted to NOK 80 (94) million. Dividends were NOK 74 million from SpareBank1 Finans Østlandet AS and NOK 5 million from EiendomsMegler 1 Hedmark Eiendom AS. The net result from other financial assets and liabilities amounted to NOK 63 (26) million. The result for the first quarter is explained in the corresponding section for the group.

Operating costs

Total operating costs amounted to NOK 175 (179) million. Costs increased by 2.2 (0.9) per cent compared with the previous year. Staff costs were reduced by NOK 1 million and depreciation rose by NOK 1 million, while other operating expenses were reduced by NOK 3 million.

At quarter-end, the parent bank had 470 (461) full-time equivalents.

Operating costs amounted to 48.2 (40.8) per cent of total income.

Losses on loans and guarantees

The net loan loss provisions were NOK 4 (-2) million. The losses were made up of NOK 3 (0) million in the retail division and NOK 5 (-1) million in the corporate division, while NOK 4 (0) million was recognised as income in connection with the sale of the portfolio of non-performing loans. The change in group write-downs accounted for NOK 0 (2) million of total losses.

Lending

Gross lending to customers, including loans worth NOK 17.9 billion transferred to the covered bond companies, totalled NOK 56.4 (51.6) billion as of 31.03.2016. The parent bank's lending growth for the last twelve months, including loans transferred to the covered bond companies, was 9.2 (6.6) per cent.

Growth, including transferred loans, was 8.4 (6.9) per cent in the retail market and 10.8 (5.8) per cent in the corporate market. The risk profile of the bank's lending did not change during the last quarter.

Deposits

Deposits from and liabilities to customers as of 31.03.2016 totalled NOK 33.7 (31.1) billion. The growth in deposits over the past twelve months was 8.4 (3.8) per cent. NOK 21.9 (20.4) billion of deposits came from the retail market, while NOK 11.8 (10.7) billion came from the corporate market.

Subsidiaries

The financing company SpareBank 1 Finans Østlandet AS (95 per cent stake) posted a profit after tax of NOK 18 (18) million. The financing company's gross loans at the end of the quarter totalled NOK 5.8 (5.0) billion. Gross lending growth over the past twelve months was 15.5 (18.5) per cent.

SpareBank 1 Regnskapshuset Østlandet AS posted earnings of NOK 45 (55) million and achieved a profit after tax of NOK 1 (10) million.

The real estate agency EiendomsMegler 1 Hedmark Eiendom AS posted earnings of NOK 19 (17) million and achieved a profit after tax of NOK 1 (1) million.

Partly-owned companies

SpareBank 1 Gruppen AS (11 per cent stake) achieved a consolidated profit after tax of NOK 284 (303) million. The return on equity was 12.8 (17.8) per cent.

Bank 1 Oslo Akershus AS (40.5 per cent stake) achieved a profit after tax of NOK 57 (76) million. This profit corresponds to a return on equity of 7.3 (10.4) per cent. The common equity tier 1 ratio was 13.7 (14.0) per cent.

Financial strength

The common equity tier 1 ratio was 23.5 (22.4) per cent at the end of the quarter.
The parent bank's equity was NOK 7.9 (7.0) billion. The total equity in the parent bank amounted to 14.0 (14.0) per cent of the balance sheet as of 31/03/2016.

Outlook for 2016

Lower economic growth is expected in Norway in 2016. Sparebanken Hedmark's primary market is the Inland Region, which encompasses the counties of Hedmark and Oppland. This region has traditionally been less exposed to cyclical fluctuations than other regions. Its business sector has very little exposure to the oil and gas industry. However, international developments and developments in the rest of the country could affect the Inland Region over time.

Sparebanken Hedmark has received final approval for the acquisition of the remaining shares in Bank 1 Oslo Akershus AS. The Financial Supervisory Authority of Norway has to review the changes to the Articles of Association of Sparebanken Hedmark before the transaction can be completed. The new group will be Norway's fourth largest regional savings bank with around 1,180 employees and 44 bank branches in the Inland Region, Akershus and Oslo. The aim is for our customers to view us as even more competent, broader and more competitive in relation to customers and as more attractive to the capital markets.

The bank plans to be listed on the stock exchange in second half of 2016, or as soon as market conditions allow. This 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, 27. april 2016

Sri J. Strømmevold
Board Chair

Nina C. Lier

Erik Garaas

Espen Bjørklund Larsen

Hanne Sverdrup Dahl

Vibeke Hanvold Larsen

Morten Herud

Richard Heiberg
CEO

INCOME STATEMENT

Parent Bank					Group	
31.12.15	31.03.15	31.03.16	(NOK million)	Notes	31.03.16	31.03.15	31.12.15
1 748	442	419	Interest income		472	501	1 972
868	236	176	Interest expenses		176	236	867
880	**206**	**244**	**Net interest income**		**297**	**265**	**1 105**
435	105	104	Commission income		123	123	514
27	7	7	Commission expenses		13	13	53
21	7	5	Other operating income		50	61	190
429	**105**	**102**	**Net commission and other income**		**160**	**171**	**651**
9	7		Dividends from other then group companies			7	8
259	94	80	Net profit from ownership interests		70	88	301
205	26	-63	Net profit from other financial assets and liabilities	7	-63	26	205
472	**127**	**17**	**Net income from financial assets and liabilities**		**7**	**121**	**514**
1 782	**438**	**363**	**Total net income**		**464**	**557**	**2 270**
381	92	91	Personnel expenses		148	147	590
36	8	9	Depreciation		11	11	46
327	78	75	Other operating expenses		94	101	416
745	**179**	**175**	**Total operating expenses before losses on loans and guarantees**		**253**	**258**	**1 052**
1 037	**259**	**188**	**Profit before losses on loans and guarantees**		**211**	**299**	**1 220**
35	-2	4	Losses on loans and guarantees	6	9	5	56
1 002	**261**	**184**	**Profit/loss before tax**		**202**	**294**	**1 164**
207	43	26	Tax charge		33	54	234
795	**218**	**158**	**Results for the accounting period**		**169**	**240**	**930**
			Majority interests		168	240	930
			Minority interests		1		
795	**218**	**158**	**Statement of comprehensive income according to IAS 1**		**169**	**240**	**930**
79							85
-20			Actuarial gains / losses on pensions				-21
			Tax effect of actuarial gains / losses on pensions				
			Share of other comprehensive income from associates and joint ventures			1	34
59	**0**	**0**	**Total items not reclassified through profit or loss**		**0**	**1**	**98**
67	25	9	Change in value of financial assets available for sale		9	25	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				15
67	**25**	**9**	**Total items reclassified through profit or loss**		**9**	**25**	**82**
127	**25**	**9**	**Total profit and loss items recognised in equity**		**9**	**26**	**180**
921	**243**	**167**	**Total profit / loss for the accounting year**		**178**	**266**	**1 109**
			Majority share of comprehensive income		177	266	1 109
			Minority interest of comprehensive income		1		

BALANCE SHEET

Parent Bank					Group		
31.12.15	31.03.15	31.03.16	(NOK million)	Notes	31.03.16	31.03.15	31.12.15
			ASSETS				
264	490	544	Cash and deposits with central banks		544	490	264
5 701	5 063	5 908	Loans to and receivables from credit institutions		888	659	864
37 952	35 282	38 351	Loans to and receivables from customers	5,6	44 050	40 242	43 526
6 133	4 725	6 262	Certificates, bonds and fixed-income funds	9	6 261	4 725	6 133
455	537	507	Financial derivatives	8,1	507	537	455
294	264	303	Shares, units and other equity interests	9	303	264	294
2 457	2 329	2 457	Investments in associates and joint ventures		3 538	3 157	3 386
859	697	822	Investments in subsidiaries				
			Assets held for sale				
314	315	315	Property, plant and equipment		345	339	341
104	108	102	Goodwill and other intangible assets		210	212	211
13	77	30	Deferred tax asset			26	
314	270	335	Other assets	11	538	450	497
54 861	**50 157**	**55 935**	**Total assets**		**57 185**	**51 101**	**55 970**
			LIABILITIES				
661	662	1 251	Deposits from and liabilities to credit institutions		1 250	659	660
33 508	31 105	33 708	Deposits from and liabilities to customers	12	33 675	31 054	33 458
11 576	9 863	11 743	Liabilities arising from issuance of securities	9,13	11 743	9 863	11 576
320	292	312	Financial derivatives	8,1	312	292	320
163	184	126	Current tax liabilities		135	197	167
			Deferred tax liabilities		48		65
440	519	453	Other debt and liabilities recognised in the balance sheet	14	538	642	510
496	505	491	Subordinated loan capital	9,13	491	505	496
47 166	**43 130**	**48 083**	**Total liabilities**		**48 190**	**43 212**	**57 253**
			EQUITY CAPITAL				
3 987		3 987	Equity certificates	15	3 987		3 987
503		503	Cohesion Funds		503		503
3 019	6 639	3 015	Primary capital		3 015	6 639	3 019
50	36	46	Endowment fund		46	36	50
135	134	151	Fund for unrealised gains		151	135	135
	218	151	Other equity		1 253	1 079	1 023
			Minority interests		40		
7 695	**7 027**	**7 853**	**Total equity capital**		**8 995**	**7 889**	**8 718**
54 861	**50 157**	**55 935**	**Total liabilities and equity capital**		**57 185**	**51 101**	**55 970**

The Board of Directors of Sparebanken Hedmark

Hamar, 27. april 2016

Sri J. Strømmevold
Board Chair

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Morten Herud

Richard Heiberg
CEO

Changes in equity capital

Parent Bank

(NOK million)	Equity certificates	Earned equity capital: Cohesion Funds	Earned equity capital: Primary capital	Earned equity capital: Endowment fund	Earned equity capital: Fund for unrealised gains	Total equity capital
Equity capital at 1 January 2015			**6 645**	**42**	**109**	**6 796**
Results for the accounting year			218			218
Actuarial gains / losses on pensions						-
Change revaluation reserve					25	25
Donations distributed from profit 2014			-6			-6
Grants from endowment fund in 2015				-6		-6
Equity capital at 31 March 2015			**6 857**	**36**	**134**	**7 027**
Equity capital at 1 January 2015	**0**		**6 644**	**42**	**109**	**6 796**
OB correction: Correction of previous years' errors			**57**		**-57**	
Adjusted equity capital at 1 January 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 December 2015	**3 987**	**503**	**3 019**	**50**	**135**	**7 695**
Equity capital at 1 January 2016	**3 987**	**503**	**3 019**	**50**	**135**	**7 695**
Results for the accounting year			151		7	158
Actuarial gains / losses on pensions						0
Change revaluation reserve					9	9
Donations distributed from profit 2015			-6			-6
Grants from endowment fund in 2016				-4		-4
Equity capital at 31 March 2016	**3 987**	**503**	**3 164**	**46**	**151**	**7 853**

Group

(NOK million)	Eqyity certifi-cates	Earned equity capital: Cohesion Funds	Earned equity capital: Primary capital	Earned equity capital: Endow-ment fund	Earned equity capital: Fund for unrealised gains	Earned equity capital: Other equity	Minority interests	Total equity capital
Equity capital at 1 January 2015			**6 645**	**42**	**109**	**827**		**7 624**
OB correction: Correction of previous years' errors joint ventures						**5**		**5**
Corrections of previous years' error			**57**		**-57**			
Adjusted equity capital at 1 January 2015			**6 702**	**42**	**52**	**832**		**7 630**
Results for the accounting year			218			22		240
Actuarial gains / losses on pensions								
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss						1		1
Change revaluation reserve					25			25
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss								
Adjusted equity in associated companies and joint ventures								
Change in the group composition						-1		-1
Donations distributed from profit 2014			-6					-6
Grants from endowment fund in 2015				-6				-6
Equity capital at 31 March 2015			**6 857**	**36**	**135**	**861**		**7 889**
Equity capital at 01.01.2015			**6 645**	**42**	**109**	**827**		**7 624**
OB correction: Correction of previous years' errors								
Adjusted equity capital at 1 January 2015						5		5
ECs transferred Foundation			57		-57			
Results for the accounting year			**6 702**	**42**	**52**	**832**		**7 630**
Actuarial gains / losses on pensions	3 987		-3 987					
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss		468	312		16	134		930
Change revaluation reserve		35	24			5		65
Other items that will be reclassified in asso-ciated companies and joint ventures						34		34
Adjusted equity capital in associated compa-nies and joint ventures					67			67
Donations distributed from profit 2014						14		14
To endowment fund in 2015						2		2
Grants from endowment fund in 2015			-6					-6
Equity capital at 31 December 2015			-25	25				
Grants from endowment fund i 2015				-17				-17
Equity capital at 31.12.2015	**3 987**	**503**	**3 019**	**50**	**135**	**1 023**		**8 718**
Equity capital at 1 January 2016	**3 987**	**503**	**3 019**	**50**	**135**	**1 023**	**0**	**8 718**
Results for the accounting year			151		7	11	1	169
Actuarial gains / losses on pensions								0
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss								0
Change revaluation reserve					9			9
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss								0
Adjusted equity in associated companies and joint ventures						70		70
Change in the group composition							39	39
Donations distributed from profit 2015			-6					-6
Grants from endowment fund in 2016				-4				-4
Equity capital at 31 March 2016	**3 987**	**503**	**3 164**	**46**	**151**	**1 104**	**40**	**8 995**

Cash flow statement

Parent Bank				Group		
31.12.15	31.03.15	31.03.16	(NOK million)	31.03.16	31.03.15	31.12.15
10 912	3 188	1 816	This year's down-payments on repayment loans etc. to customers	2 461	3 756	13 378
			Change in advance rent leasing	41		9
-14 568	-3 268	-3 053	Newly discounted repayment loans etc. to customers for the year	-3 847	-4 004	-17 868
74	74	74	Change in balances of foreign currency lending	74	74	74
513	-357	740	Change in balances of credits	739	-357	511
1 403	364	322	Interest and commission income on lending	408	443	1 726
4	1	23	Included in previous years' realised losses on lending	24	1	9
			Net cash flow from assets held for sale			
-1 663	**2**	**-79**	**Cash flow from lending operations (A)**	**-100**	**-87**	**-2 161**
2 146	-66	-662	Change in balances of deposits from customers at call	-648	-108	2 118
277	-47	791	Change in balances of deposits from customers with agreed maturity dates	791	-47	277
-566	-38	-37	Interest payments to customers	-37	-37	-564
1 857	**-151**	**93**	**Cash flow from deposit operations (B)**	**106**	**-192**	**1 831**
-2 184	-737	-132	Net cash flow from securities held short term	-132	-737	-2 184
39	-17	-31	Cash flow linked to exchange rate gains / losses on securities held short term	-31	-17	39
92	12	16	Interest received on bonds and certificates	16	12	92
-2 053	**-742**	**-148**	**Cash flow from investments in securities (C)**	**-148**	**-742**	**-2 053**
-835	-212	-241	Change in receivables from credit institutions with agreed maturity dates	-48	12	-170
126	27	39	Interest received on deposits in credit institutions	39	27	126
-709	**-185**	**-201**	**Cash flow from deposits in credit institutions (D)**	**-9**	**39**	**-44**
563	135	135	Other income	202	199	814
-860	-169	-166	Operating expenses payable	-250	-253	-1 186
-128	-73	-79	Tax payments	-78	-73	-130
-24	-12	-9	Donations	-9	-12	-24
-40	-40		Contributions from the group			-6
-10	-1	-16	Net cash flow from change in other assets	-38	-33	-43
57		-23	Net cash flow from change in accruals	-106	-20	-45
-33	-12	17	Net cash flow from change in other liabilities	30	13	-16
-475	**-172**	**-141**	**Remaining cash flow from current operations (E)**	**-249**	**-179**	**-635**
-3 043	**-1 248**	**-477**	**CASH FLOW FROM OPERATIONS (A+B+C+D+E=F)**	**-400**	**-1 161**	**-3 062**
-6	5	599	Change in deposits from credit institutions	616	-21	-10
4 000	1 100	543	Receipts arising from issuance of securities	531	1 100	4 000
-658		-439	Payments arising from redemption of securities issued	-439		-658
-440	-160	-47	Buy-back of own securities	-47	-160	-440
-241	-49	-41	Interest payments on financing	-41	-49	-241
2 656	**896**	**615**	**Cash flow from financing activities (G)**	**621**	**870**	**2 651**
-31	-6	-9	Investments in fixed assets and intangible assets	-11	-12	-50
2			Sales of fixed assets and intangible assets at sales price			2
-178	-5		Purchase of long-term securities	-2	-5	-178
4		38	Sale of long-term securities			4
268	101	80	Share dividends from securities held long term	38	28	187
64	**90**	**108**	**Cash flow from investments (H)**	**26**	**11**	**-35**
			Liquidity effect of acquisition and sale of ownership interests (I)		18	-28
-150			Liquidity effect from placements in subsidiaries (L)			
-474	**-262**	**246**	**CHANGE IN CASH AND CASH EQUIVALENTS (F+G+H+I+L)**	**246**	**-262**	**-474**
783	783	309	Cash and cash equivalents at 1 January	309	783	783
309	**521**	**555**	**Cash and cash equivalents at the end of period**	**555**	**521**	**309**
			Cash and cash equivalents comprise:			
264	490	544	Cash and deposits with central banks	544	490	264
46	31	11	Deposits etc. at call with banks	11	31	46
309	**521**	**555**	**Cash and cash equivalents at the end of period**	**555**	**521**	**309**

Results from the quarterly accounts

Group									
(Isolated figures in NOK million)	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Interest income	472	481	497	492	501	527	536	526	512
Interest expenses	176	192	218	221	236	255	264	267	272
Net interest income	**297**	**289**	**280**	**271**	**265**	**272**	**272**	**259**	**240**
Commission income	123	129	132	130	123	116	117	121	142
Commission expenses	13	14	14	12	13	12	13	12	12
Other operating income	50	44	37	48	61	54	51	57	56
Net commission and other income	**160**	**159**	**155**	**166**	**171**	**158**	**155**	**165**	**186**
Dividends				1	7	1	1		12
Net profit from ownership interests	70	70	66	76	88	97	103	80	114
Net profit from other financial assets and liabilities	-63	33	142	5	26	29	173	-3	-33
Net income from financial assets and liabilities	**7**	**103**	**208**	**82**	**121**	**126**	**276**	**77**	**93**
Total net income	**464**	**551**	**643**	**519**	**557**	**556**	**702**	**501**	**519**
Personnel expenses	148	155	145	143	147	146	132	129	136
Depreciation	11	13	11	11	11	11	11	10	10
Other operating expenses	94	126	92	97	100	107	93	100	96
Total operating expenses before losses on loans and guarantees	**253**	**294**	**248**	**251**	**258**	**264**	**236**	**239**	**242**
Profit before losses on loans and guarantees	**211**	**260**	**395**	**268**	**299**	**293**	**466**	**262**	**277**
Losses on loans and guarantees	9	18	-2	35	5	24	9	21	12
Profit/loss before tax	**202**	**242**	**397**	**233**	**294**	**269**	**456**	**241**	**265**
Tax charge	33	48	89	43	54	56	54	45	38
Results for the accounting period	**169**	**194**	**307**	**190**	**240**	**214**	**403**	**197**	**227**
Profitability									
Return on equity capital [1]	7,6 %	8,9 %	14,7 %	9,5 %	12,5 %	11,3 %	21,8 %	11,1 %	13,4 %
Net interest income [2]	2,09 %	2,08 %	2,05 %	2,08 %	2,13 %	2,17 %	2,16 %	2,14 %	2,07 %
Cost-income ratio [3]	54,5 %	52,9 %	38,6 %	48,4 %	46,3 %	47,3 %	33,6 %	47,7 %	46,6 %
From the balance sheet									
Gross loans to customers	44 308	43 779	42 793	42 091	40 484	39 936	39 233	38 256	36 885
Gross loans to customers including loans transferred to covered bond companies [4]	62 156	61 140	59 437	57 995	56 619	55 930	54 806	53 916	52 579
Lending growth during the last 12 months	9,4 %	9,6 %	9,1 %	10,0 %	9,8 %	7,4 %	5,3 %	4,0 %	3,7 %
Lending growth in last 12 months including loans transferred to covered bond companies	9,8 %	9,3 %	8,4 %	7,6 %	7,7 %	6,8 %	6,2 %	6,2 %	7,3 %
Deposits from customers	33 675	33 458	33 052	33 205	31 054	31 070	31 575	32 043	29 948
Deposit-to-loan ratio [5]	76,0 %	76,4 %	77,2 %	78,9 %	76,7 %	77,8 %	80,5 %	83,8 %	81,2 %
Deposit growth during the last 12 months	8,4 %	7,7 %	4,7 %	3,6 %	3,7 %	3,2 %	6,3 %	4,4 %	2,7 %
Total assets	57 184	55 970	54 501	53 558	51 101	49 934	49 751	50 195	46 869
Losses and commitments in default									
Losses on loans as a percentage of gross loans	0,1 %	0,2 %	0,0 %	0,3 %	0,1 %	0,2 %	0,1 %	0,2 %	0,1 %
Commitments in default as a percentage of total commitments	0,5 %	0,6 %	0,7 %	0,8 %	0,7 %	0,8 %	0,8 %	0,8 %	0,7 %
Other bad and doubtful commitments as a percentage of total commitments	0,4 %	0,5 %	0,4 %	0,5 %	0,5 %	0,5 %	0,5 %	0,6 %	0,7 %
Net defaulted and doubtful commitments as a percentage of total commitments	0,7 %	0,8 %	0,8 %	0,9 %	0,8 %	0,9 %	0,9 %	1,1 %	1,1 %
Financial strength									
Common equity Tier 1 capital ratio	16,9 %	17,2 %	17,1 %	17,0 %	15,3 %	14,8 %	14,5 %	14,0 %	15,1 %
Tier 1 Capital ratio	17,3 %	17,5 %	17,5 %	17,4 %	15,8 %	15,2 %	16,3 %	14,4 %	15,5 %
Capital adequacy ratio	18,8 %	19,1 %	18,8 %	19,0 %	17,6 %	17,1 %	16,3 %	14,4 %	15,5 %
Net subordinated capital	7 229	7 178	7 030	6 924	6 318	6 273	5 992	5 123	5 076

1) Net profit for the period as a percentage of average equity
2) Net interest income for the period as a percentage of average total assets
3) Total operating expenses for the period as a percentage of total operating income
4) Covered bond companies used are SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS
5) Deposit from customers as a percentage of gross loans to customers (excl. Loans transferred to covered bond companies)

NOTES TO THE ACCOUNTS

Note 1 Accounting principles

1.1 Basis for preparation
The quarterly accounts for Sparebanken Hedmark cover the period 01.01 - 31.03.2016 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 recognised.

Following the introduction of the standard, there has been a discussion as to whether the annual fee for the Norwegian Banks Guarantee Fund for 2015 and 2016 should have been recognised in its entirety in the first quarter. The fee to the Norwegian Banks Guarantee Fund is normally charged on the basis of average guaranteed deposits and the average calculation base for previous quarters. It has not been decided whether a withdrawal from the scheme will entail repayment of excess taxes paid. The general practice has been a pro-rata charge at the time of registration. Established practice and considerations of equal treatment call for a pro-rata approach on de-registration too. The Ministry of Finance will make an individual decision about this. This has a bearing on when the charge should be recognised in the accounts. The Financial Supervisory Authority of Norway concluded in its circular 'Finanstilsynet's review of financial reporting in 2015' on 19.11.2015 that the Guarantee Fund levy must be posted to expenses in its entirety in the first quarter of each year, and expects the banks to change their practice from Q1 2016.

In a letter dated 08.04.2016, the Ministry of Finance asked the Financial Supervisory Authority to produce a consultation note and draft amendments to the regulations on assessment of the levy on withdrawal from the Guarantee Fund scheme which may entitle a bank to a refund of the charge for the part of the year in question when it was not a member of the Guarantee Fund. The Ministry of Finance asks that the consultation note should assess the possible consequences of the amendments for the Norwegian Banks Guarantee Fund and other affected parties, including members' accrual of the charge. The deadline for responses is 01.06.2016.

Pending the Authority's analysis and reply to the Ministry, Sparebanken Hedmark has continued with the previous approach in Q1 2016 of monthly accrual of the charge. The cost amounted to NOK 5.9 million in Q1 2016, against NOK 5.6 million in Q1 2015. If the levy for the Norwegian Banks Guarantee Fund had been posted to income in its entirety in Q1 2016, this would have increased interest costs by NOK 17.9 million, against NOK 16.8 million in Q1 2015.

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.

On 02.11.2015, an agreement between Visa Europe Ltd. and Visa Inc. was published, whereby Visa Inc. will acquire all the shares in Visa Europe. The agreement prices Visa Europe at a maximum of EUR 21.2 billion. Sparebanken Hedmark is a member of Visa Norge, which is turn a group member and shareholder in Visa Europe. If it goes ahead, the transaction will significantly increase the capital in Visa Norge. Based on information obtained from Visa Norge and in-depth assessments, Sparebanken Hedmark has opted to classify its ownership interest in Visa Norge as a financial asset available for sale and recognise an unrealised revaluation of NOK 40 million through other comprehensive income (OCI). Dividend payments from Visa Norge, affecting the profit on ordinary activities, are expected no earlier than Q2 2016. The estimated return is fraught with uncertainty and could change up to the dividend date.

Note 2 Changes in the composition of the group

2016
On 01.01.2016 , 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.

31.03.2016	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	EiendomsMegler 1 Hedmark Eiendom	SpareBank 1 Regn-skapshuset Østlandet	Unallocated activitites	Total
Income statement							
Net interest income	135	108	54			1	297
-of which internal items							
Net commission and other income	79	20	-6	20	45	3	160
-of which internal items							
Net return on financial investments						7	7
Operating expenses*	60	26	18	18	43	88	253
Profit before losses by segment:	**154**	**102**	**30**	**1**	**2**	**-78**	**211**
Losses on loans and guarantees	3	5	5			-4	9
Profit / loss per segment	**151**	**97**	**25**	**1**	**2**	**-74**	**202**
Tax charge	38	24	6			-36	33
Profit / loss after tax charge per segment	**113**	**73**	**19**	**1**	**2**	**-39**	**169**
Balance sheet							
Lending to customers	21 479	16 335	5 780			713	44 308
-of which internal items					*23*	*-23*	
Individual loan write-downs	-28	-93	-15				-136
Collective loan write-downs	-27	-76	-18				-121
Other assets	113	3	74	55	146	12 743	13 134
Total assets per segment	**21 538**	**16 169**	**5 820**	**55**	**146**	**13 457**	**57 185**
Deposits from and liabilities to customers	21 295	11 775				604	33 674
-of which internal items							
Other liabilities and equity	243	4 393	5 820	55	146	12 853	23 511
Total equity and liabilities per segment	**21 538**	**16 169**	**5 820**	**55**	**146**	**13 457**	**57 185**

31.03.2015	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	EiendomsMegler 1 Hedmark Eiendom	SpareBank 1 Regn-skapshuset Østlandet	Unallocated activitites	Total
Income statement							
Net interest income	112	94	60			-1	265
-of which internal items			*-21*			*21*	
Net commission and other income	82	19	-6	17	55	4	171
-of which internal items							
Net return on financial investments						121	121
Operating expenses*	62	26	22	16	42	90	258
Profit before losses by segment:	**132**	**87**	**32**	**1**	**13**	**34**	**299**
Losses on loans and guarantees	-1	-1	7				5
Profit / loss per segment	**133**	**88**	**25**	**1**	**13**	**34**	**294**
Tax charge	36	24	7		3	-16	54
Profit / loss after tax charge per segment	**97**	**64**	**18**	**1**	**10**	**50**	**240**
Balance sheet							
Gross lending to customers	20 280	14 611	5 003			590	40 484
-of which internal items					*27*	*-27*	
Individual loan write-downs	-34	-79	-11				-124
Collective loan write-downs	-31	-72	-15				-118
Other assets	129	1	77	22	187	10 443	10 859
Total assets per segment	**20 344**	**14 461**	**5 054**	**22**	**187**	**11 033**	**51 101**
Deposits from and liabilities to customers	19 841	10 708				505	31 054
-of which internal items			*-3*		*-48*	*51*	
Other liabilities and equity	503	3 753	5 054	22	187	10 528	20 047
Total equity and liabilities per segment	**20 344**	**14 461**	**5 054**	**22**	**187**	**11 033**	**51 101**

31.03.2015	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	EiendomsMegler 1 Hedmark Eiendom	SpareBank 1 Regnskaps-huset Østlandet	Unallocated activitites	Total
Income statement							
Net interest income	482	390	227	1	-2	7	1 105
-of which internal items			*-1*		*-2*	*3*	
Net commission and other income	350	78	-26	81	172	-3	651
-of which internal items			*-1*			*1*	
Net return on financial investments						514	514
Operating expenses*	534	210	86	74	155	-7	1 051
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	**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 per segment	**21 338**	**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 per segment	**21 339**	**16 011**	**5 680**	**43**	**135**	**12 761**	**55 971**

*) Operating expenses in Retail and Corporate contains directly attributable payroll and administration cost and its share of indirect costs

Note 4 Capital adequacy

Parent Bank				Group		
Basel III 31.12.2015	Basel II 31.03.2015	Basel III 31.03.2016		Basel III 31.03.2016	Basel II 31.03.2015	Basel III 31.12.2015
3 987		3 987	Equity certificates	3 987		3 987
503		503	Cohesion Funds	503		503
3 019	6 639	3 015	Primary capital	3 015	6 639	3 019
50	36	46	Endowment fund	46	36	50
135	134	151	Fund for unrealised gains		135	135
	218	151	Other equity	151		-
			Minority interests	1 253	1 079	1 023
			Total equity carried	40		
7 695	**7 027**	**7 853**	**Total equity carried**	**8 994**	**7 889**	**8 718**
			Tier 1 capital			
	-218	-158	Results for the accounting year not included	-169	-240	
			Minority interests recognized in other equity	-38,6		
			Minority interests that can be included in core capital	30		
-119		-60	Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	-60		-119
-104	-108	-102	Goodwill and other intangible assets	-221	-225	-217
-155	-190	-159	Positive value of expected losses under the IRB approach	-181	-229	-182
-264	-226	-401	CET1 instruments of financial sector entities where the institution does not have a significant investment			
			CET1 instruments of financial sector entities where the institution does have a significant investment	-1 827	-1 666	-1 720
-10	-8	-10	Value adjustments due to the requirements for prudent valuation	-13	-11	-13
-220	-181	-155	Excess of deduction from AT1 items over AT1 Capital			
6 823	**6 096**	**6 808**	**Total common equity Tier 1 capital**	**6 514**	**5 518**	**6 468**
			Additional Tier 1 capital			
			Hybrid capital	162	162	162
-220	-181	-155	AT1 instruments of financial sector entities where the institution does not have a significant investment			
			AT1 instruments of financial sector entities where the institution does have a significant investment	-32	-2	-32
			Excess of deduction from T2 items over AT1 Capital			
220	181	155	Excess of deduction from AT1 items over AT1 Capital			
0	**0**	**0**	**Total additional Tier 1 capital**	**130**	**160**	**130**
			Supplementary capital in excess of core capital			
500	500	500	Subordinated loan capital	784	784	783
-277	-248	-211	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	-199	-144	-202
			Excess of deduction from T2 items over AT1 Capital			
223	**252**	**289**	**Total supplementary capital**		**640**	**581**

Parent Bank				Group		
Basel III 31.12.2015	Basel II 31.03.2015	Basel III 31.03.2016		Basel III 31.03.2016	Basel II 31.03.2015	Basel III 31.12.2015
7 047	**6 348**	**7 097**	**Net subordinated capital**	**7 229**	**6 318**	**7 179**
4 257	3 363	4 043	Corporates - SME	4 442	3 805	4 639
6 253	6 172	6 520	Corporates - Specialised Lending	8 431	8 132	8 270
763	783	684	Corporates - Other	757	874	847
905	821	929	SME exposure	962	857	939
6 301	6 337	6 429	Retail mortgage exposure	8 740	8 525	8 538
624	702	625	Other retail exposure	709	794	704
19 103	**18 179**	**19 229**	**Risk-weighted assets credit risk IRB**	**24 042**	**22 987**	**23 937**
7 068	6 816	7 303	Exposures calculated using the standardised approach	10 427	9 394	10 237
			Market risk			
199	272	219	CVA	272,3	310	234
1 989	1 989	2 253	Operational risk	3 702	3 269	3 269
28 359	**27 256**	**29 004**	**Risk-weighted assets**	**38 443**	**35 960**	**37 677**
2 269	**2 180**	**2 320**	**Capital requirements (8%)**	**3 075**	**2 877**	**3 014**
			Buffer requirements			
709	681	725	Conservation buffer (2.5%)	961		942
284		290	Countercyclical capital buffer (1 % as at Q1 2016, 0 % as at Q1 2015)	384		377
851	818	870	Systemic risk buffer (3%)	1 153		1 130
1 843	**1 499**	**1 885**	**Total buffer requirements for common equity (6.5% as at Q1 2016, 5,5 % as at Q1 2015)**	**2 499**		**2 449**
3 704	**3 371**	**3 618**	**Available common equity (net minimum requirement of 11% as at Q1 2016, 10 % as at Q1 2015)**	**2 286**		**2 323**
			Capital adequacy ratio			
24,1 %	**22,4 %**	**23,5 %**	Common equity Tier 1 capital ratio	**16,9 %**	**15,3 %**	**17,2 %**
24,1 %	**22,4 %**	**23,5 %**	Tier 1 Capital ratio	**17,3 %**	**15,8 %**	**17,5 %**
24,8 %	**23,3 %**	**24,5 %**	Capital adequacy ratio	**18,8 %**	**17,6 %**	**19,1 %**

Note 5 Loans to and receivables from customers

Parent Bank				Group		
31.12.2015	31.03.2015	31.03.2016		31.03.2016	31.03.2015	31.12.2015
			Loans by type of receivable			
			Financial leasing	2 579	2 169	2 490
10 940	11 394	10 206	Overdraft facilities and operating credits	10 197	11 394	10 940
860	1 278	853	Building loans	840	1 278	847
26 295	22 742	27 436	Repayment loans	30 601	25 550	29 412
80	83	80	Accrued interest	91	93	90
38 175	**35 498**	**38 575**	**Gross loans to and receivables from customers**	**44 308**	**40 484**	**43 779**
222	215	224	Write-downs	257	242	253
37 953	**35 282**	**38 351**	**Loans to and receivables from customers**	**44 051**	**40 242**	**43 526**
			Loans by type of market			
21 814	20 761	22 042	Private customers	24 527	23 135	24 289
16 354	14 720	16 527	Corporate	19 583	17 153	19 287
6	17	6	Public sector	198	196	203
38 175	**35 498**	**38 575**	**Gross loans to and receivables from customers**	**44 308**	**40 484**	**43 779**
222	215	224	Write-downs	257	242	253
37 953	**35 282**	**38 351**	**Loans to and receivables from customers**	**44 051**	**40 242**	**43 526**

Parent Bank				Group		
31.12.2015	31.03.2015	31.03.2016		31.03.2016	31.03.2015	31.12.2015
23 870	22 483	24 158	Private customers	26 644	24 862	26 345
177	17	175	Public sector	370	196	374
4 304	3 928	4 402	Primary industries	4 666	4 127	4 543
336	321	373	Paper and pulp industries	392	340	357
858	783	893	Other industry	1 242	1 055	1 136
1 491	1 307	1 491	Building and construction	2 185	1 802	2 140
258	225	256	Power and water supply	433	335	404
1 214	1 097	1 241	Wholesale and retail trade	1 634	1 469	1 589
185	188	183	Hotel and restaurants	197	203	197
8 286	7 693	8 444	Real estate	8 529	7 744	8 345
2 386	1 947	2 208	Commercial services	2 833	2 366	2 937
334	287	323	Transport and communications	1 268	1 002	1 138
21	23	17	Other	25	31	21
43 719	**40 301**	**44 164**	**Total commitments by sector and industry**	**50 418**	**45 534**	**49 525**

Parent Bank				Group		
31.12.2015	31.03.2015	31.03.2016		31.03.2016	31.03.2015	31.12.2015
21 814	20 761	22 042	Private customers	24 527	23 135	24 289
6	17	6	Public sector	198	196	203
3 731	3 316	3 680	Primary industries	3 929	3 515	3 970
275	261	297	Paper and pulp industries	313	276	292
534	551	564	Other industry	819	780	777
836	823	832	Building and construction	1 437	1 286	1 417
228	197	226	Power and water supply	383	307	374
804	742	850	Wholesale and retail trade	1 171	1 024	1 128
169	166	166	Hotel and restaurants	180	181	181
7 667	7 087	7 969	Real estate	8 035	7 136	7 722
1 836	1 342	1 682	Commercial services	2 193	1 706	2 365
254	211	244	Transport and communications	1 098	910	1 041
21	23	17	Other	25	31	21
38 175	**35 498**	**38 575**	**Total gross loans by sector and industry**	**44.308**	**40 484**	**43 779**

Parent Bank				Group		
31.12.15	31.03.15	31.03.16		31.03.16	31.03.15	31.12.15
32	35	28	Private customers	35	41	38
5	2	9	Primary industries	9	2	5
1	1	1	Paper and pulp industries	1	1	1
5	6	5	Other industry	9	6	9
9	8	8	Building and construction	8	9	9
1	1	1	Power and water supply	1	1	1
20	19	21	Wholesale and retail trade	22	19	20
	1		Hotel and restaurants		1	
20	17	23	Real estate	25	18	21
25	23	25	Commercial services	25	24	25
			Transport and communications	2	2	2
119	**112**	**121**	**Total individual write-downs by sector and industry**	**137**	**123**	**132**

Note 6 Losses on loans and guarantees

Parent Bank				Group		
31.12.2015	31.03.2015	31.03.2016		31.03.2016	31.03.2015	31.12.2015
1	-10	2	Change in individual write-downs in the period	4	-8	5
2	2		Change in collective write-downs in the period		4	4
21	4	5	Realised losses on commitments previously written down	8	7	36
15	3	20	Realised losses on commitments not previously written down	21	5	21
3	1	23	-Recoveries on loans and guarantees previously written down	24	1	9
35	**-2**	**4**	**Total losses on loans and guarantees**	**9**	**5**	**56**

Parent Bank				Group		
31.12.2015	31.03.2015	31.03.2016		31.03.2016	31.03.2015	31.12.2015
134	134	134	Individual write-downs to cover losses on loans and guarantees at 1 January	147	143	143
21	4	5	Realised losses in the period on loans and guarantees previously written down individually	7	7	35
14	7	3	Reversal of write-downs in previous years	4	10	24
3		4	Increase in write-downs on commitments previously written down individually	4	1	8
32	1	5	Write-downs on commitments not previously written down individually		8	55
134	**124**	**136**	**Individual write-downs to cover losses on loans and guarantees at the end of period *)**	**151**	**135**	**147**

*) Guarantee provisions are included under Other liabilities in the balance sheet, see Note 13.

Parent Bank				Group		
31.12.2015	31.03.2015	31.03.2016		31.03.2016	31.03.2015	31.12.2015
101	101	103	Collective write-downs to cover losses on loans and guarantees at 1 January	120	116	116
2	2		Collective write-downs to cover losses on loans and guarantees in the period	1	2	4
103	**103**	**103**	**Collective write-downs to cover losses on loans and guarantees**	**121**	**118**	**120**

Parent Bank				Group		
31.12.2015	31.03.2015	31.03.2016		31.03.2016	31.03.2015	31.12.2015
180	218	194	Gross defaulted commitments for more than 90 days	260	301	234
32	41	41	Individual write-downs on defaulted commitments	51	50	41
148	**177**	**153**	**Net defaulted commitments**	**208**	**251**	**193**
18 %	**19 %**	**21 %**	**Provision rate**	**20 %**	**17 %**	**18 %**
234	214	195	Gros problem commitments (not in default)	219	217	257
102	83	94	Individual write downs on problem commitments	100	86	107
132	**131**	**101**	**Net problem commitments**	**120**	**131**	**150**
44 %	**39 %**	**48 %**	**Provision rate**	**45 %**	**40 %**	**42 %**
32 %	**29 %**	**35 %**	**Total provision rate**	**31 %**	**26 %**	**30 %**

Note 7 Net income from financial assets and liabilities

Parent bank				Group		
31.12.2015	31.03.2015	31.03.2016		31.03.2016	31.03.2015	31.12.2015
			Change in value of interest rate instruments			
-75	-19	10	Bonds and certificates at fair value through profit and loss	10	-19	-75
294	39	-97	Securities at fair value through profit and loss	-97	39	294
15	26	8	Fixed-rate loans to customers at fair value through profit and loss	8	26	15
			Change in value of derivatives			
7	4	-11	Net change in value of derivatives related to bonds (assets)	-11	4	7
-42	-28	26	Net change in value of derivatives related to funding loans	26	-28	-42
-3			Guarantee liability – Eksportfinans ASA			-3
-3		-2	Net change in value of other derivatives	-2		-3
193	**23**	**-66**	**Total net income from financial assets and liabilities at fair value**	**-66**	**23**	**193**
9	7		Net income from equity instruments available for sale		7	9
			Gains / losses on realisation of equity instruments available for sale			-10
			Write-down of and reversal of previous write-down of equity instruments available for sale			10
8	**7**		**Total net income from equity instruments available for sale**		**7**	**8**
260	**94**	**80**	**Income from ownership interests**	**70**	**88**	**301**
12	**3**	**3**	**Net income from currency trading**	**3**	**3**	**12**
472	**127**	**17**	**Total net income from financial assets and liabilities**	**7**	**121**	**514**

Note 8 Financial derivatives

At fair market value through p & l account	Parent Bank and Group 31.03.2016		
	Contract sum	Fair market value	
Foreign exchange instruments		**Assets**	**Liabilities**
Forward exchange contracts	692	8	7
Currency swap contracts	1 947	9	1
Total foreign exchange instruments	2 639	17	8
Foreign exchange instruments			
Forward exchange contracts	10 552	482	304
Currency swap contracts	150	8	
Total foreign exchange instruments	10 702	490	304
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	20	0	0
Total curr.- and int. rate instruments			
Total currency instruments	**2 639**	**17**	**8**
Total interest rate instruments	**10 702**	**490**	**304**
Other financial derivatives	**20**	**0**	**0**
Total	**13 361**	**507**	**312**

At fair market value through p & l account	31.03.2015		
	Contract sum	Fair market value	
Foreign exchange instruments		**Assets**	**Liabilities**
Forward exchange contracts	1 339	23	22
Currency swap contracts	2 041	29	29
Total foreign exchange instruments	3 379	52	51
Interest rate instruments			
Interest rate swaps (incl. int. rate & currency)	9 348	473	241
Other interest rate contracts	150	12	
Total interest rate instruments	9 498	485	241
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	66	0	0
Total curr. and int. rate instruments			
Total currency instruments	**3 379**	**52**	**51**
Total interest rate instruments	**9 498**	**485**	**241**
Total other financial instruments	**66**	**0**	**0**
Total	**12 944**	**537**	**292**

At fair market value through p & l account	31.12.2015		
	Contract sum	Fair market value	
Foreign exchange instruments		**Assets**	**Liabilities**
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 curr. and int. rate instruments			
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 9 Determination of fair value of financial instruments

The table below shows financial instruments at fair value by valuation method. The different levels are defined as follows:

- Level 1: Quoted prices for similar asset or liability on an active market
- Level 2: Valuation based on other observable factors either direct (price) or indirect (deduced from prices) than the quoted price (used on level 1) for the asset or liability
- Level 3: Valuation based on factors not based on observable market data (non-observable inputs)

All figures are identical for the parent bank and the group.

31.03.2016	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Derivatives		507		507
- Bonds and certificates		6 261		6 261
- Fixed-rate loans		2 810		2 810
- Loans with interest-rate guarantees				0
Financial assets available for sale				
- Equity instruments	164		139	303
- Other financial assets (Visa Norge)			40	40
Total assets	**164**	**9 579**	**180**	**9 922**
Liabilities				
Financial assets at fair value through profit and loss				
- Derivatives		312		312
- Securities issued		11 743		11 743
- Subordinated loan capital		491		491
- Fixed-rate deposits		150		150
- Term deposit			60	60
Total liabilities	**0**	**12 695**	**60**	**12 755**

31.03.2015	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Derivatives		537		537
- Bonds and certificates		4 723		4 723
- Fixed-rate loans		2 271		2 271
- Loans with interest-rate guarantees			1	1
Financial assets available for sale				
- Equity instruments	154		110	264
Total assets	**154**	**7 531**	**111**	**7 796**
Liabilities				
Financial assets at fair value through profit and loss				
- Derivatives		292		292
- Securities issued		9 863		9 863
- Subordinated loan capital		505		505
- Fixed-rate deposits		46		46
- Term deposit			60	60
Total liabilities	**0**	**10 706**	**60**	**10 765**

31.12.2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
- Derivatives		455		455
- Bonds and certificates		6 133		6 133
- Fixed-rate loans		2 771		2 771
- Loans with interest-rate guarantees				
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	Level 1	Level 2	Level 3	Total
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		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 is observable market data, the instrument is included in level 3.

Valuation methods used to determine the value of financial instruments include:
- 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:

31.12.15–31.03.16	Loans with interest-rate guarantees	Equity instruments	Derivatives	Market-linked certificates of deposit (BMA)	Other financial assets	Total
Opening balance		139	-3	-61	40	**116**
Investments in the period						**0**
Sales / redemption in the period			3	1		**3**
Gains / losses recognised through profit and loss						**0**
Gains / losses recognised directly against comprehensive income						**0**
Closing balance	0	139	0	-60	40	**119**
Gains / losses for the period included in the profit for assets owned on the balance sheet day	0	0	0	0		**0**

31.12.14–31.03.15	Loans with interest-rate guarantees	Equity instruments	Derivatives	Market-linked certificates of deposit (BMA)	Other financial assets	Total
Opening balance	1	108	3			**112**
Investments in the period				-60		**-60**
Sales / redemption in the period			-3			**-3**
Gains / losses recognised through profit and loss						**0**
Gains / losses recognised directly against comprehensive income		2				**2**
Closing balance	1	110	0	-60	0	**51**
Gains / losses for the period included in the profit for assets owned on the balance sheet day						**0**

31.12.14–31.12.15	Loans with interest-rate guarantees	Equity instruments	Derivatives	Market-linked certificates of deposit (BMA)	Other financial assets	Total
Opening balance	1	108	3			**112**
Investments in the period		30		-61		**-31**
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	**116**
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.

Note 10 Financial instruments and offsetting

As from 2013 the bank is required to disclose financial instruments which the bank considers to fulfil the requirements for netting under IAS 32.42, and financial instruments in respect of which offsetting agreements have been entered into. Both in accordance with IFRS 7.13 A-F.

The bank has no financial instruments booked on a net basis in the financial statements.

Sparebanken Hedmark has two sets of agreements which regulate counterparty risk and netting of derivatives. For retail and corporate customers, use is made of framework agreements requiring provision of collateral. For customers engaged in trading activity, only cash deposits are accepted as collateral. The agreements are unilateral, i.e it is only the customers that provide collateral. As regards financial institutions, the bank enters into standardised and mainly bilateral ISDA agreements. Additionally, the bank has entered into supplementary agreements on provision of collateral (CSA) with the most central counterparties. The bank only enters into agreements with cash as collateral.

The assets and liabilities below may be offset.
All figures are identical for the parent bank and the group.

				Amounts not presented on the balance sheet on a net basis		
31.03.2016	**Gross financial assets/(liabilities)**	**Recognised on a net basis**	**Net financial assets/ (liabilities) on the balance sheet**	**Financial instruments**	**Cash collateral given/(received)**	**Net amount**
Derivatives as assets	507	0	507	-69	0	438
Derivatives as liabilities	-312	0	-312	69	127	-116
31.03.2015						
Derivatives as assets	537	0	537	-86	0	451
Derivatives as liabilities	-292	0	-292	86	117	-88
31.12.2015						
Derivatives as assets	455	0	455	-48	0	407
Derivatives as liabilities	-320	0	-320	48	116	-157

Note 11 Other assets

Parent Bank				Group		
31.12.2015	**31.03.2015**	**31.03.2016**		**31.03.2016**	**31.03.2015**	**31.12.2015**
73	73	73	Capital payments into pension fund	73	73	73
17	20	16	Accrued income, not yet received	21	30	21
27	39	42	Prepaid costs, not yet incurred	41	39	27
197	138	205	Other assets	403	308	376
314	**270**	**335**	**Other assets**	**538**	**450**	**497**

Note 12 Deposits from and liabilities to customers

Parent Bank				Group		
31.12.2015	**31.03.2015**	**31.03.2016**		**31.03.2016**	**31.03.2015**	**31.12.2015**
20 396	19 167	20 598	Private customers	20 598	19 167	20 396
4 126	3 690	3 832	Public sector	3 832	3 690	4 126
921	1 021	1 051	Primary industries	1 051	1 021	921
104	109	93	Paper and pulp industries	93	109	104
503	430	504	Other industry	504	430	503
806	655	726	Building and construction	726	655	806
124	228	277	Power and water supply	277	228	124
882	646	754	Wholesale and retail trade	754	646	882
131	100	144	Hotel and restaurants	144	100	131
1 487	1 478	1 769	Real estate	1 769	1 478	1 487
3 756	3 295	3 681	Commercial services	3 648	3 244	3 706
268	286	272	Transport and communications	272	286	268
4		8	Other operations	8		4
33 508	**31 105**	**33 708**	**Total deposits by sector and industry**	**33 675**	**31 054**	**33 458**

Note 13 Securities-related debt

Parent Bank and Group

Changes in liabilities from issuance of securities	**31.03.2016**	**Issued**	**Due / redeemed**	**Other changes**	**31.12.2015**
Certificate-based debt, nominal value	500				500
Bond debt, nominal value	10 878	550	-1 000	514	10 814
Subordinated loan capital, nominal value	500				500
Accrued interest	142			7	136
Adjustments	213			90	123
Total debt raised through issuance of securities and subordinated loan capital, fair value	**12 233**	**550**	**-1 000**	**611**	**12 073**

Changes in liabilities from issuance of securities	**31.03.2015**	**Issued**	**Due / redeemed**	**Other changes**	**31.12.2014**
Certificate-based debt, nominal value	0				0
Bond debt, nominal value	9 351	1 100		-159	8 410
Subordinated loan capital, nominal value	500				500
Accrued interest	140			8	131
Adjustments	377			-37	415
Total debt raised through issuance of securities and subordinated loan capital, fair value	**10 368**	**1 100**	**0**	**-188**	**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 14 Other debt and liabilities

Parent Bank				Group		
31.12.2015	**31.03.2015**	**31.03.2016**		**31.03.2016**	**31.03.2015**	**31.12.2015**
263	370	266	Pension liabilities	282	392	280
14	12	14	Guarantee provisions	14	12	14
7	6	4	Banker's drafts	4	6	7
34	25	26	Accounts payable	30	30	41
121	106	142	Other	208	202	167
440	**519**	**453**	**Total other debt and liabilities recognised in the balance sheet**	**538**	**642**	**510**

Note 15 Equity capital certificates

Equity share capital as at 31.12.15 consisting of 79,740,000 equity certificates at NOK 50 each.

	31.03.2016
Equity capital certificates	3 987
Dividend equalisation fund	503
A. The equity capital certificate owners' capital	**4 490**
Primary capital	**3 019**
Endowment fund	46
Fund for unrealised gains	151
Other equity	145
B. Total primary capital	**3 361**
Endowment fund	
Dividend declared	
Equity parent bank	**7 853**
Equity capital certificate ratio (A/(A+B))	**59,8 %**

Equity capital certificate ratio for distribution

Owner of equity certificates:	**No. Of EC's**	**Share in %**
Sparebanken Hedmark Sparebankstiftelse	79 740 000	100 %



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

Sparebanken 1 HEDMARK

pwc

SpareBank 1 Østlandet
Strandgata 15
2317 Hamar
Norway

Independent Auditor's Report on the Compilation of the Unaudited Pro Forma Financial Information Included in a Prospectus

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of SpareBank 1 Østlandet (the "Company") prepared by the Board of Directors and Management of the Company. The unaudited pro forma financial information consists of the unaudited consolidated pro forma income statement for the year ended 31 December 2016, and related notes as set out in Section 13 of the Prospectus issued by the Company. The applicable criteria on the basis of which the Board of Directors and Management of the Company has compiled the unaudited pro forma financial information are specified in EU Regulation No 809/2004 as included in the Norwegian Securities Trading Act and described in Section 13 of the Prospectus.

The unaudited pro forma financial information has been prepared by the Board of Directors and Management of the Company for illustrative purposes only to show how the acquisition of Bank 1 Oslo Akershus, the "Acquisition", as set out in Section 13 of the Prospectus, might have affected the Company's unaudited consolidated income statement for the year ended 31 December 2016, as if the Merger had occurred at 1 January 2016. As part of this process, information about the Company's and Bank 1 Oslo Akershus consolidated financial performance has been extracted by the Board of Directors and Management of the Company from the audited consolidated financial information of the Company and Bank 1 Oslo Akershus for the year ended 31 December 2016.

The Board of Directors' and Management's Responsibility for the Unaudited Consolidated Pro Forma Financial Information

The Board of Directors and Management are responsible for compiling the pro forma financial information on the basis of the requirements of EU Regulation No 809/2004 as included in the Norwegian Securities Trading Act.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.
The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding

compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibilities

Our responsibility is to express an opinion, as required by Annex II item 7 of EU Regulation No 809/2004 about whether the unaudited pro forma financial information has been compiled by the Board of Directors and Management of the Company on the basis stated and that this basis is consistent with the accounting policies of the Company.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner plan and perform procedures to obtain reasonable assurance about whether the Board of Directors and Management of the Company has compiled the unaudited pro forma financial information on the basis stated in Section 13 of the Prospectus and whether this basis is consistent with the accounting policies of the Company.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of pro forma financial information included in a Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 1 January 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors and Management of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria;
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement

circumstances. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- the unaudited pro forma financial information has been properly compiled on the basis stated in Section 13 of the Prospectus; and
- the basis is consistent with the accounting policies of the Company.

This report is issued for the sole purpose of the initial public offering (the "Offering") and listing (the "Listing") of the Bank's Equity capital certificates (the "ECCs") on Oslo Børs, as described in the Prospectus dated 26 May 2017 and approved by the Norwegian Financial Supervisory Authority. Our work has not been carried out in accordance with auditing, assurance or other standards and practises generally accepted in the United States and accordingly should not be used or relied upon as it had been carried out in accordance with those standard practises. Therefore, this report is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Offering described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any other transactions than the Offering.

Oslo, 26 May 2017
PricewaterhouseCoopers AS

Magne Sem
State Authorised Public Accountant (Norway)

APPLICATION FORM FOR THE RETAIL OFFERING

General information: The terms and conditions for the Retail Offering are set out in the prospectus dated 26 May 2017 (the "**Prospectus**"), which has been issued by SpareBank 1 Østlandet (the "**Bank**") in connection with (i) the secondary sale of existing Equity Capital Certificates ("**ECCs**") in the Bank by the Bank's major shareholder Sparebanken Hedmark Sparebankstiftelse (the "**Foundation**") as well as certain other shareholders as listed in Section 5.13 "Selling ECC holders" of the Prospectus (collectively, the "**Other Selling ECC Holders**" and together with the Foundation the "**Selling ECC Holders**"), (ii) an issue of New ECCs directed toward Eligible Employees, and (iii) and the listing of the Bank's ECCs on the Oslo Stock Exchange. All capitalised terms not defined herein shall have the meaning as assigned to them in the Prospectus.

Application procedure: Norwegian applicants in the Retail Offering who are residents of Norway with a Norwegian personal identification number may apply for Offer ECCs by using the following websites: www.sparebank1.no/nb/hedmark/om-oss/investor.html, www.sb1markets.no, www.paretosec.com and www.swedbank.com. Applications in the Retail Offering can also be made by using this Retail Application Form attached to the Prospectus as Appendix E (Application Form for the Retail Offering). Retail Application Forms must be correctly completed and submitted by the applicable deadline to one of the following application offices:

SpareBank 1 Markets AS
P.O. Box 1398 Vika
N-0114 Oslo
Norway
Telephone: +47 24 14 74 00
Telefax: +47 24 14 74 01
Email: subscription@sb1markets.no
www.sb1markets.no

Pareto Securities AS
P.O. Box 1411 Vika
N-0115 Oslo
Norway
Telephone: +47 22 87 87 00
Telefax: +47 22 87 87 15
Email: subscription@paretosec.com
www.paretosec.com

Swedbank Norge
P.O. Box 1441 Vika
N-0115 Oslo
Norway
Telephone: +47 23 23 80 30
Telefax +47 23 23 80 11
Email: emisjon@swedbank.no
www.swedbank.com

The applicant is responsible for the correctness of the information filled in on this Retail Application Form. Retail Application Forms that are incomplete or incorrectly completed, electronically or physically, or that are received after expiry of the Application Period, and any application that may be unlawful, may be disregarded without further notice to the applicant. **Subject to any shortening or extension of the Application Period, applications made through the VPS online application system must be duly registered by 12:00 hours (CET) on 9 June 2017, while applications made on Retail Application Forms must be received by one of the application offices by the same time**. None of the Bank, the Selling ECC Holders or any of the Managers may be held responsible for postal delays, unavailable fax lines, internet lines or servers or other logistical or technical matters that may result in applications not being received in time or at all by any of the application offices. All applications made in the Retail Offering will be irrevocable and binding upon receipt of a duly completed Retail Application Form, or in the case of applications through the VPS online application system, upon registration of the application, irrespective of any shortening or extension of the Application Period, and cannot be withdrawn, cancelled or modified by the applicant after having been received by the application office, or in the case of applications through the VPS online application system, upon registration of the application.

Price of Offer ECCS: The indicative price range (the "**Indicative Price Range**") for the Offering is from NOK 74.50 to NOK 82.00 per Offer ECC. The Foundation and the Bank, in consultation with the Managers, will determine the final Offer Price on the basis of applications received and not withdrawn in the Institutional Offering during the Bookbuilding Period and the number of applications received in the Retail Offering and the Employee Offering. The Offer Price will be determined on or about 11 June 2017. The Offer Price may be set within, below or above the Indicative Price Range. Each applicant in the Retail Offering will be permitted, but not required, to indicate when ordering through the VPS online application system or on the Retail Application Form that the applicant does not wish to be allocated Offer ECCs should the Offer Price be set higher than the highest price in the Indicative Price Range. If the applicant does so, the applicant will not be allocated any Offer ECCs in the event that the Offer Price is set higher than the highest price in the Indicative Price Range. If the applicant does not expressly stipulate such reservation when ordering through the VPS online application system or on the Retail Application Form, the application will be binding regardless of whether the Offer Price is set within or above (or below) the Indicative Price Range.

Allocation, payment and delivery of Offer ECCs: the Managers, acting as settlement agents for the Retail Offering, expects to issue notifications of allocation of Offer ECCs in the Retail Offering on or about 12 June 2017, by issuing allocation notes to the applicants by mail or otherwise. Any applicant wishing to know the precise number of Offer ECCs allocated to it may contact one of the application offices from on or about 12 June 2017 during business hours. Applicants who have access to investor services through an institution that operates the applicant's VPS account should be able to see the number of Offer ECCs they have been allocated from on or about 12 June 2017. In registering an application through the VPS online application system or by completing and submitting a Retail Application Form, each applicant in the Retail Offering will authorise the Managers to debit the applicant's Norwegian bank account for the total amount due for the Offer ECCs allocated to the applicant. Accounts will be debited on or about 14 June 2017 (the "**Payment Date**"), and there must be sufficient funds in the stated bank account from and including 13 June 2017. Applicants who do not have a Norwegian bank account must ensure that payment for the allocated Offer ECCs is made on or before the Payment Date. Further details and instructions will be set out in the allocation notes to the applicant to be issued on or about 12 June 2017, or can be obtained by contacting SpareBank 1 Markets AS, Pareto Securities AS or Swedbank Norge. The Managers are only authorised to debit each account once, but reserves the right (but has no obligation) to make up to three debit attempts up to seven working days after the Payment Date if there are insufficient funds on the account on the Payment Date. Should any applicant have insufficient funds on its account, or should payment be delayed for any reason, or if it is not possible to debit the account, overdue interest will accrue and other terms will apply as set out under the heading "Overdue and missing payment" below. Subject to timely payment by the applicant, delivery of the Offer ECC allocated in the Retail Offering is expected to take place on or about 14 June 2017 (or such later date upon the successful debit of the relevant account).

Guidelines for the applicant: Please refer to the second page of this Retail Application Form for further application guidelines.

Applicant's VPS-account (12 digits):	**I/we apply for Offer ECCs for a total of NOK (minimum NOK 10,500 and maximum NOK 2,500,000)**	**Applicant's bank account to be debited (11 digits):**
OFFER PRICE: My/our application is conditional upon the final Offer Price not being set above the highest price of the Indicative Price Range (insert cross) **(must only be completed if the application is conditional upon the final Offer Price not being set above the highest price of the Indicative Price Range):**		
I/we hereby irrevocably (i) apply for the number of Offer ECCs allocated to me/us, at the Offer Price, up to the aggregate application amount as specified above subject to the terms and conditions set out in this Retail Application Form and in the Prospectus, (ii) authorise and instruct each of the Managers (or someone appointed by any of them) acting jointly or severally to take all actions required to purchase the Offer ECCs allocated to me/us on my/our behalf, to take all other actions deemed required by them to give effect to the transactions contemplated by this Retail Application Form, and to ensure delivery of such Offer ECCs to me/us in the VPS, on my/our behalf, (iii) authorise the Managers to debit my/our bank account as set out in this Retail Application Form for the amount payable for the Offer ECCs allocated to me/us, and (iv) confirm and warrant to have read the Prospectus and that I/we are eligible to apply for and purchase Offer ECCs under the terms set forth therein.		
Date and place*:	**Binding signature****:	

* Must be dated during the Application Period.
** The applicant must be of legal age. If the Retail Application Form is signed by a proxy, documentary evidence of authority to sign must be attached in the form of a Power of Attorney or Company Registration Certificate.

DETAILS OF THE APPLICANT — ALL FIELDS MUST BE COMPLETED	
First name	Surname/Family name/Company name
Home address (for companies: registered business address)	Zip code and town
Identity number (11 digits) / business registration number (9 digits)	Nationality
Telephone number (daytime)	E-mail address

GUIDELINES FOR THE APPLICANT

THIS RETAIL APPLICATION FORM IS NOT FOR DISTRIBUTION OR RELEASE, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES, AUSTRALIA, CANADA, JAPAN, HONG KONG OR SOUTH AFRICA, OR ANY OTHER JURISDICTION IN WHICH THE DISTRIBUTION OR RELEASE WOULD BE UNLAWFUL. OTHER RESTRICTIONS ARE APPLICABLE. PLEASE SEE "SELLING RESTRICTIONS" BELOW.

This application form shall be read together with, and may only be distributed with, the Prospectus. In case of discrepancies between the information in the application form and the Prospectus, the Prospectus shall prevail.

Regulatory issues: Legislation passed throughout the European Economic Area (the "**EEA**") pursuant to the Markets and Financial Instruments Directive ("**MiFID**") implemented in the Norwegian Securities Trading Act, imposes requirements in relation to business investment. In this respect the Managers must categorise all new clients in one of three categories: Eligible counterparties, Professional and Non-professional clients. All applicants applying for Offer ECCs in the Offering who/which are not existing clients of one of the Managers will be categorised as Non-professional clients. The applicant can by written request to the Managers ask to be categorised as a Professional client if the applicant fulfils the provisions of the Norwegian Securities Trading Act. For further information about the categorisation the applicant may contact the Managers. The applicant will not be regarded as a customer of the Managers with regard to any other transaction unless and until complete customer registration forms have been received by the Managers. The applicant represents that it has sufficient knowledge, sophistication and experience in financial and business matters to be capable of evaluating the merits and risks of an investment decision to invest in the Bank by applying for Offer ECCs, and the applicant is able to bear the economic risk, and to withstand a complete loss of an investment in the Bank.
General business terms and conditions: The application Offer ECCs is regulated by the Managers general business terms and conditions, execution policy, documents regarding customer classification, as well as documents regarding risk factors, which are available at the following web pages: SpareBank 1 Markets: www.sb1markets.no, Pareto Securities: www.paretosec.com, Swedbank Norge: www.swedbank.com.

Execution only: As the Managers are not in the position to determine whether the application for Offer ECCs are suitable for the applicant, the Managers will treat the application as an execution only instruction from the applicant to apply for Offer ECCs in the Offering. Hence, the applicant will not benefit from the corresponding protection of the relevant conduct of business rules in accordance with the Norwegian Securities Trading Act.

Information barriers: The Managers are securities firms, offering a broad range of investment services. In order to ensure that assignments undertaken in the Managers' corporate finance departments are kept confidential, the Managers' other activities, including analysis and stock broking, are separated from their corporate finance departments by information barriers known as "Chinese walls". The applicant acknowledges that the Managers' analysis and stock broking activity may act in conflict with the applicant's interests with regard to transactions in the Offer ECCs as a consequence of such Chinese walls.

VPS account and anti-money laundering procedures: The Retail Offering is subject to applicable anti-money laundering legislation, including the Norwegian Money Laundering Act of 6 March 2009 no. 11 and the Norwegian Money Laundering Regulation of 13 March 2009 no. 302 (collectively, the "**Anti-Money Laundering Legislation"**). Applicants who are not registered as existing customers of one of the Managers must verify their identity to one of the Managers in accordance with requirements of the Anti-Money Laundering Legislation, unless an exemption is available. Applicants who have designated an existing Norwegian bank account and an existing VPS account on the Retail Application Form are exempted, unless verification of identity is requested by a Manager. Applicants who have not completed the required verification of identity prior to the expiry of the Application Period will not be allocated Offer ECCs. Participation in the Retail Offering is conditional upon the applicant holding a VPS account. The VPS account number must be stated in the Retail Application Form. VPS accounts can be established with authorised VPS registrars, who can be Norwegian banks, authorised securities brokers in Norway and Norwegian branches of credit institutions established within the EEA. Establishment of a VPS account requires verification of identity to the VPS registrar in accordance with the Anti-Money Laundering Legislation. However, non-Norwegian investors may use nominee VPS accounts registered in the name of a nominee. The nominee must be authorised by the Norwegian FSA.

Selling restrictions: The Offering is subject to specific legal or regulatory restrictions in certain jurisdictions, see Section 20 "Selling and Transfer Restrictions" in the Prospectus. Neither the Bank nor the Selling ECC Holders assume any responsibility in the event there is a violation by any person of such restrictions. The Offer ECCs have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or under any securities laws of any state or other jurisdiction of the United States and may not be taken up, offered, sold, resold, transferred, delivered or distributed, directly or indirectly, within, into or from the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with the securities laws of any state or other jurisdiction of the United States. There will be no public offer in the United States. The Offer ECCs will, and may, not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly, within, into or from any jurisdiction where the offer or sale of the Offer ECCs are not permitted, or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any jurisdiction where the offer or sale is not permitted, except pursuant to an applicable exemption. In the Retail Offering, the Offer ECCs are being offered and sold to certain persons outside the United States in offshore transactions within the meaning of and in compliance with Rule 903 of Regulation S under the U.S. Securities Act.

The Bank has not authorised any offer to the public of its securities in any Member State of the EEA other than Norway. With respect to each Member State of the EEA other than Norway and which has implemented the EU Prospectus Directive (each, a "**Relevant Member State**"), no action has been undertaken or will be undertaken to make an offer to the public of the Offer ECCs requiring a publication of a prospectus in any Relevant Member State. Any offers outside Norway will only be made in circumstances where there is no obligation to produce a prospectus.

Stabilisation: In connection with the Offering, SpareBank 1 Markets AS (as the "**Stabilisation Manager**"), or its agents, on behalf of the Managers, may, upon exercise of the Lending Option, engage in transactions that stabilise, maintain or otherwise affect the price of the ECCs for up to 30 days from the first day of the Listing. Specifically, the Stabilisation Manager may effect transactions with a view to supporting the market price of the ECCs at a level higher than might otherwise prevail, through buying ECCs in the open market at prices equal to or lower than the Offer Price. There is no obligation on the Stabilisation Manager and its agents to conduct stabilisation activities and there is no assurance that stabilisation activities will be undertaken. Such stabilising activities, if commenced, may be discontinued at any time, and will be brought to an end at the latest 30 calendar days after the first day of the Listing.

Investment decisions based on full Prospectus: Investors must neither accept any offer for, apply for nor acquire, any Offer ECCs, on any other basis than on the complete Prospectus.

Terms and conditions for payment by direct debiting - securities trading: Payment by direct debiting is a service provided by cooperating banks in Norway. In the relationship between the payer and the payer's bank the following standard terms and conditions apply.

1. The service "Payment by direct debiting — securities trading" is supplemented by the account agreement between the payer and the payer's bank, in particular Section C of the account agreement, General terms and conditions for deposit and payment instructions.
2. Costs related to the use of "Payment by direct debiting — securities trading" appear from the bank's prevailing price list, account information and/or information is given by other appropriate manner. The bank will charge the indicated account for incurred costs.
3. The authorisation for direct debiting is signed by the payer and delivered to the beneficiary. The beneficiary will deliver the instructions to its bank who in turn will charge the payer's bank account.
4. In case of withdrawal of the authorisation for direct debiting the payer shall address this issue with the beneficiary. Pursuant to the Financial Contracts Act, the payer's bank shall assist if payer withdraws a payment instruction which has not been completed. Such withdrawal may be regarded as a breach of the agreement between the payer and the beneficiary.
5. The payer cannot authorise for payment a higher amount than the funds available at the payer's account at the time of payment. The payer's bank will normally perform a verification of available funds prior to the account being charged. If the account has been charged with an amount higher than the funds available, the difference shall be covered by the payer immediately.
6. The payer's account will be charged on the indicated date of payment. If the date of payment has not been indicated in the authorisation for direct debiting, the account will be charged as soon as possible after the beneficiary has delivered the instructions to its bank. The charge will not, however, take place after the authorisation has expired as indicated above. Payment will normally be credited the beneficiary's account between one and three working days after the indicated date of payment/delivery.
7. If the payer's account is wrongfully charged after direct debiting, the payer's right to repayment of the charged amount will be governed by the account agreement and the Financial Contracts Act.

Overdue and missing payments: Overdue payments will be charged with interest at the applicable rate under the Norwegian Act on Interest on Overdue Payments of 17 December 1976 no. 100, which at the date of the Prospectus is 8.50% per annum. Should payment not be made when due, the Offer ECCs allocated will not be delivered to the applicant, and the Managers reserve the right, at the risk and cost of the applicant, to cancel at any time thereafter the application and to re-allot or otherwise dispose of the allocated Offer ECCs, on such terms and in such manner as the Managers may decide (and the applicant will not be entitled to any profit therefrom). The original applicant will remain liable for payment of the Offer Price for the Offer ECCs allocated to the applicant, together with any interest, costs, charges and expenses accrued, and the Foundation and/or the Managers may enforce payment of any such amount outstanding.

BESTILLINGSBLANKETT FOR DET OFFENTLIGE TILBUDET

Generell informasjon: Vilkårene og betingelsene for det Offentlige Tilbudet fremgår av prospektet datert 26. mai 2017 ("**Prospektet**"), som er utarbeidet av SpareBank 1 Østlandet ("**Banken**") i forbindelse med (i) salget av Eksisterende Egenkapitalbevis i Banken av Bankens største Egenkapitalbeviseier Sparebanken Hedmark Sparebankstiftelse ("**Stiftelsen**"), samt visse andre Egenkapitalbeviseiere som opplistet i punkt 5.13 "Selling ECC Holders" i Prospektet (samlet, de "**Andre Selgende Egenkapitalbeviseierne**") og sammen med Stiftelsen de "**Selgende Egenkapitalbeviseierne**"), (ii) en emisjon av Nye Egenkapitalbevis rettet mot kvalifiserte ansatte i Banken og (iii) noteringen av Bankens Egenkapitalbevis på Oslo Børs. Prospektet inneholder også et norsk sammendrag. Alle definerte ord og uttrykk (angitt med stor bokstav) som ikke er definert i denne bestillingsblanketten, skal ha samme innhold som i Prospektet.

Bestillingsprosedyre: Norske bestillere i det Offentlige Tilbudet som er norske statsborgere med et norsk personnummer kan foreta bestilling av Tilbudsegenkapitalbevis gjennom følgende internettsider: www.sparebank1.no/nb/hedmark/om-oss/investor.html, www.sb1markets.no, www.paretosec.com og www.swedbank.no. Bestillinger i det Offentlige Tilbudet kan også foretas ved å benytte denne bestillingsblanketten som er vedlagt Prospektet som Vedlegg E (Application Form for the Retail Offering). Korrekt utfylt bestillingsblankett må være mottatt av en av de følgende bestillingskontorer før utløpet av den relevante fristen:

SpareBank 1 Markets AS
P.O. Box 1398 Vika
N-0114 Oslo
Norge
Telefon: +47 24 14 74 00
Telefax: +47 24 14 74 01
Epost: subscription@sb1markets.no
www.sb1markets.no

Pareto Securities AS
P.O. Box 1411 Vika
N-0115 Oslo
Norge
Telefon: +47 22 87 87 00
Telefax: +47 22 87 87 15
Epost: subscription@paretosec.com
www.paretosec.no

Swedbank Norge
P.O. Box 1441 Vika
N-0115 Oslo
Norge
Telefon: +47 23 23 80 30
Telefax +47 23 23 80 11
Epost: emisjon@swedbank.no
www.swedbank.no

Bestilleren er ansvarlig for riktigheten av informasjonen som er fylt inn i bestillingsblanketten. Bestillingsblanketter som er ufullstendige eller uriktig utfylt, elektronisk eller på papir, eller som mottas etter utløpet av Bestillingsperioden, og enhver bestilling som kan være ulovlig, kan bli avvist uten nærmere varsel til bestilleren. **Bestillinger som gjøres gjennom det VPS nettbaserte bestillingssystemet må være registrert, og bestillinger som gjøres på bestillingsblanketter må være mottatt av et av bestillingskontorene, innen kl 12.00 norsk tid den 9. juni 2017, med mindre Bestillingsperioden forkortes eller forlenges**. Verken Banken, de Selgende Egenkapitalbeviseierne eller noen av Tilretteleggerne kan holdes ansvarlig for forsinkelser i postgang, utilgjengelige fakslinjer, internettlinjer eller servere eller andre logistikk- eller tekniske problemer som kan resultere i at bestillinger ikke blir mottatt i tide, eller i det hele tatt, av noen av bestillingskontorene. Alle bestillinger i det Offentlige Tilbudet er ugjenkallelige og bindende og kan ikke trekkes, kanselleres eller endres av bestilleren etter at bestillingen er registrert i VPS' nettbaserte bestillingssystem eller hvis bestilling gjøres på bestillingsblankett, når komplett utfylt bestillingsblankett er mottatt av et av bestillingskontorene, uavhengig av en eventuell forkortelse eller forlengelse av bestillingsperioden.

Pris på Tilbudsegenkapitalbevisene: Det indikative prisintervallet (det "**Indikative Prisintervallet**") i Tilbudet er fra NOK 74,50 til NOK 82,00 per Tilbudsegenkapitalbevis. Den endelige prisen per Tilbudsegenkapitalbevis vil bli fastsatt av Stiftelsen og Banken, etter råd fra Tilretteleggerne, på basis av ordre som mottas og ikke trekkes tilbake i det Institusjonelle Tilbudet gjennom en bookbuilding-prosess og antallet bestillinger mottatt i det Offentlige Tilbudet og i Ansattetilbudet. Tilbudsprisen vil fastsettes rundt den 11. juni 2017. Prisen per Tilbudsegenkapitalbevis kan fastsettes innenfor, under eller over det Indikative Prisintervallet. Hver bestiller i det Offentlige Tilbudet kan, men må ikke, indikere i VPS' nettbaserte bestillingssystem eller på bestillingsblanketten at bestilleren ikke ønsker å bli tildelt Tilbudsegenkapitalbevis dersom prisen per Tilbudsegenkapitalbevis blir fastsatt høyere enn den høyeste prisen i det Indikative Prisintervallet. Dersom bestilleren ikke uttrykkelig gir uttrykk for en slik reservasjon i VPS' nettbaserte bestillingssystem eller på bestillingsblanketten, vil bestillingen være bindende uavhengig av om prisen per Tilbudsegenkapitalbevis fastsettes innenfor eller over (eller under) det Indikative Prisintervallet.

Allokering, betaling og levering av Tilbudsegenkapitalbevis: Tilretteleggerne, som oppgjørsagent for det Offentlige Tilbudet, forventer å gi beskjed om tildeling av Tilbudsegenkapitalbevis i det Offentlige Tilbudet rundt den 12. juni 2017 per post eller på annen måte. Bestillere som ønsker å få opplyst det eksakte antallet Tilbudsegenkapitalbevis som denne er tildelt, kan kontakte et av bestillingskontorene fra rundt den 12. juni 2017 innenfor ordinær åpningstid. Bestillere som har tilgang til investorservice gjennom en institusjon som er kontofører for bestillerens VPS-konto, skal fra rundt den 12. juni 2017 kunne se antall Tilbudsegenkapitalbevis de er tildelt. Ved å registrere en bestilling i VPS' nettbaserte bestillingssystem eller ved å fylle ut og sende inn en bestillingsblankett, gir hver bestiller i det Offentlige Tilbudet fullmakt til Tilretteleggerne til å debitere bestillerens norske bankkonto for et beløp som tilsvarer den samlede kjøpesummen for de Tilbudsegenkapitalbevisene som bestilleren blir tildelt. Bankkontoen vil debiteres på eller rundt den 14. juni 2015 ("**Betalingsdatoen**"), og det må være tilstrekkelige innestående midler på den aktuelle kontoen fra og med den 13. juni 2017. Bestillere som ikke har en norsk bankkonto må forsikre seg om at betaling for tildelte Tilbudsegenkapitalbevis foretas senest på Betalingsdatoen. Ytterligere betalingsdetaljer og instruksjoner vil fremgå av tildelingsbrevet som sendes ut rundt den 12. juni 2017, eller kan også fås ved å kontakte SpareBank 1 Markets AS, Pareto Securities AS eller Swedbank Norge. Tilretteleggerne er bare berettiget til å belaste kontoen én gang, men forbeholder seg retten (men har ingen forpliktelse) til å gjøre inntil tre debiteringsforsøk frem til syv arbeidsdager etter Betalingsdatoen dersom det er utilstrekkelig med midler på kontoen på Betalingsdatoen. Dersom en bestiller ikke har tilstrekkelig innestående på den aktuelle bankkontoen, eller betaling er forsinket av en eller annen grunn, eller dersom det ikke er mulig å debitere kontoen, vil det påløpe forsinkelsesrente og andre vilkår som beskrevet under overskriften "Forsinket og manglende betaling" nedenfor vil gjelde. Dersom betaling for tildelte Tilbudsegenkapitalbevis er mottatt rettidig, vil levering av tildelte Tilbudsegenkapitalbevis i det Offentlige Tilbudet foretas rundt den 14. juni 2017 (eller på slik senere dato ved vellykket debitering av den relevante kontoen).

Retningslinjer for bestilleren: Vennligst se side to av denne bestillingsblanketten for ytterligere retningslinjer for bestillingen.

Bestillerens VPS-konto (12 siffer):	**Jeg/vi bestiller herved Tilbudsegenkapitalbevis for totalt NOK (minimum NOK 10 500 og maksimum NOK 2 500 000):**	**Bestillerens bankkonto som skal debiteres (11 siffer):**
TILBUDSPRISEN: Min/vår bestilling er betinget av at den endelige prisen for Tilbudsegenkapitalbevis ikke fastsettes over høyeste pris i det Indikative Prisintervallet (kryss av) **(Dette feltet skal kun fylles ut dersom bestillingen er betinget av at den endelige Tilbudsprisen ikke fastsettes over høyeste pris i det Indikative Prisintervallet):**		
Herved (i) foretar jeg/vi, i henhold til vilkårene og betingelsene som fremgår av denne bestillingsblanketten og av Prospektet, en ugjenkallelig bestilling av det antall Tilbudsegenkapitalbevis tildelt meg/oss til Tilbudsprisen, opp til det samlede bestillingsbeløpet angitt ovenfor, (ii) gir jeg/vi hver av Tilretteleggerne (eller noen utpekt av dem) ugjenkallelig fullmakt og instruerer hver av dem til, sammen eller hver for seg, å gjennomføre enhver handling som er nødvendig for å kjøpe Tilbudsegenkapitalbevisene som tildeles meg/oss, og til å gjennomføre enhver handling som er nødvendig for å effektuere transaksjonen som fremgår av denne bestillingsblanketten, og sikre levering av disse Tilbudsegenkapitalbevisene i VPS på mine/våre vegne, (iii) gir jeg/vi hver av Tilretteleggerne ugjenkallelig fullmakt til å debitere min/vår bankkonto som angitt i bestillingsblanketten for den samlede kjøpesummen for de Tilbudsegenkapitalbevisene som jeg/vi får tildelt, og (iv) bekrefter og garanterer jeg/vi ugjenkallelig å ha lest Prospektet og at jeg/vi er kvalifiserte til å bestille og kjøpe Tilbudsegenkapitalbevis på de vilkår som der fremgår.		
Dato og sted*:	**Bindende signatur**:**	

* Må være datert i bestillingsperioden.
**Undertegneren må være myndig. Dersom bestillingsblanketten undertegnes på vegne av bestilleren, må det vedlegges dokumentasjon i form av firmaattest eller fullmakt for at undertegner har slik kompetanse.

INFORMASJON OM BESTILLEREN — ALLE FELT MÅ FYLLES UT	
Fornavn	Etternavn/Foretaksnavn
Adresse (for foretak: registrert forretningsadresse)	Postnummer og sted
Fødselsnummer (11 siffer) / organisasjonsnummer (9 siffer)	Nasjonalitet
Telefonnummer (dagtid)	E-postadresse

RETNINGSLINJER FOR BESTILLEREN

DENNE BESTILLINGSBLANKETTEN SKAL IKKE DISTRIBUERES ELLER OFFENTLIGGJØRES, VERKEN DIREKTE ELLER INDIREKTE, I ELLER TIL USA, AUSTRALIA, CANADA, JAPAN, HONG KONG ELLER SØR-AFRIKA ELLER NOEN ANNEN JURISDIKSJON DER SLIK DISTRIBUSJON ELLER OFFENTLIGGJØRING VIL VÆRE ULOVLIG. ANDRE RESTRIKSJONER GJELDER OGSÅ, SE PUNKTET "SALGSRESTRIKSJONER" NEDENFOR.

Denne bestillingsblanketten må leses i samsvar med, og kan bare distribueres sammen med Prospektet. Dersom det ikke er samsvar mellom informasjonen i bestillingsblanketten og Prospektet, gjelder informasjonen i Prospektet,

Regulatoriske forhold: I overensstemmelse med EU-direktivet "Markets in Financial Instruments" ("**MiFID**"), oppstiller lov 29. juni 2007 nr. 75 om verdipapirhandel ("**Verdipapirhandelloven**") med tilhørende forskrifter, krav relatert til finansielle investeringer. I den forbindelse må Tilretteleggerne kategorisere alle nye kunder i en av tre kategorier; kvalifiserte motparter, profesjonelle og ikke-profesjonelle kunder. Alle bestillere som bestiller Tilbudsegenkapitalbevis i det Offentlige Tilbudet og som ikke allerede er kunde hos en av Tilretteleggerne, vil bli kategorisert som ikke-profesjonell kunde. Bestilleren kan ved skriftlig henvendelse til Tilretteleggerne anmode om å bli kategorisert som profesjonell kunde dersom Verdipapirhandellovens vilkår for dette er oppfylt. For ytterligere informasjon om kundekategorisering kan bestilleren kontakte Tilretteleggerne. Bestilleren vil ikke bli ansett som en kunde av Tilretteleggerne med hensyn til noen annen transaksjon med mindre og fram til fullstendig kunderegistreringsskjema er fylt ut og mottatt av Tilretteleggerne. Bestilleren bekrefter herved å inneha tilstrekkelig kunnskap og erfaring om finansielle og forretningsmessige forhold for å kunne evaluere risikoen ved å investere i Banken gjennom å bestille Tilbudsegenkapitalbevis i det Offentlige Tilbudet, og bestilleren bekrefter å være i stand til å ta den økonomiske risikoen og tåle et fullstendig tap av sin investering i Banken. **Forretningsvilkår:** Bestilling av Tilbudsegenkapitalbevisene reguleres av Tilretteleggernes standard forretningsvilkår, retningslinjer for ordreutførelse, dokumenter om kundeklassifisering, samt dokumenter om risiko som er tilgjengelig på følgende hjemmesider: SpareBank 1 Markets: www.sb1markets.no, Pareto Securities: www.paretosec.com, Swedbank Norge: www.swedbank.com.

Kun ordreutførelse: Tilretteleggerne vil behandle bestillingen av Tilbudsegenkapitalbevis som en instruksjon om utførelse av ordre ("execution only") fra bestilleren, ettersom Tilretteleggerne ikke vil være i stand til å avgjøre om bestillingen er hensiktsmessig for bestilleren. Bestilleren vil derfor ikke kunne påberope seg Verdipapirhandellovens regler om investorbeskyttelse.

Informasjonsbarrierer: Tilretteleggerne er verdipapirforetak som tilbyr et bredt spekter av investeringstjenester. For å sikre at oppdrag som gjennomføres av Tilretteleggernes "corporate finance"-avdelinger holdes konfidensielle, er disse avdelingene adskilt fra Tilretteleggernes andre avdelinger, herunder avdelinger for analyse og aksjemegling, gjennom bruk av informasjonsbarrierer også kjent som "chinese walls". Bestilleren erkjenner at Tilretteleggernes analyse- og aksjemeglingsavdelinger som en konsekvens av dette kan komme til å opptre i strid med bestillerens interesser i forbindelse med transaksjoner i Tilbudsegenkapitalbevisene.

VPS-konto og pålagte hvitvaskingsprosedyrer: Det Offentlige Tilbudet er underlagt gjeldende hvitvaskingslovgivning, herunder kravene i lov 6. mars 2009 nr 11 om tiltak mot hvitvasking og terrorfinansiering samt hvitvaskingsforskriften av 13. mars 2009 nr. 302 ("**Hvitvaskingslovgivningen**"). Bestillere som ikke er registrert som kunde hos en av Tilretteleggerne må bekrefte sin identitet til en av Tilretteleggerne, i samsvar med Hvitvaskingslovgivningen, med mindre det gjelder spesielle unntak. Bestillere som har oppgitt en eksisterende norsk bankkonto og en eksisterende VPS-konto på bestillingsblanketten er unntatt med mindre verifikasjon av bestillerens identitet blir krevet av en av Tilretteleggerne. Bestillere som ikke har gjennomført tilstrekkelig verifikasjon av identitet før utløpet av Bestillingsperioden vil ikke bli tildelt Tilbudsegenkapitalbevis. Deltakelse i det Offentlige Tilbudet er betinget av at bestilleren har en VPS-konto. VPS kontonummeret må være angitt i bestillingsblanketten. En VPS-konto kan etableres ved en autorisert VPS-kontofører som kan være en norsk bank, autorisert verdipapirforetak i Norge og norske avdelinger av finansinstitusjoner i EØS. Etablering av en VPS-konto krever bekreftelse på identitet overfor kontoføreren i henhold til Hvitvaskingslovgivningen. Utenlandske investorer kan imidlertid benytte en forvalterkonto registrert i VPS i forvalterens navn. Forvalteren må være autorisert av Finanstilsynet.

Salgsrestriksjoner: Tilbudet er underlagt salgsrestriksjoner i enkelte jurisdiksjoner, se kapittel 20 "Selling and Transfer Restrictions" i Prospektet. Verken de Selgende Egenkapitalbeviseierne eller Banken påtar seg noe ansvar dersom noen bryter disse restriksjonene. Tilbudsegenkapitalbevisene har ikke vært, og vil ikke bli, registrert i henhold til United States Securities Act av 1933 som endret ("**U.S. Securities Act**") eller i henhold til noen verdipapirlovgivning i noen stat eller annen jurisdiksjon i USA og kan ikke tas opp, tilbys, selges, videreselges, overføres, leveres eller distribueres, verken direkte eller indirekte, innenfor, til eller fra USA bortsett fra i henhold til et gjeldende unntak fra, eller i en transaksjon som ikke er underlagt, registreringsbestemmelsene i U.S. Securities Act og i overensstemmelse med verdipapirlovgivningen i enhver stat eller annen jurisdiksjon i USA. Det vil ikke forekomme noe offentlig tilbud i USA. Tilbudsegenkapitalbevisene vil, og kan, ikke tilbys, selges, videreselges, overføres, leveres eller distribueres, verken direkte eller indirekte, innenfor, til eller fra noen jurisdiksjon der tilbud eller salg av Tilbudsegenkapitalbevis ikke er tillatt, eller til, eller på vegne av eller til fordel for, enhver person med registrert adresse i, eller som bor eller vanligvis bor i, eller er innbygger i, noen jurisdiksjon der tilbud eller salg ikke er tillatt, bortsatt fra i henhold til et gjeldende unntak. I det Offentlige Tilbudet tilbys og selges Tilbudsegenkapitalbevisene til enkelte personer utenfor USA i "offshore transactions" innenfor betydningen av og i overensstemmelse med Rule 903 i Regulation S i U.S. Securities Act.

Banken har ikke gitt tillatelse til noe offentlig tilbud av dets verdipapirer i noe medlemsland av EØS bortsett fra Norge. Når det gjelder andre medlemsland i EØS enn Norge som har implementert Prospektdirektivet ("**Aktuelle Medlemsland**"), har det og vil det ikke bli gjort noe for å fremsette et offentlig tilbud av Tilbudsegenkapitalbevisene som krever publisering av et prospekt i noen Aktuelle Medlemsland. Alle tilbud utenfor Norge vil derfor skje i henhold til unntak fra krav om prospekt.

Stabilisering: I forbindelse med Tilbudet og ved utøvelse av Låneopsjonen kan SpareBank 1 Markets AS (som "**Stabiliseringsagent**"), eller dets agenter, på vegne av Tilretteleggerne, utføre transaksjoner med tanke på å stabilisere, støtte eller på annen måte påvirke kursen på egenkapitalbevisene i opp til 30 dager fra første noteringsdag. Stabiliseringsagenten kan særlig utføre transaksjoner med formål å stabilisere markedskursen til egenkapitalbevisene på et høyere nivå enn det som ellers kan tenkes å ville gjelde, gjennom å erverve Egenkapitalbevis i det åpne markedet til priser som er lik eller lavere enn Tilbudsprisen. Stabiliseringsagenten eller dets agenter har ingen forpliktelse til å foreta stabiliserende handlinger og det er ikke sikkert at stabiliseringshandlinger vil gjennomføres. Slike stabiliseringshandlinger kan, hvis påbegynt, avsluttes når som helst, og vil avsluttes senest 30 kalenderdager fra første noteringsdag.

Investeringsbeslutninger må baseres på Prospektet: Investorer må verken akseptere noe tilbud om, bestille eller erverve, verdipapirer i Banken på annet grunnlag enn det fullstendige Prospektet.

Vilkår for betaling med engangsfullmakt — verdipapirhandel: Betaling med engangsfullmakt er en banktjeneste tilbudt av samarbeidende banker i Norge. I forholdet mellom betaler og betalers bank gjelder følgende standard vilkår:

1. Tjenesten "Betaling med engangsfullmakt — verdipapirhandel" suppleres av kontoavtalen mellom betaler og betalers bank, se særlig kontoavtalen del C, Generelle vilkår for innskudd og betalingsoppdrag.
2. Kostnader ved å bruke "Betaling med engangsfullmakt — verdipapirhandel" fremgår av bankens gjeldende prisliste, kontoinformasjon og/eller opplyses på annen egnet måte. Banken vil belaste oppgitt konto for påløpte kostnader.
3. Engangsfullmakten signeres av betaler og leveres til betalingsmottaker. Betalingsmottaker vil levere belastningsoppdraget til sin bank som igjen kan belaste betalers bank.
4. Ved et eventuelt tilbakekall av engangsfullmakten skal betaler først ta forholdet opp med betalingsmottaker. Etter finansavtaleloven skal betalers bank medvirke hvis betaler tilbakekaller et betalingsoppdrag som ikke er gjennomført. Slikt tilbakekall kan imidlertid anses som brudd på avtalen mellom betaler og betalingsmottaker.
5. Betaler kan ikke angi et større beløp på engangsfullmakten enn det som på belastningstidspunktet er disponibelt på konto. Betalers bank vil normalt gjennomføre dekningskontroll før belastning. Belastning ut over disponibelt beløp skal betaler dekke inn umiddelbart.
6. Betalers konto vil bli belastet på angitt belastningsdag. Dersom belastningsdag ikke er angitt i engangsfullmakten vil kontobelastning skje snarest mulig etter at betalingsmottaker har levert oppdraget til sin bank. Belastningen vil likevel ikke skje etter engangsfullmaktens gyldighetsperiode som er angitt foran. Betaling vil normalt være godskrevet betalingsmottaker én til tre virkedager etter angitt belastningsdag/innleveringsdag.
7. Dersom betalers konto blir urettmessig belastet på grunnlag av en engangsfullmakt, vil betalers rett til tilbakeføring av belastet beløp bli regulert av kontoavtalen og finansavtaleloven.

Forsinket og manglende betaling: Forsinket betaling belastes med gjeldende forsinkelsesrente i henhold til forsinkelsesrenteloven av 17. desember 1976 nr. 100, som per dato for Prospektet er 8,50 % p.a. Dersom betaling ikke skjer ved forfall, vil Tilbudsegenkapitalbevisene ikke bli levert til bestilleren, og Tilretteleggerne forbeholder seg retten til å, for tegnerens regning og risiko, når som helst kansellere og reallokere eller på annen måte disponere over de tildelte Tilbudsegenkapitalbevisene, på de vilkår og på den måten Tilretteleggerne bestemmer (og bestilleren vil ikke være berettiget til noe overskudd fra dette). Den opprinnelige bestilleren vil fortsette å være ansvarlig for betaling av Tilbudsprisen for Tilbudsegenkapitalbevisene tildelt bestilleren, sammen med enhver rente, kostnader, gebyrer og utgifter påløpt, og Stiftelsen og/eller Tilretteleggerne kan inndrive betaling for alle utestående beløp.

BESTILLINGSBLANKETT FOR ANSATTILBUDET

Generell informasjon: Vilkårene og betingelsene for Ansattilbudet fremgår av prospektet datert 26. mai 2017 ("**Prospektet**"), som er utarbeidet av SpareBank 1 Østlandet ("**Banken**") i forbindelse med (i) salget av Eksisterende Egenkapitalbevis i Banken av Bankens største Egenkapitalbeviseier Sparebanken Hedmark Sparebankstiftelse ("**Stiftelsen**"), samt visse andre Egenkapitalbeviseiere som opplistet i punkt 5.13 "Selling ECC Holders" i Prospektet (samlet, de "**Andre Selgende Egenkapitalbeviseierne**") og sammen med Stiftelsen de "**Selgende Egenkapitalbeviseierne**"), (ii) en emisjon av Nye Egenkapitalbevis rettet mot ansatte i Banken per 9. juni 2017 og (ii) noteringen av Bankens Egenkapitalbevis på Oslo Børs. Prospektet inneholder også et norsk sammendrag. Alle definerte ord og uttrykk (angitt med stor bokstav) som ikke er definert i denne bestillingsblanketten, skal ha samme innhold som i Prospektet.

Bestillingsprosedyre: Ansatte som er norske statsborgere med et norsk personnummer kan foreta bestilling av Nye Egenkapitalbevis gjennom å følge link for dette på Bankens intranettsider eller www.sb1markets.no. Bestillinger i Ansatttilbudet kan også foretas ved å benytte denne bestillingsblanketten som er vedlagt Prospektet som Appendix F (Application Form for the Employee Offering). Korrekt utfylt bestillingsblankett må være mottatt av følgende bestillingskontor før utløpet av den relevante fristen:

SpareBank 1 Markets AS
P.O. Box 1398 Vika
N-0114 Oslo
Norge
Telefon: +47 24 14 74 00
Telefax: +47 73 58 65 25
Epost: subscription@sb1markets.no
www.sb1markets.no

Bestilleren er ansvarlig for riktigheten av informasjonen som er fylt inn i bestillingsblanketten. Bestillingsblanketter som er ufullstendige eller uriktig utfylt, elektronisk eller på papir, eller som mottas etter utløpet av Bestillingsperioden, og enhver bestilling som kan være ulovlig, kan bli avvist uten nærmere varsel til bestilleren. **Bestillinger som gjøres gjennom det VPS nettbaserte bestillingssystemet må være registrert, og bestillinger som gjøres på bestillingsblanketter må være mottatt av et av bestillingskontorene, innen kl 12.00 norsk tid den 9. juni 2017, med mindre Bestillingsperioden forkortes eller forlenges**. Verken Banken eller SpareBank 1 Markets AS kan holdes ansvarlig for forsinkelser i postgang, utilgjengelige fakslinjer, internettlinjer eller servere eller andre logistikk- eller tekniske problemer som kan resultere i at bestillinger ikke blir mottatt i tide, eller i det hele tatt, av noen av bestillingskontorene. Alle bestillinger i Ansattilbudet er ugjenkallelige og bindende og kan ikke trekkes, kanselleres eller endres av bestilleren etter at bestillingen er registrert i VPS' nettbaserte bestillingssystem eller hvis bestilling gjøres på bestillingsblankett, når komplett utfylt bestillingsblankett er mottatt av bestillingskontoret, uavhengig av en eventuell forkortelse eller forlengelse av bestillingsperioden.

Pris på Tilbudsegenkapitalbevisene: Det indikative prisintervallet (det "**Indikative Prisintervallet**") i Tilbudet er fra NOK 74,50 til NOK 82,00 per Tilbudsegenkapitalbevis. Den endelige prisen per Tilbudsegenkapitalbevis vil bli fastsatt av Stiftelsen og Banken, etter råd fra Tilretteleggerne, på basis av ordre som mottas og ikke trekkes tilbake i det Institusjonelle Tilbudet gjennom en bookbuilding-prosess og antallet bestillinger mottatt i det Offentlige Tilbudet og i Ansattilbudet**. I ansattilbudet vil det gis en rabatt på tegningsprisen tilsvarende 20 %, begrenset oppad til totalt NOK 25 000 (med andre ord vil det være rabatt for bestillinger med en samlet tegningsverdi på opp til NOK 125 000)**. Tilbudsprisen vil fastsettes rundt den 11. juni 2017. Prisen per Tilbudsegenkapitalbevis kan fastsettes innenfor, under eller over det Indikative Prisintervallet. Hver bestiller i Ansattilbudet kan, men må ikke, indikere i VPS' nettbaserte bestillingssystem eller på bestillingsblanketten at bestilleren ikke ønsker å bli tildelt Tilbudsegenkapitalbevis dersom prisen per Tilbudsegenkapitalbevis blir fastsatt høyere enn den høyeste prisen i det Indikative Prisintervallet. Dersom bestilleren ikke uttrykkelig gir uttrykk for en slik reservasjon i VPS' nettbaserte bestillingssystem eller på bestillingsblanketten, vil bestillingen være bindende uavhengig av om prisen per Tilbudsegenkapitalbevis fastsettes innenfor eller over (eller under) det Indikative Prisintervallet.

Allokering, betaling og levering av Tilbudsegenkapitalbevis: SpareBank 1 Markets AS, som oppgjørsagent for Ansattilbudet, forventer å gi beskjed om tildeling av Tilbudsegenkapitalbevis i Ansattilbudet rundt den 13. juni 2017 per post eller på annen måte. Bestillere som ønsker å få opplyst det eksakte antallet Tilbudsegenkapitalbevis som denne er tildelt, kan kontakte SpareBank 1 Markets AS fra rundt den 13. juni 2017 innenfor ordinær åpningstid. Bestillere som har tilgang til investorservice gjennom en institusjon som er kontofører for bestillerens VPS-konto, skal fra rundt den 13. juni 2017 kunne se antall Tilbudsegenkapitalbevis de er tildelt. Ved å registrere en bestilling i VPS' nettbaserte bestillingssystem eller ved å fylle ut og sende inn en bestillingsblankett, gir hver bestiller i Ansattilbudet fullmakt til SpareBank 1 Markets AS til å debitere bestillerens norske bankkonto for et beløp som tilsvarer den samlede kjøpesummen for de Tilbudsegenkapitalbevisene som bestilleren blir tildelt. Bankkontoen vil debiteres på eller rundt den 16. juni 2015 ("**Betalingsdatoen**"), og det må være tilstrekkelige innestående midler på den aktuelle kontoen fra og med den 15. juni 2017. Bestillere som ikke har en norsk bankkonto må forsikre seg om at betaling for tildelte Tilbudsegenkapitalbevis foretas senest på Betalingsdatoen. Ytterligere betalingsdetaljer og instruksjoner vil fremgå av tildelingsbrevet som sendes ut rundt den 13. juni 2017, eller kan også fås ved å kontakte SpareBank 1 Markets AS. SpareBank 1 Markets AS er bare berettiget til å belaste kontoen én gang, men forbeholder seg retten (men har ingen forpliktelse) til å gjøre inntil tre debiteringsforsøk frem til syv arbeidsdager etter Betalingsdatoen dersom det er utilstrekkelig med midler på kontoen på Betalingsdatoen. Dersom en bestiller ikke har tilstrekkelig innestående på den aktuelle bankkontoen, eller betaling er forsinket av en eller annen grunn, eller dersom det ikke er mulig å debitere kontoen, vil det påløpe forsinkelsesrente og andre vilkår som beskrevet under overskriften "Forsinket og manglende betaling" nedenfor vil gjelde. Dersom betaling for tildelte Tilbudsegenkapitalbevis er mottatt rettidig, vil levering av tildelte Tilbudsegenkapitalbevis i Ansattilbudet foretas rundt den 21. juni 2017 (eller på slik senere dato ved vellykket debitering av den relevante kontoen). **Tilbudsegenkapitalbevis som tildeles i Ansattilbudet til rabattert pris vil være underlagt salgsforbud i 24 måneder fra bestilleren mottar disse. Tilbudsegenkapitalbevis som tildeles i Ansattilbudet uten rabatt vil ikke være underlagt særskilt salgsforbud.**

Retningslinjer for bestilleren: Vennligst se side to av denne bestillingsblanketten for ytterligere retningslinjer for bestillingen.

Bestillerens VPS-konto (12 siffer):	**Jeg/vi bestiller herved Tilbudsegenkapitalbevis for totalt NOK (minimum NOK 10 500 og maksimum NOK 2 500 000):** **NB! Fyll inn beløp uten hensyn til rabatt i Ansattilbudet**	**Bestillerens bankkonto som skal debiteres (11 siffer):**
TILBUDSPRISEN: Min/vår bestilling er betinget av at den endelige prisen for Tilbudsegenkapitalbevis ikke fastsettes over høyeste pris i det Indikative Prisintervallet (kryss av) **(Dette feltet skal kun fylles ut dersom bestillingen er betinget av at den endelige Tilbudsprisen ikke fastsettes over høyeste pris i det Indikative Prisintervallet):**		
Herved (i) foretar jeg/vi, i henhold til vilkårene og betingelsene som fremgår av denne bestillingsblanketten og av Prospektet, en ugjenkallelig bestilling av det antall Tilbudsegenkapitalbevis tildelt meg/oss til Tilbudsprisen, opp til det samlede bestillingsbeløpet angitt ovenfor, (ii) gir jeg/vi SpareBank 1 Markets AS (eller noen utpekt av SpareBank 1 Markets AS) ugjenkallelig fullmakt og instruerer SpareBank 1 Markets AS til å gjennomføre enhver handling som er nødvendig for å tegne Tilbudsegenkapitalbevisene som tildeles meg/oss, og til å gjennomføre enhver handling som er nødvendig for å effektuere transaksjonen som fremgår av denne bestillingsblanketten, og sikre levering av disse Tilbudsegenkapitalbevisene i VPS på mine/våre vegne, (iii) gir jeg/vi SpareBank 1 Markets AS ugjenkallelig fullmakt til å debitere min/vår bankkonto som angitt i bestillingsblanketten for den samlede kjøpesummen for de Tilbudsegenkapitalbevisene som jeg/vi får tildelt, og (iv) bekrefter og garanterer jeg/vi ugjenkallelig å ha lest Prospektet og at jeg/vi er kvalifiserte til å bestille og kjøpe Tilbudsegenkapitalbevis på de vilkår som der fremgår.		
Dato og sted*:	**Bindende signatur**:**	

* Må være datert i bestillingsperioden.
**Undertegneren må være myndig. Dersom bestillingsblanketten undertegnes på vegne av bestilleren, må det vedlegges dokumentasjon i form av firmaattest eller fullmakt for at undertegner har slik kompetanse.

INFORMASJON OM BESTILLEREN — ALLE FELT MÅ FYLLES UT	
Fornavn	Etternavn/Foretaksnavn
Adresse (for foretak: registrert forretningsadresse)	Postnummer og sted
Fødselsnummer (11 siffer) / organisasjonsnummer (9 siffer)	Nasjonalitet
Telefonnummer (dagtid)	E-postadresse

RETNINGSLINJER FOR BESTILLEREN

DENNE BESTILLINGSBLANKETTEN SKAL IKKE DISTRIBUERES ELLER OFFENTLIGGJØRES, VERKEN DIREKTE ELLER INDIREKTE, I ELLER TIL USA, AUSTRALIA, CANADA, JAPAN, HONG KONG ELLER SØR-AFRIKA ELLER NOEN ANNEN JURISDIKSJON DER SLIK DISTRIBUSJON ELLER OFFENTLIGGJØRING VIL VÆRE ULOVLIG. ANDRE RESTRIKSJONER GJELDER OGSÅ, SE PUNKTET "SALGSRESTRIKSJONER" NEDENFOR.

Denne bestillingsblanketten må leses i samsvar med, og kan bare distribueres sammen med Prospektet. Dersom det ikke er samsvar mellom informasjonen i bestillingsblanketten og Prospektet, gjelder informasjonen i Prospektet,

Regulatoriske forhold: I overensstemmelse med EU-direktivet "Markets in Financial Instruments" ("**MiFID**"), oppstiller lov 29. juni 2007 nr. 75 om verdipapirhandel ("**Verdipapirhandelloven**") med tilhørende forskrifter, krav relatert til finansielle investeringer. I den forbindelse må SpareBank 1 Markets AS kategorisere alle nye kunder i en av tre kategorier; kvalifiserte motparter, profesjonelle og ikke-profesjonelle kunder. Alle bestillere som bestiller Tilbudsegenkapitalbevis i Ansattilbudet og som ikke allerede er kunde hos SpareBank 1 Markets AS, vil bli kategorisert som ikke-profesjonell kunde. Bestilleren kan ved skriftlig henvendelse til SpareBank 1 Markets AS anmode om å bli kategorisert som profesjonell kunde dersom Verdipapirhandellovens vilkår for dette er oppfylt. For ytterligere informasjon om kundekategorisering kan bestilleren kontakte SpareBank 1 Markets AS. Bestilleren vil ikke bli ansett som en kunde av SpareBank 1 Markets AS med hensyn til noen annen transaksjon med mindre og fram til fullstendig kunderegistreringsskjema er fylt ut og mottatt av SpareBank 1 Markets AS. Bestilleren bekrefter herved å inneha tilstrekkelig kunnskap og erfaring om finansielle og forretningsmessige forhold for å kunne evaluere risikoen ved å investere i Banken gjennom å bestille Tilbudsegenkapitalbevis i Ansattilbudet, og bestilleren bekrefter å være i stand til å ta den økonomiske risikoen og tåle et fullstendig tap av sin investering i Banken. **Forretningsvilkår:** Bestilling av Tilbudsegenkapitalbevisene reguleres av SpareBank 1 Markets AS' standard forretningsvilkår, retningslinjer for ordreutførelse, dokumenter om kundeklassifisering, samt dokumenter om risiko som er tilgjengelig på følgende nettside: www.sb1markets.no.

Kun ordreutførelse: SpareBank 1 Markets AS vil behandle bestillingen av Tilbudsegenkapitalbevis som en instruksjon om utførelse av ordre ("execution only") fra bestilleren, ettersom SpareBank 1 Markets AS ikke vil være i stand til å avgjøre om bestillingen er hensiktsmessig for bestilleren. Bestilleren vil derfor ikke kunne påberope seg Verdipapirhandellovens regler om investorbeskyttelse.

Informasjonsbarrierer: SpareBank 1 Markets AS er verdipapirforetak som tilbyr et bredt spekter av investeringstjenester. For å sikre at oppdrag som gjennomføres av SpareBank 1 Markets AS' "corporate finance"-avdeling holdes konfidensielle, er denne avdelingen adskilt fra SpareBank 1 Markets AS andre avdelinger, herunder avdelinger for analyse og aksjemegling, gjennom bruk av informasjonsbarrierer også kjent som "chinese walls". Bestilleren erkjenner at SpareBank 1 Markets AS analyse- og aksjemeglingsavdeling som en konsekvens av dette kan komme til å opptre i strid med bestillerens interesser i forbindelse med transaksjoner i Tilbudsegenkapitalbevisene.

VPS-konto og pålagte hvitvaskingingsprosedyrer: Ansattilbudet er underlagt gjeldende hvitvaskingslovgivning, herunder kravene i lov 6. mars 2009 nr 11 om tiltak mot hvitvasking og terrorfinansiering samt hvitvaskingsforskriften av 13. mars 2009 nr. 302 ("**Hvitvaskingslovgivningen**"). Bestillere som ikke er registrert som kunde hos SpareBank 1 Markets AS må bekrefte sin identitet til SpareBank 1 Markets AS, i samsvar med Hvitvaskingslovgivningen, med mindre det gjelder spesielle unntak. Bestillere som har oppgitt en eksisterende norsk bankkonto og en eksisterende VPS-konto på bestillingsblanketten er unntatt med mindre verifikasjon av bestillerens identitet blir krevet av SpareBank 1 Markets AS. Bestillere som ikke har gjennomført tilstrekkelig verifikasjon av identitet før utløpet av Bestillingsperioden vil ikke bli tildelt Tilbudsegenkapitalbevis. **Deltakelse i Ansattilbudet er betinget av at bestilleren har en VPS-konto hos SpareBank 1 Østlandet**. VPS kontonummeret må være angitt i bestillingsblanketten. Etablering av VPS-konto kan gjøres ved henvendelse til Banken. Etablering av en VPS-konto krever bekreftelse på identitet overfor kontoføreren i henhold til Hvitvaskingslovgivningen. Utenlandske investorer kan imidlertid benytte en forvalterkonto registrert i VPS i forvalterens navn. Forvalteren må være autorisert av Finanstilsynet.

Salgsrestriksjoner: Tilbudet er underlagt salgsrestriksjoner i enkelte jurisdiksjoner, se kapittel 20 "Selling and Transfer Restrictions" i Prospektet. Banken påtar seg ikke noe ansvar dersom noen bryter disse restriksjonene. Tilbudsegenkapitalbevisene har ikke vært, og vil ikke bli, registrert i henhold til United States Securities Act av 1933 som endret ("**U.S. Securities Act**") eller i henhold til noen verdipapirlovgivning i noen stat eller annen jurisdiksjon i USA og kan ikke tas opp, tilbys, selges, videreselges, overføres, leveres eller distribueres, verken direkte eller indirekte, innenfor, til eller fra USA bortsett fra i henhold til et gjeldende unntak fra, eller i en transaksjon som ikke er underlagt, registreringsbestemmelsene i U.S. Securities Act og i overensstemmelse med verdipapirlovgivningen i enhver stat eller annen jurisdiksjon i USA. Det vil ikke forekomme noe offentlig tilbud i USA. Tilbudsegenkapitalbevisene vil, og kan, ikke tilbys, selges, videreselges, overføres, leveres eller distribueres, verken direkte eller indirekte, innenfor, til eller fra noen jurisdiksjon der tilbud eller salg av Tilbudsegenkapitalbevis ikke er tillatt, eller til, eller på vegne av eller til fordel for, enhver person med registrert adresse i, eller som bor eller vanligvis bor i, eller er innbygger i, noen jurisdiksjon der tilbud eller salg ikke er tillatt, bortsatt fra i henhold til et gjeldende unntak. I Ansattilbudet tilbys og selges Tilbudsegenkapitalbevisene til enkelte personer utenfor USA i "offshore transactions" innenfor betydningen av og i overensstemmelse med Rule 903 i Regulation S i U.S. Securities Act.

Banken har ikke gitt tillatelse til noe offentlig tilbud av dets verdipapirer i noe medlemsland av EØS bortsett fra Norge. Når det gjelder andre medlemsland i EØS enn Norge som har implementert Prospektdirektivet ("**Aktuelle Medlemsland**"), har det og vil det ikke bli gjort noe for å fremsette et offentlig tilbud av Tilbudsegenkapitalbevisene som krever publisering av et prospekt i noen Aktuelle Medlemsland. Alle tilbud utenfor Norge vil derfor skje i henhold til unntak fra krav om prospekt.

Stabilisering: I forbindelse med Tilbudet og ved utøvelse av Låneopsjonen kan SpareBank 1 Markets (som "**Stabiliseringsagent**"), eller dets agenter, på vegne av Tilretteleggerne, utføre transaksjoner med tanke på å stabilisere, støtte eller på annen måte påvirke kursen på egenkapitalbevisene i opp til 30 dager fra første noteringsdag. Stabiliseringsagenten kan særlig utføre transaksjoner med formål å stabilisere markedskursen til egenkapitalbevisene på et høyere nivå enn det som ellers kan tenkes å ville gjelde, gjennom å erverve Egenkapitalbevis i det åpne markedet til priser som er lik eller lavere enn Tilbudsprisen. Stabiliseringsagenten eller dets agenter har ingen forpliktelse til å foreta stabiliserende handlinger og det er ikke sikkert at stabiliseringshandlinger vil gjennomføres. Slike stabiliseringshandlinger kan, hvis påbegynt, avsluttes når som helst, og vil avsluttes senest 30 kalenderdager fra første noteringsdag.

Investeringsbeslutninger må baseres på Prospektet: Investorer må verken akseptere noe tilbud om, bestille eller erverve, verdipapirer i Banken på annet grunnlag enn det fullstendige Prospektet.

Vilkår for betaling med engangsfullmakt — verdipapirhandel: Betaling med engangsfullmakt er en banktjeneste tilbudt av samarbeidende banker i Norge. I forholdet mellom betaler og betalers bank gjelder følgende standard vilkår:

1. Tjenesten "Betaling med engangsfullmakt — verdipapirhandel" suppleres av kontoavtalen mellom betaler og betalers bank, se særlig kontoavtalen del C, Generelle vilkår for innskudd og betalingsoppdrag.
2. Kostnader ved å bruke "Betaling med engangsfullmakt — verdipapirhandel" fremgår av bankens gjeldende prisliste, kontoinformasjon og/eller opplyses på annen egnet måte. Banken vil belaste oppgitt konto for påløpte kostnader.
3. Engangsfullmakten signeres av betaler og leveres til betalingsmottaker. Betalingsmottaker vil levere belastningsoppdraget til sin bank som igjen kan belaste betalers bank.
4. Ved et eventuelt tilbakekall av engangsfullmakten skal betaler først ta forholdet opp med betalingsmottaker. Etter finansavtaleloven skal betalers bank medvirke hvis betaler tilbakekaller et betalingsoppdrag som ikke er gjennomført. Slikt tilbakekall kan imidlertid anses som brudd på avtalen mellom betaler og betalingsmottaker.
5. Betaler kan ikke angi et større beløp på engangsfullmakten enn det som på belastningstidspunktet er disponibelt på konto. Betalers bank vil normalt gjennomføre dekningskontroll før belastning. Belastning ut over disponibelt beløp skal betaler dekke inn umiddelbart.
6. Betalers konto vil bli belastet på angitt belastningsdag. Dersom belastningsdag ikke er angitt i engangsfullmakten vil kontobelastning skje snarest mulig etter at betalingsmottaker har levert oppdraget til sin bank. Belastningen vil likevel ikke skje etter engangsfullmaktens gyldighetsperiode som er angitt foran. Betaling vil normalt være godskrevet betalingsmottaker én til tre virkedager etter angitt belastningsdag/innleveringsdag.
7. Dersom betalers konto blir urettmessig belastet på grunnlag av en engangsfullmakt, vil betalers rett til tilbakeføring av belastet beløp bli regulert av kontoavtalen og finansavtaleloven.

Forsinket og manglende betaling: Forsinket betaling belastes med gjeldende forsinkelsesrente i henhold til forsinkelsesrenteloven av 17. desember 1976 nr. 100, som per dato for Prospektet er 8,50 % p.a. Dersom betaling ikke skjer ved forfall, vil Tilbudsegenkapitalbevisene ikke bli levert til bestilleren, og SpareBank 1 Markets AS forbeholder seg retten til å, for tegnerens regning og risiko, når som helst kansellere og reallokere eller på annen måte disponere over de tildelte Tilbudsegenkapitalbevisene, på de vilkår og på den måten SpareBank 1 Markets AS bestemmer (og bestilleren vil ikke være berettiget til noe overskudd fra dette). Den opprinnelige bestilleren vil fortsette å være ansvarlig for betaling av Tilbudsprisen for Tilbudsegenkapitalbevisene tildelt bestilleren, sammen med enhver rente, kostnader, gebyrer og utgifter påløpt, og Banken og/eller SpareBank 1 Markets AS kan inndrive betaling for alle utestående beløp.

2016

ÅRSRAPPORT
BANK 1 OSLO AKERSHUS AS



SpareBank 1
OSLO·AKERSHUS

INNHOLD

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HOVEDTALL / NØKKELTALL BANK 1 OSLO AKERSHUS KONSERN

	2016		2015	
Resultatsammendrag (i prosent av gjennomsnittlig forvaltningkapital)	**Mill. kr**	**i %**	**Mill. kr**	**i %**
Netto renteinntekter	511	1,24	472	1,27
Netto provisjons- og andre inntekter	570	1,39	572	1,54
Netto resultat fra finansielle investeringer	111	0,27	7	0,02
Sum inntekter	**1 192**	**2,90**	**1 051**	**2,84**
Sum kostnader	**753**	**1,83**	**737**	**1,99**
Resultat før tap	**439**	**1,07**	**314**	**0,85**
Tap på utlån og garantier	12	0,03	-18	-0,05
Resultat før skatt	**427**	**1,04**	**333**	**0,90**
Skatt på ordinært resultat	93	0,23	79	0,21
Resultat for perioden	**334**	**0,81**	**254**	**0,69**

	31.12.16	**31.12.15**
Lønnsomhet		
Egenkapitalavkastning [1]	10,0 %	8,4 %
Avkastning på gjennomsnittlig forvaltningskapital [2]	0,8 %	0,7 %
Rentenetto [3]	1,24 %	1,27 %
Kostnadsprosent [4]	63,2 %	70,1 %
Balansetall		
Brutto utlån til kunder	34 659	31 834
Brutto utlån til kunder inkl SB 1 Boligkreditt og SB 1 Næringskreditt	52 941	48 105
Innskudd fra kunder	26 838	23 521
Innskuddsdekning [5]	77,4 %	73,9 %
Utlånsvekst siste 12 mnd	8,9 %	15,2 %
Utlånsvekst siste 12 mnd inkl. SB1 Boligkreditt og SB 1 Næringskreditt	10,1 %	13,3 %
Innskuddsvekst siste 12 mnd	14,1 %	7,7 %
Gjennomsnittlig forvaltningskapital	41 073	37 057
Forvaltningskapital	42 850	38 980
Forretningskapital [6]	61 132	55 251
Tap og mislighold		
Tap på utlån i % av brutto utlån	0,04 %	-0,06 %
Misligholdte engasjementer i % av brutto utlån	0,15 %	0,24 %
Andre tapsutsatte engasjementer i % av brutto utlån	0,05 %	0,03 %
Soliditet og likviditet		
Kapitaldekning i % [7]	19,5 %	17,8 %
Kjernekapitaldekning i % [8]	16,4 %	15,9 %
Ren kjernekapitaldekning	14,4 %	15,3 %
Kjernekapital	2 950	2 730
Netto ansvarlig kapital	3 500	3 041
Uvektet kjernekapitalandel (Leverage Ratio)	6,9 %	7,2 %
LCR [9]	150,9 %	100,7 %
LCR i NOK [9]	165,8 %	106,5 %
Kontorer og bemanning		
Antall bankkontorer	13	19
Antall eiendomsmeglerkontorer	20	24
Totalt antall årsverk	413	423

[1] Egenkapitalavkastningen er beregnet som aksjonærenes andel av resultat for perioden i forhold til gjennomsnittlig egenkapital. Gjennomsnittlig egenkapital er beregnet ut fra regnskapsført egenkapitalavkastning inklusive avsatt utbytte, men uten hybridkapital slik at beløpet tilsvarer aksjonærenes andel av egenkapitalen.

[2] Resultat etter skatt i forhold til gjennomsnittlig forvaltningskapital, beregnet som et snitt av daglig forvaltningskapital og per 01.01. og 31.12.

[3] Sum rentenetto hittil i år i forhold til gjennomsnittlig forvaltningskapital.

[4] Sum kostnader i forhold til sum netto inntekter.

[5] Innskudd fra kunder i prosent av brutto utlån (eks. utlån overført til SB 1 Boligkreditt og SB 1 Næringskreditt).

[6] Forvaltningskapital + utlån overført til SB 1 Boligkreditt og SB 1 Næringskreditt.

[7] Netto ansvarlig kapital i prosent av beregnet risikovektet balanse.

[8] Kjernekapital i prosent av beregnet risikovektet balanse.

[9] Liquidity Coverage Ratio: Måler størrelsen på bankens likvide eiendeler i forhold til netto likviditetsutgang 30 dager frem i tid i en gitt stressituasjon.

Redegjørelse fra administrerende direktør



Året 2017 vil markere en ny milepæl i bankens historie. Den ble startet i 1898 og de første årene var preget av at ledelse og styre ikke helt visste hvilke kunder de skulle henvende seg til. I 1920-årene ble den etablert som Fagbevegelsens egen bank, og forble slik inntil den, som en del av VÅR Bank og Forsikring, ble overtatt av SpareBank 1-alliansen i 2000. Senere har den vært eid av SpareBank 1-bankene og Landsorganisasjonen inntil vi nå deltar i dannelsen av en ny, stor og spennende bank sammen med Sparebanken Hedmark. Som selvstendig bank gir vi oss på topp, i 2016 er banken tilbake blant de mest lønnsomme og solide, og ble nylig vurdert å være blant de mest kredittverdige i Norge. Banken har vokst fra en forretningskapital på 13 mrd. kroner i 2003 til 61 mrd. kroner i 2016, og har levert overskudd hvert år siden 2004. Eierne som var med og støttet opp i en kritisk situasjon for 14 år siden har dermed fått en solid og god avkastning på sin investering.

Konsernets resultat etter skatt for 2016 ble 334 mill. kroner (254 mill. kroner). Økningen skyldes i hovedsak økte netto renteinntekter, positiv verdijustering på verdipapirer mot negativ i fjor, samt gevinst ved salget av bankens andel i VISA Europe Ltd. til VISA Inc. Konsernets egenkapitalavkastning for 2016 ble 10,0 %, mot 8,4 % for 2015. Konsernet har i 2016 hatt en total utlånsvekst til person- og bedriftskunder på 10,1 % (inkludert boliglån overført til SpareBank 1 Boligkreditt og SpareBank 1 Næringskreditt). Veksten i innskudd var 14,1 %. Markedsandelen for Eiendomsmegler 1 Oslo Akershus endte på 8,9 %. Konsernet holder fast ved ambisjonen om en fortsatt vekst i personmarkedet så lenge denne kan skje med lønnsomhet. Dette er også i tråd med morbanken Sparebanken Hedmarks uttalte strategi om sterk vekst i nye markedsområder.

Banken har styrket kapitaliseringen de siste årene, så vel nominelt som relativt til myndighetenes økte krav, og har i dag en komfortabel kapitaldekning i forhold til dagens bufferkrav. Kapitaldekningsutviklingen det siste halve året må sees i sammenheng med at banken ble kjøpt opp av Sparebanken Hedmark fra 29. juni og deretter har tilpasset kapitaldekningen på konsernnivå. Banken har en robust finansieringsstruktur og er rustet til å tåle betydelig markedsuro om dette skulle smitte over i bankens marked og virksomhetsområder.

Jeg har stor tro på at fusjonen i 2017 vil legge grunnlaget for en fortsatt god utvikling til glede for eiere, kunder og ansatte, og at fremtiden vil bli minst like bra som forhistorien!

Bank 1 Oslo Akershus konsern

Torbjørn Vik
Administrerende direktør



Risikostyring og Compliance

Gudrun Michelsen
Direktør Risikostyring og Compliance



Forretningsstøtte

Geir-Egil Bolstad
Viseadministrerende direktør Finansdirektør/CFO



Juridisk avdeling

Marianne Uppman
Leder Juridisk avdeling



EiendomsMegler 1

Jon Olav Halgunset
Konstituert Administrerende direktør



Personmarked

Ebbe Corell Hansen
Konstituert Direktør Personmarked



Bedriftsmarked

Monica Mathisen
Direktor Bedriftsmarked



Fagbevegelse

Espen Mejlænder-Larsen
Direktør Fagbevegelse



Om banken

Forretningsidé
Bank 1 Oslo Akershus AS opererer under markedsnavnet SpareBank 1 Oslo Akershus og tilbyr produkter innen områdene finansiering, sparing og plassering, betalingsformidling, forsikring og økonomisk rådgivning. Gjennom datterselskapet EiendomsMegler 1 tilbyr banken også eiendomsmeglertjenester.

Salg av produkter skal være basert på rådgivning med høy kompetanse og kvalitet.

Visjon
«Kunden opplever trygghet, nærhet og en enklere hverdag».
Kundens ønsker og behov står i fokus. Kunden skal føle tillit til banken og få utført tjenester i de kanaler kunden måtte ønske. Vi skal legge til rette for enkle prosesser og tilby produkter som har verdi for kunden.

Verdier
«Nær, dyktig og rask»
Banken skal være tilgjengelig for kunden, tilby god kvalitet på produkter og tjenester på en forsvarlig og effektiv måte.

Organisasjon
SpareBank 1 Oslo Akershus er organisatorisk inndelt i person-, bedrifts- og organisasjonsmarked samt støtte- og kontrollfunksjoner i konsernstaber.

Divisjon Personmarkedet
For å møte endret kundeatferd har Personmarked i 2016 redefinert distribusjonsmodell. Gjennom å styrke fjernbetjent rådgivning og digitale løsninger skal vi nå ytterligere spisse oss i forhold til å være tilgjengelig på kundens premisser. Målet for ny distribusjonsmodell er å løse kundens behov i den kanalen kunden velger. Arbeidet med ny distribusjonsmodell startet i 2015, og ble operasjonalisert 1. kvartal 2016.

Personmarkedet er bankens største forretningsområde. 155 av bankens årsverk arbeider i dette forretningsområdet etter omorganiseringen på nyåret. Personmarkedet består av to regioner. Den ene dekker Asker, Bærum og Oslo Sentrum, og den andre dekker Romerike, Oslo Øst og Follo. Her er bankens 13 kontorer organisert. Distribusjonsnettet er delt inn i kontorer som enten har fokus på nysalg og rådgivning eller som har fokus på porteføljeoppfølgning.

Vårt kundesenter, Direktebanken, er en fullservice-kanal med kompetanse til å håndtere alle typer kundehenvendelser. Direktebanken tilbyr kundene fullverdige rådgivningsmøter på telefon, chat og video. I tillegg til dette har banken en avdeling for formuende kunder (Private Banking). Produksjons- og back office-oppgaver er samlet i et eget produksjonsmiljø i avdelingen Salgs- og distribusjonsstøtte. Avdelingen har som hovedformål å frigjøre mer kapasitet hos våre rådgivere til salg og kundeoppfølging. Avdelingen består av et team med hovedansvar for kreditt, og et annet for dagligbank og sparing.

Divisjon Bedriftsmarked
Divisjonen Bedriftsmarked utgjør 43 årsverk. De er fordelt på alle fagområder og sørger for at vi har nødvendig kompetanse og er en totalleverandør av finansielle tjenester. Vi gir kundene egne dedikerte kundeteam - med kompetanse på alt kundene måtte trenge av rådgivning, samt en god diskusjonspartner. Vårt Bedriftssenter er tilgjengelig for alle typer henvendelser, samt at vi har kundeservice åpent 7-24 alle dager. Bedriftsmarked er lokalisert sentralt i sentrum, men vi har møtearenaer i hele vårt nedslagsfelt Oslo og Akershus. På den måten opplever våre kunder Bedriftsmarked som tilgjengelig og en god samarbeidspartner i sitt område.

Divisjon Fagbevegelse
Fagbevegelsen er bankens viktigste kundegruppe med bakgrunn i de betydelige innskudd som er plassert i banken. Området Fagbevegelse er organisert som et eget forretningsområde i banken for å pleie og å utvikle kunderelasjoner overfor de ulike kundegruppene i fagbevegelsen, samt å fungere som en ressurs for PM i forholdet til enkeltmedlemmene. Området Fagbevegelse gjennomfører og arrangerer årlig ca. 400 kurs/møter for klubber og foreninger, og på disse arenaene utarbeides det oversikt over potensielt nye kunder som videresendes til divisjon personmarked for rådgiving.

EiendomsMegler 1
EiendomsMegler 1 Oslo Akershus AS er et heleid datterselskap av banken. Med 20 kontorer har selskapet god dekning i lokalmarkedet. I løpet av 2016 ble det formidlet 3 397 boligsalg.

Selskapet er en sterk pådriver i SpareBank 1- alliansen for å etablere innovative løsninger som bidrar til å styrke posisjonen som attraktiv aktør i bransjen. Dagens brukere er digitale, og EiendomsMegler 1 var først ute og lanserte digitale annonsepakker.

VÅRE LOKALBANKER I OSLO OG AKERSHUS

Oslo Sentrum
Youngstorget 5,
0181 Oslo.

Asker
Bankveien 7
1383 Asker

Eidsvoll
Gladbakkveien 1
– Amfi Eidsvoll
2070 Råholt

Fornebu
Martin Lingesvei 25
– Technopolis-bygget
1330 Fornebu

Grorud
Bergensveien 8
– Grorud Nærsenter
0963 Oslo

Jessheim
Storgata 1
2050 Jessheim

Lillestrøm
Adolph Tidemands gate 22
2000 Lillestrøm

Lørenskog
Bibliotekgata 30
– Metrosenteret
1473 Lørenskog

Majorstuen
Majorstuveien 38
– inngang Kirkeveien
0367 Oslo

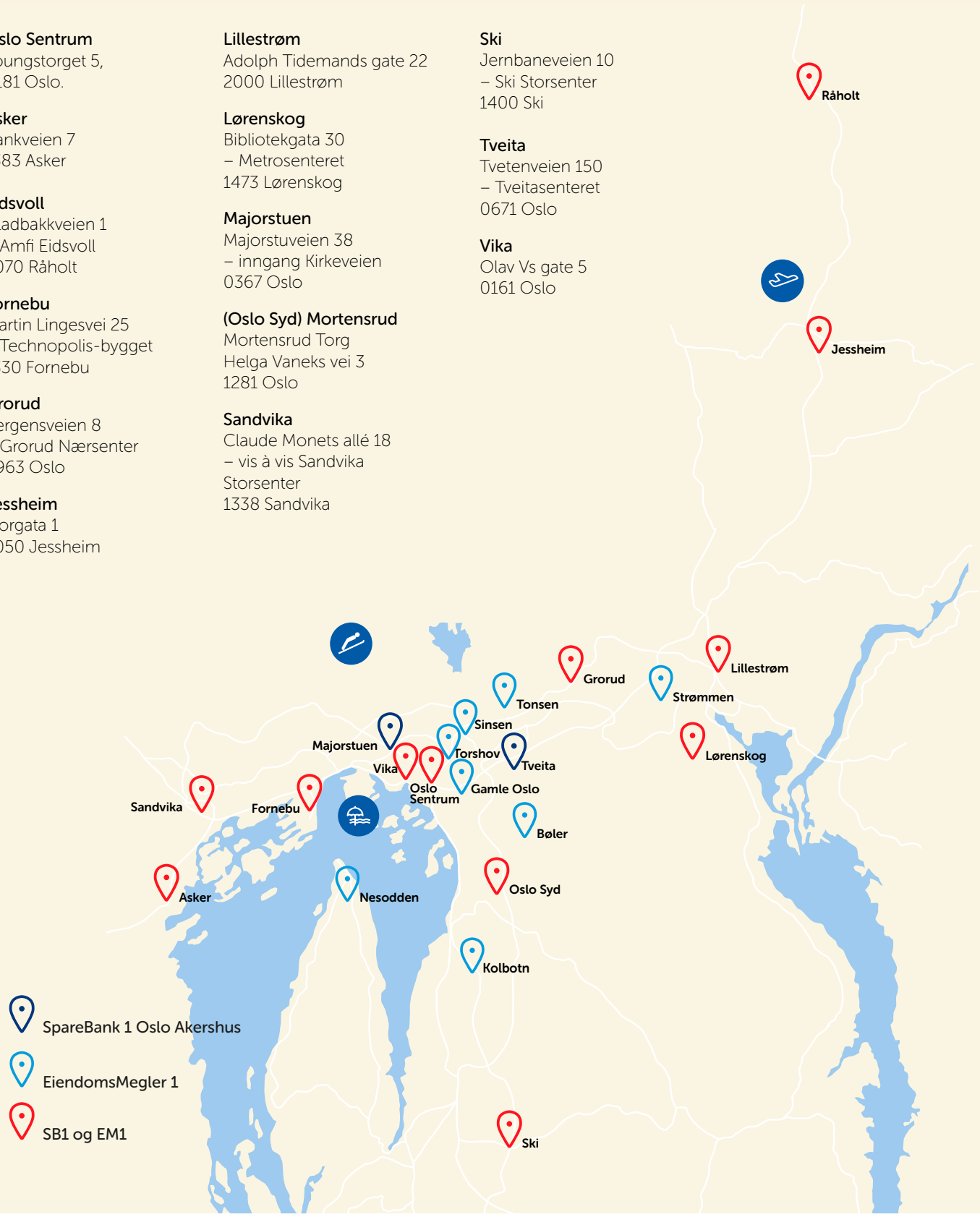
(Oslo Syd) Mortensrud
Mortensrud Torg
Helga Vaneks vei 3
1281 Oslo

Sandvika
Claude Monets allé 18
– vis à vis Sandvika
Storsenter
1338 Sandvika

Ski
Jernbaneveien 10
– Ski Storsenter
1400 Ski

Tveita
Tvetenveien 150
– Tveitasenteret
0671 Oslo

Vika
Olav Vs gate 5
0161 Oslo



Samfunnsansvar

Finanskrisen har vist hvor viktig det er for samfunnsøkonomien med stabile banker. Bank 1 Oslo Akershus har i 2016 levert et godt resultat og vil gjennom solid drift også fremover hjelpe kundene våre med å realisere sine ambisjoner, uansett om de er enkeltpersoner, familier eller foretak. Alle bankens interessenter skal kunne stole på at banken dekker deres behov, og er en troverdig og kompetent samarbeidspartner på lang sikt. Dette er en viktig del av bankens samfunnsansvar.



Helt siden stiftelsen i 1898 har videreutvikling av samfunnet banken er en del av stått sentralt i våre valg og disponeringer. Med lokal kunnskap og nærhet til kundene gjør banken vurderinger som i tillegg til økonomi og risiko baseres seg på et samfunnsperspektiv, og hvor banken arbeider tett med kunder og lokalsamfunn for å utvikle gode virksomheter og gode levevilkår.

VISJON, VERDIER OG STRATEGI

Bank 1 Oslo Akershus sin visjon:
«Kunden opplever trygghet, nærhet og en enklere hverdag»

Banken vil skape verdier for kunder, eiere, ansatte og samfunnet.

Bank 1 Oslo Akershus sine verdier:
«Nær, dyktig og rask»
Verdiene reflekterer hva som skal kjennetegne Bank 1 Oslo Akershus. Kompetente ansatte med rask respons overfor kundene, skal sørge for at kundene alltid opplever relevant betjening og i alle kanaler får gode opplevelser i sitt møte med banken.

Bankens visjon og verdier handler om å sette kundene i sentrum. Gjennom tilfredse kunder, som får dekket sine behov for finansielle tjenester på en god måte, ønsker banken å være en sentral totalleverandør av finansielle produkter og tjenester i Oslo og Akershus.

Strategi
Banken har styrket kapitaliseringen de siste årene, så vel nominelt som relativt til myndighetenes økte krav, og har i dag en komfortabel kapitaldekning i forhold til dagens bufferkrav. Banken har en robust finansieringsstruktur og vil tåle betydelig uro i finansmarkedene. Usikkerhet knyttet til fremtidig økonomisk utvikling og nye krav fra myndighetene vil imidlertid kreve betydelig omstillingsevne og være førende for bankens strategiske avveininger. Kapitaleffektiv vekst, styrket kundetilfredshet og økt topplinjevekst vil ha høy prioritet fremover.

DEN TREDELTE BUNNLINJE

Solid bankdrift skaper fundament for samfunnsøkonomisk utvikling. Banken forsøker å balansere hensyn til samfunn og miljø med økonomiske målsettinger. Banken har innenfor hvert av disse områdene definert nøkkelområder som er viet spesiell oppmerksomhet og hvor det er utviklet spesifikke tiltak for hvert område

Bank 1 Oslo Akershus har ikke formulert en særskilt policy for samfunnsansvar, da arbeidet med samfunnsansvar er integrert i bankens løpende planarbeid. Nedenfor beskrives hvordan banken i sin løpende drift setter ulike aspekter ved samfunnsansvar på agendaen.

ETIKK

Konsernet er avhengig av omverdenens tillit. Kunder, offentlige myndigheter, andre finansinstitusjoner og samfunnet for øvrig må til enhver tid ha tillit til konsernets profesjonalitet og integritet. Konsernet har etiske retningslinjer som skal bidra til bevissthet om og etterlevelse av den høye etiske standarden som kreves av medarbeidere i Bank 1 Oslo Akershus. Retningslinjene krever at konsernet og dets ansatte og tillitsvalgte opptrer med aktsomhet, redelighet og objektivitet, herunder lojalt følger det regelverk og de vilkår som myndighetene fastsetter.

Bank 1 Oslo Akershus har lagt opp til følgende formaliserte og gjentagende gjennomgang av bankens etiske retningslinjer overfor bankens ansatte, og slik at dette til sammen skal utgjøre det formelle grunnlaget for den faktiske adferd hos samtlige av konsernets ansatte:

- De etiske retningslinjene er en del av HR-portalen (personalhåndboken), og derav en del av ansettelsesavtalen.
- De etiske retningslinjene gjennomgås, med tilhørende eksempler for nyansatte.
- Etikk inngår som en obligatorisk modul i bankens elektroniske læringshus og alle ansatte må bestå testen.
- Etiske retningslinjer er en sentral del av konsernets lederutviklingsprogram.
- Alle finansielle rådgivere i banken er sertifiserte i henhold til en felles nasjonal autorisasjonsordning for hele finansnæringen.

Kunnskap om innholdet i de etiske retningslinjene følges opp i bankens årlige lederbekreftelse. Den enkelte leder er ansvarlig for at medarbeiderne er godt kjent med regelverket og må i lederbekreftelsen bekrefte at de etiske retningslinjene er gjort kjent og gi tilbakemelding på om det er drøftet etiske problemstillinger i for eksempel avdelingsmøter. Lederbekreftelsen for 2016 viser at de etiske retningslinjene er godt kjent blant bankens ansatte og at etiske problemstillinger drøftes jevnlig.

LEVERANDØROPPFØLGING

Alle leverandører i SpareBank 1–alliansen må skrive under på at de ikke medvirker til brudd på menneske- og arbeidstakerrettigheter, miljøødeleggelse eller korrupsjon.

ØKONOMISK KRIMINALITET

Finansielle tjenester utgjør en av grunnpilarene i et velfungerende samfunn. Banker gjør handel, sparing og investeringer enklere – det som får hjulene til å gå rundt i en moderne økonomi. Samtidig kan bankene utnyttes av kriminelle nettverk. Myndigheter over hele verden investerer i dag betydelig med energi og ressurser på å bekjempe hvitvasking av penger, og mange av de nye reglene i banksektoren omhandler dette. Bank 1 Oslo Akershus ønsker dette velkommen. Som en ansvarlig bank støtter banken opp om alle tiltak for å bekjempe organisert kriminalitet og terrorvirksomhet.



I begrepet økonomisk kriminalitet inngår blant annet følgende:

- Hvitvasking og terrorfinansiering
- Datakriminalitet
- Interne misligheter og korrupsjon

Hvitvasking og terrorfinansiering
Hvitvasking går ut på å få midler eller verdier som er oppnådd gjennom kriminell aktivitet, til å fremstå som tilsynelatende lovlige midler. Terrorfinansiering omfatter både det å samle inn, skaffe til veie eller motta midler til å finansiere terrorhandlinger. Banken er underlagt myndighetenes hvitvaskingsregelverk som skal bidra til å bekjempe hvitvasking og terrorfinansiering, og har i samarbeid med de andre bankene i SpareBank 1-alliansen er rekke tiltak innrettet mot bekjempelse av denne typen kriminalitet. Opplæring av bankens medarbeidere i disse temaene foregår både gjennom interne klasseromskurs, internettbaserte kurs og temagjennomganger på samlinger og lignende.

Datakriminalitet
SpareBank 1-alliansen er som alle større bedrifter/allianser utsatt for virusangrep og angrep fra hackere over hele verden. Hensikten er ofte økonomisk kriminalitet. Bank 1 Oslo Akershus veileder alle kunder om bruk av antivirusprogrammer via nettbanken. I tillegg har banken deltatt i nasjonale sikkerhetsøvelser (katastrofeøvelser).

Interne misligheter og korrupsjon
Interne misligheter omfatter handlinger hvor en medarbeider, vikar, tillitsvalgt eller medlem av styrende organer i Bank 1 Oslo Akershus bevisst og uberettiget begår handlinger som fører til vinning eller økonomisk fordel for vedkommende selv eller andre. Banken tolererer ikke slike handlinger og har gjort dette kjent gjennom etiske retningslinjer, ref. kapittel vedrørende etikk. Disse retningslinjene inneholder også en klar rutine for varsling og håndtering av eventuelle varsel om misligheter og korrupsjon.

MENNESKERETTIGHETER

Konsernet støtter anerkjente prinsipper for menneskerettigheter.



BIDRAG TIL SAMFUNNET

Bank 1 Oslo Akershus støtter idrett, kultur, ideelle organisasjoner og andre samfunnsnyttige formål. Banken ser det som en viktig samfunnsoppgave å avholde kursaktiviteter innenfor økonomitemaer. Temaene har vært ny pensjonsreform, eiendomsutvikling, produktopplæring, økonomisk rådgivning, tjenestepensjon, betalingsformidling og makroøkonomi. Opplæringsaktivitetene bidrar til at våre ulike kundegrupper er oppdatert på hva som skjer i markedet og på nye løsninger og produkter som gir økt trygghet for egen økonomi.

KUNDER

Hvordan Bank 1 Oslo Akershus sine kunder og markedet generelt opplever Bank 1 Oslo Akershus påvirker konsernets drift og resultater. Både omdømme og kundetilfredshet er viktige fokusområder for konsernet.

Banken gjennomfører årlige posisjonsmålinger som kartlegger bankenes markedsposisjoner i befolkningen basert på et omfattende spørreskjema med mange ulike tema som markedsbeskrivelse, omdømme og kunderelasjoner. Det er TNS Gallup som gjennomfører målingene. Annethvert år

gjennomfører i TNS Gallup i tillegg en TRIM-indeksundersøkelse hvor kundetilfredsheten måles. Målinger av kundenes oppfatning av og tilfredshet med banken viser at både personkundenes og bedriftskundenes relative tilfredshet økte fra 2014 til 2016. I tillegg foretar SpareBank 1-alliansen månedlige målinger av kundetilfredshet knyttet til alliansens kundesentre. Bank 1 Oslo Akershus sitt kundesenter scorer fortsatt blant de høyeste i målingene. På bakgrunn av disse kartleggingene setter banken fokus på relevante initiativer for å øke kundetilfredsheten, slik som gode rådgivingsprosesser, åpningstider på kundesentre og funksjonalitet i nettbank og mobile løsninger.

Bankens breddesalg og rådgivningsprosesser er basert på "Beste kundeprosess". Denne er nøkkelen til gode forberedelser til alle rådgivningsmøter, og er satt i system gjennom rådgiverskolen i PM. Det er etablert gode målesystemer som fremhever og belønner gode rådgivingsopplevelser hos lokalbankene, og kundeopplevelsen følges opp jevnlig gjennom blant annet «Mystery Shoppers».

MEDARBEIDERE/ARBEIDSFORHOLD

Ved utgangen av 2016 (2015) hadde konsernet 413 årsverk (423), hvorav 281 (293) var ansatt i morbanken og 132 (130) var ansatt i EiendomsMegler 1.

Banken legger vekt på å gi kvinner og menn de samme mulighetene for faglig og personlig utvikling, lønn og avansement. Av totalt antall ansatte i morbanken er 49,3 % kvinner og 50,7 % menn. Selskapet har gjennom ulike tiltak søkt å stimulere til økt kvinneandel blant lederne i selskapet, og kvinneandelen er nå 42,2 %. I morbankens øverste ledelse er 3 av 7 medlemmer kvinner. Styret i banken har i alt 8 medlemmer. Av disse er 2 kvinner. Gjennomsnittlig alder på ansatte i banken er p.t. 44,8 år, mens gjennomsnittlig alder for nyansatte i 2016 var 37,7 år.

Av totalt antall ansatte i EiendomsMegler 1 er 53,4 % kvinner og 46,6 % menn. I selskapets øverste ledelse er 3 av 6 medlemmer kvinner. Styret i EiendomsMegler 1 har i alt 6 medlemmer. Av disse er 2 kvinner.

Ved nyansettelser vurderer konsernet kandidatene med bakgrunn i formell utdannelse og erfaringsbakgrunn. I tillegg legges det betydelig vekt på personlige ferdigheter og holdninger. På den måten sikrer konsernet en best mulig vurdering og ivaretar intensjonen i diskriminerings- og tilgjengelighetsloven. Alle som ansettes, blir bakgrunnssjekket via et eksternt selskap.

Alt HR-arbeid har som mål å understøtte forretningsstrategien, og derfor har konsernet utarbeidet en egen HR-strategi. Det overordnede målet for HR-arbeidet er å tilrettelegge for at konsernet skal:

- Tiltrekke de rette medarbeiderne gjennom fokus på konsernets verdigrunnlag.
- Beholde de beste medarbeiderne gjennom å tilby utfordrende arbeidsoppgaver, konstruktiv kommunikasjon og belønning av gode prestasjoner.
- Utvikle medarbeidere gjennom å skape forretningsforståelse ved å involvere og gi ansvar i forhold til klare mål.
- Gjennomføre omstillinger og avvikling av medarbeidere i tråd med lov og avtaleverk.



I forbindelse med Sparebanken Hedmarks oppkjøp av Bank 1 og planlagt fusjon, ble HR-avdelingens ansatte overført til Sparebanken Hedmark 1. august i rapporteringsåret.

Det er gjennomført organisasjonsundersøkelser i konsernet med systematiske aktiviteter i etterkant for å møte selskapenes utfordringer og mulige forbedringsområder. Organisasjonsundersøkelsen, gjeldende for 2016, viser at medarbeidertilfredsheten er svært god. I EiendomsMegler 1 er den totale scoren på medarbeidertilfredsheten noe lavere målt mot 2015.

Gjennom årlige medarbeidersamtaler er målet at den enkelte medarbeider sammen med sin leder skal drøfte jobbutførelse for foregående år, samt drøfte utviklingsmuligheter for å skape ytterligere engasjement og trivsel og gjennom det øke prestasjonene. Det er en målsetting at samtlige medarbeidere skal ha en individuell utviklingsplan.

Banken utøver en aktiv livsfasepolitikk. Livsfasepolitikken har tiltak for å sikre god tilrettelegging av medarbeidernes arbeidsforhold gjennom hele arbeidskarrieren.

Banken og EiendomsMegler 1 har egne arbeidsmiljøutvalg som arbeider sammen med vernetjenesten etter behov. Det er etablert AKAN-utvalg i tilknytning til bankens arbeidsmiljøutvalg.

Samarbeidet med de ansattes organisasjoner i banken oppleves som konstruktivt. Samarbeidsutvalget (SU) består av representanter for ledelsen og de ansattes organisasjoner. Utvalget har hatt 4 møter i 2016 hvor aktuelle saker med betydning for bankens forretningsmessige situasjon ble drøftet.

Banken og EiendomsMegler 1 arbeider systematisk med samhandling for å styrke de forretningsmessige resultatene gjennom bedre utnyttelse av felles kundestrømmer. Dette resulterte i betydelig bedre resultater enn for 2015. Det er dedikert ett helt årsverk for å jobbe med samhandling.



Gjennomsnittlig sykefravær for 2016 var 3,4 %. Dette var tett på målet 3,3 %. Det ble ikke rapportert om noen arbeidsulykker eller yrkesskader i løpet av året.

Bankens godtgjørelsespolitikk ble revidert og godkjent av styret i 2. kvartal 2016.

MILJØ

Konsernets direkte klima- og miljøpåvirkning er i hovedsak knyttet til avfall fra kontorvirksomheten. Konsernet gjennomfører stadig tiltak som skal bidra til å redusere forbruk av strøm, papir og andre ressurser, samt sikre at resurskrevende reiseaktivitet begrenses. Håndtering av teknologisk avfall og innkjøp av miljøvennlige løsninger har også høy oppmerksomhet. Banken arbeider kontinuerlig for å sikre riktige innkjøp av teknologisk utstyr der vi legger energi og miljøkrav inn som spesifikke vurderingskriterier. Alt teknologisk utstyr håndteres som spesialavfall, noe som sikrer miljøriktig håndtering av utstyret.

Banken har en egen reisepolicy for medarbeidere for å begrense omfanget av tjenestereiser. Alternativer som bruk av videokonferanser, telefonkonferanser og digitale verktøy for samhandling og kunnskapsdeling benyttes dersom dette kan være tilfredsstillende i forhold til behovet.

Konsernet tilbyr stadig flere papirløse tjenester som reduserer belastningen på miljøet. Banken har fokus på digitale løsninger, noe som innebærer mest mulig papirløse prosesser for kunder og medarbeidere. Det jobbes bevisst for å øke bruken av våre selvbetjente løsninger både i lokalbankene og på kundesenteret.

Virksomheten driver ikke forsknings- og/eller utviklingsaktiviteter utover normal forretningsmessig utvikling for å fremme virksomhetens videre vekst og konkurranseevne.

Styrets årsberetning for 2016

(Konserntall. Tall i parentes gjelder for 2015 hvis ikke annet er nevnt).

- Resultat etter skatt: 334 mill. kroner (254 mill. kroner)
- Positiv effekt av salget av bankens andel i Visa Europe Ltd. til VISA Inc.
- Egenkapitalavkastning: 10,0 % (8,4 %)
- Netto renteinntekter: 511 mill. kroner (472 mill. kroner)
- Netto provisjons- og andre inntekter: 570 mill. kroner (572 mill. kroner)
- Netto resultat fra finansielle investeringer: 111 mill. kroner (7 mill. kroner)
- Driftskostnader: 753 mill. kroner (737 mill. kroner)
- Tap på utlån og garantier: 12 mill. kroner (netto inngang på tap 18 mill. kroner)
- Utlånsvekst siste 12 måneder inkl. SpareBank 1 Boligkreditt og SpareBank 1 Næringskreditt: 10,1 % (13,3 %)
- Innskuddsvekst siste 12 måneder: 14,1 % (7,7 %)
- Ren kjernekapitaldekning: 14,4 % (15,3 %)

I desember 2015 avtalte Sparebanken Hedmark kjøp av aksjer fra LO (29,9 %) og de øvrige SpareBank 1-bankene (i sum 29,6 %) slik at Bank 1 Oslo Akershus ville bli et heleid datterselskap av Sparebanken Hedmark. 29. juni 2016 ble transaksjonen gjennomført. Banken vil bli drevet som en datterbank i Sparebanken Hedmark inntil juridisk fusjon er gjennomført. Fusjonen er planlagt gjennomført 1. april 2017.

KONSERNETS VIRKSOMHETSOMRÅDE

Konsernregnskapet omfatter EiendomsMegler 1 Oslo Akershus-konsern og Invest 6, samt bankens eierandeler i SpareBank 1 Boligkreditt AS, SpareBank 1 Næringskreditt AS, SpareBank 1 Gruppen AS, SpareBank 1 Kredittkort AS og SpareBank 1 Mobilbetaling AS.

Bank 1 Oslo Akershus AS har hovedkontor i Oslo og har til sammen 13 lokalbanker, hvor 7 er lokalisert i Oslo og 6 i Akershus. EiendomsMegler 1 Oslo Akershus AS har hovedkontor i Oslo og har til sammen 20 meglerkontor, hvor 9 er lokalisert i Oslo og 11 i Akershus.

Konsernet har som mål å være en totalleverandør av finansielle produkter og tjenester i Oslo og Akershus. Dette innbefatter foruten lån, innskudd og betalingsformidling, også de fleste spareprodukter, samt liv- og skadeforsikring. I tillegg driver konsernet eiendomsmegling.

Konsernet har en multikanalstrategi for distribusjon av sine produkter og tjenester; personlig gjennom lokalbankene, gjennom en direktebank på telefon, chat og video, samt nettbank og mobile løsninger.

KONSERNETS UTVIKLING

Konsernet hadde i 2016 en total utlånsvekst til person- og bedriftskunder på 10,1 %. Dette inkluderer boliglån overført til SpareBank 1 Boligkreditt AS og SpareBank 1 Næringskreditt AS. Veksten i personmarkedet var 12,4 %, mens bedriftsmarkedet viste en nullvekst i 2016. Banken overtok i 2016 Swedbanks personmarkedsportefølje i Norge, noe som utgjorde 4,9 % av veksten i personmarkedet.

Markedsandelen for EiendomsMegler 1 Oslo Akershus var 8,9 %, mot 9,1 % ved utgangen av 2015.

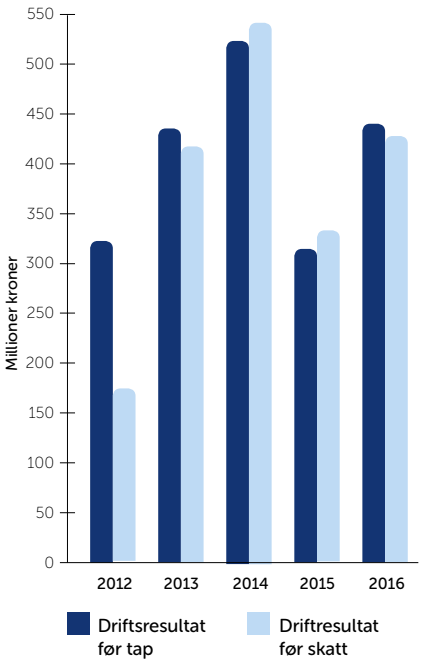
De viktigste kundegruppene for konsernet er personmarkedet, små og mellomstore bedrifter, samt organisasjonsmarkedet – primært fagbevegelsen. Konsernets gjeldende strategi innebærer tydelig fysisk tilstedeværelse i bankens markedsområde, med spesiell fokus på bred rådgivning. De senere årene har innholdet i og omfanget av bankens lokalbanker blitt tilpasset kundenes bruksmønster og behov. Selvbetjening har et økende fokus og betydning.

Fokus på økt lønnsomhet har fortsatt gjennom 2016. Divisjon personmarked (PM) iverksatte i januar 2016 sin nye distribusjonsstrategi, hvor omfang og innhold i kontornettverket, kundesenter og selvbetjente løsninger er tilpasset endringer i kundenes bruksmønster og preferanser. Divisjon bedriftsmarked (BM) har fortsatt fokus på kredittkvalitet og kapitaleffektivisering, samt reprising

av kreditter og økt salg av andre finansielle produkter mot nye og eksisterende kunder. Eiendomsmeglerselskapet har fokus på effektivitetsforbedring.

Endret kundeadferd mot mer selvbetjente løsninger og tiltagende automatisering av arbeidsprosesser skaper et behov for ny innretning av distribusjon av bankens produkter og tjenester. Dette er avgjørende for å opprettholde konkurransekraft og markedsposisjon. Banken foretar gjennom SpareBank 1 -alliansen betydelige investeringer i utvikling av fremtidsrettende systemløsninger for selvbetjening og effektiv kunderådgiving.

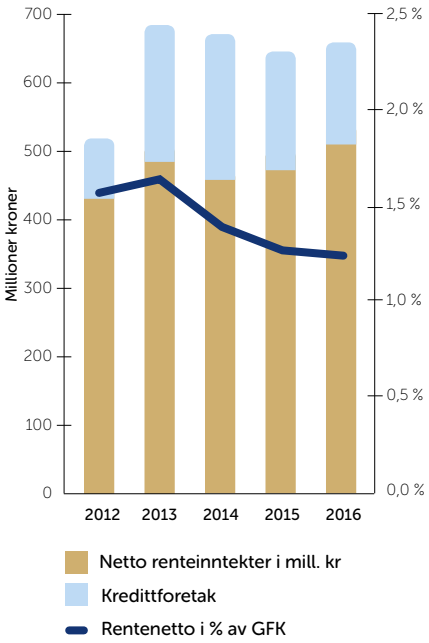
RESULTATUTVIKLING



Konsernets resultat etter skatt for 2016 ble 334 mill. kroner (254 mill. kroner). Økningen skyldes i hovedsak økte netto renteinntekter, kursgevinst på verdipapirer mot kurstap året før, samt en positiv effekt av salget av bankens andel i VISA Europe Ltd. til VISA Inc. I motsatt retning trekker reduserte provisjonsinntekter fra SpareBank 1 Boligkreditt, reduserte inntekter fra eierinteresser og økte kostnader.

Konsernets egenkapitalavkastning for 2016 ble 10,0 %, mot 8,4 % for 2015.

Netto renteinntekter



Netto renteinntekter for 2016 endte på 511 mill. kroner (472 mill. kroner). Økningen skyldes vekst i utlån, økt innskuddsmargin og endring av prinsipp for regnskapsføring av fondsobligasjoner. Lavere utlånsmargin og økte fundingkostnader reduserte isolert sett netto renteinntekter.

Netto renteinntekter må ses i sammenheng med provisjonsinntekter fra SpareBank 1 Boligkreditt og SpareBank 1 Næringskreditt. For 2016 utgjorde disse provisjonsinntektene 146 mill. kroner (170 mill. kroner).

Rentenettoen i prosent av GFK ble på 1,24 % (1,27 %).

Netto provisjonsinntekter og andre inntekter

Netto provisjons- og andre inntekter utgjorde for 2016 570 mill. kroner (572 mill. kroner).

Reduksjonen skyldes i hovedsak reduserte provisjonsinntekter fra SpareBank 1 Boligkreditt og SpareBank 1 Næringskreditt, som følge av lavere utlånsrente for kundene sammenlignet med 2015.

Netto resultat fra finansielle investeringer

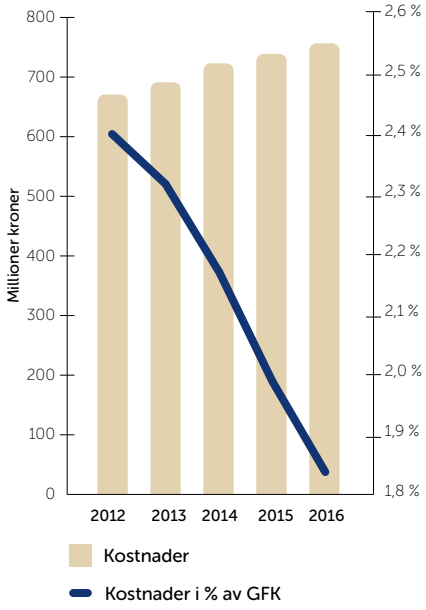
Netto resultat fra finansielle investeringer endte for 2016 på 111 mill. kroner (7 mill. kroner).

Aksjer og utbytte viste en økning på 53 mill. kroner og skyldes i stor grad mottatt utbytte og gevinst i forbindelse med salget av VISA Europe Ltd. til ViSA Inc på 45 mill. kroner.

Obligasjoner og derivater viste en kursgevinst på 44 mill. kroner, mot et kurstap på 65 mill. kroner i tilsvarende periode i fjor. Verdipapirgevinsten skyldes i hovedsak gevinst i bankens likviditetsportefølje som følge av inngang i kredittpåslag og kursgevinster knyttet til valutavirksomheten. Bankens likviditetsportefølje består i all hovedsak av OMF og obligasjoner med lav risiko.

Inntekter fra eierinteresser ble redusert med 58 mill. kroner. Reduksjonen skyldes i hovedsak redusert resultatandel fra SpareBank 1 Boligkreditt hvor resultatet i stor grad var påvirket av negativ verdiendring på basisswapper knyttet til egne innlån. Forklaringen er todelt, hvor markedsprisen på nye basisswapper er redusert, og at bokført gevinst reverseres med løpetid på swappene.

Driftskostnader

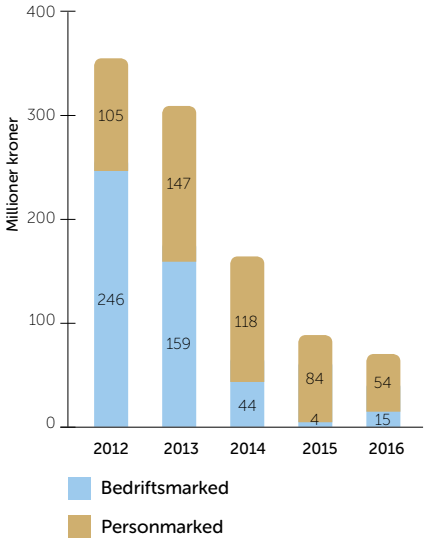


Driftskostnadene for 2016 ble 753 mill. kroner (737 mill. kroner). Økningen skyldes i hovedsak kostnader knyttet til fusjonsprosessen med Sparebanken Hedmark og nedskrivninger som følge av utrangering av anleggsmidler knyttet til nedlagte lokalbanker i 2016.

Mislighold og tap på utlån

Tap på utlån viste for 2016 12 mill. kroner (netto inngang på tap 18 mill. kroner). Tapsprosenten (tap i prosent av brutto utlån) utgjorde 0,04 % (-0,06 %).

Misligholdte engasjementer

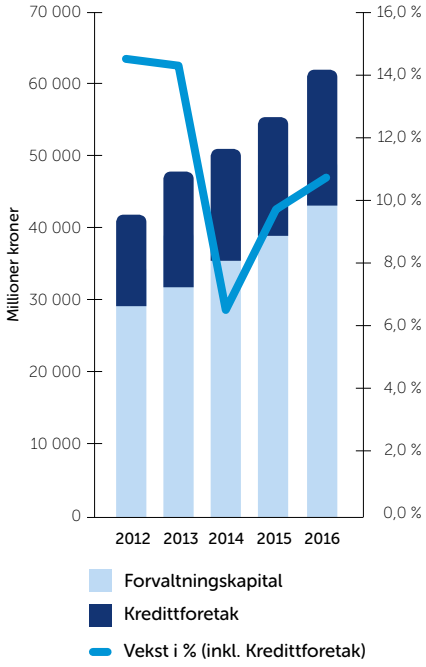


Brutto misligholdte og tapsutsatte utlån var ved utgangen av 2016 på 69 mill. kroner (87 mill. kroner). Målt mot brutto utlån utgjorde dette 0,2 % (0,3 %).

Individuelle nedskrivninger var per utgangen av 2016 13 mill. kroner (18 mill. kroner). Gruppevise nedskrivninger var per utgangen av 2016 120 mill. kroner (99 mill. kroner). Økningen i de gruppevise nedskrivingene reflekterer en forverret konjunktursituasjon ved inngangen til året og har vært i tråd med signaler i Finanstilsynets brev til norske banker i desember 2015 om å vurdere nivået på tapsnedskrivningene.
Av samlet mislighold over 90 dager på 50 mill. kroner (77 mill. kroner) var det ved utgangen av 2016 tapsavsatt 2 mill. kroner (11 mill. kroner), tilsvarende 4,7 % (14,0 %).

Andre misligholdte og tapsutsatte engasjementer utgjorde ved utgangen av 2016 18 mill. kroner (10 mill. kroner), hvorav 11 mill. kroner (7 mill. kroner) tilsvarende 58,0 % (69,7 %) var tapsavsatt. De lave nivåene av problemlån reflekterer langsiktig bearbeiding av kundemassen og bedret kredittkvalitet gjennom flere år.

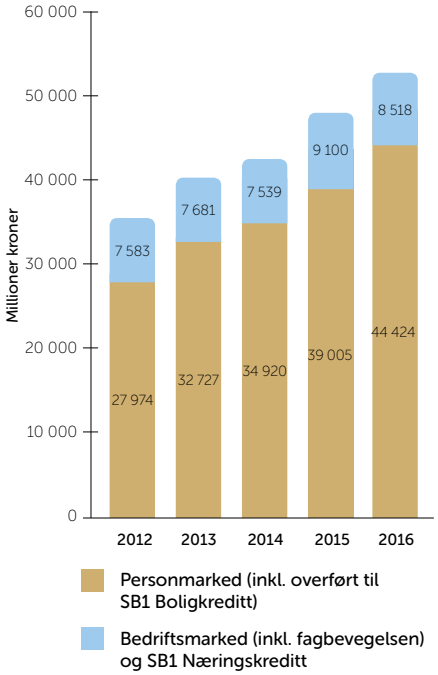
BALANSEN



Forvaltningskapitalen var ved utgangen av 2016 42,8 mrd. kroner (39,0 mrd. kroner), en økning på 3,9 mrd. kroner tilsvarende 9,9 %. Økningen skyldes hovedsakelig vekst i utlån til personkunder. Forretningskapitalen (forvaltningskapital inklusive overførte lån til SpareBank 1 Boligkreditt og SpareBank 1 Næringskreditt) var på 61,1 mrd. kroner (55,3 mrd. kroner) etter en vekst på 5,9 mrd. kroner, tilsvarende 10,6 %.

Utlån

Brutto utlån utgjorde ved utgangen av 2016 52,9 mrd. kroner, inkludert 18,3 mrd. kroner overført til SpareBank 1 Boligkreditt og SpareBank 1 Næringskreditt.



I 2016 økte utlån til kunder med 4,8 mrd. kroner, tilsvarende 10,1 %. Personmarked viste en vekst med 4,8 mrd. kroner (tilsvarende 12,4 %), mens bedriftsmarkedet viste en nullvekst i 2016.

Fordelingen mellom personmarked og bedriftsmarked endte ved utgangen av 2016 på 82/18 % (81/19 %) inklusiv overførte lån til SpareBank 1 Boligkreditt og SpareBank 1 Næringskreditt. Eksklusiv disse overførte lånene var fordelingen 75/25 % (71/29 %). Det har vært en generell bedring i kredittrisikoprofilen i 2016, representert ved en positiv utvikling i misligholdssannsynligheten i låneporteføljen. Andelen lån med lav misligholdssannsynlighet har økt, og andelen lån med høy misligholdssannsynlighet har hatt en nedgang.

Innskudd

Innskudd fra kunder var ved utgangen av 2016 26,8 mrd. kroner (23,5 mrd. kroner). Dette gir en økning på 3,3 mrd. kroner, tilsvarende 14,1 %. Veksten fordelte seg med 2,9 mrd. kroner (tilsvarende 25,1 %) i personmarkedet og en økning på 0,5 mrd. kroner (tilsvarende 3,8 %) i bedriftsmarkedet.

Innskuddsdekningen på egen balanse (innskudd/utlån) var ved utgangen av 2016 på 77,4 % (73,9 %).

Likviditet

Bankens likviditetssituasjon vurderes som tilfredsstillende. De nærmeste 12 månedene forfaller verdipapiriserte innlån med en samlet verdi på 1,3 mrd. kroner (1,1 mrd. kroner når beholdningen av egne papirer hensynstas).

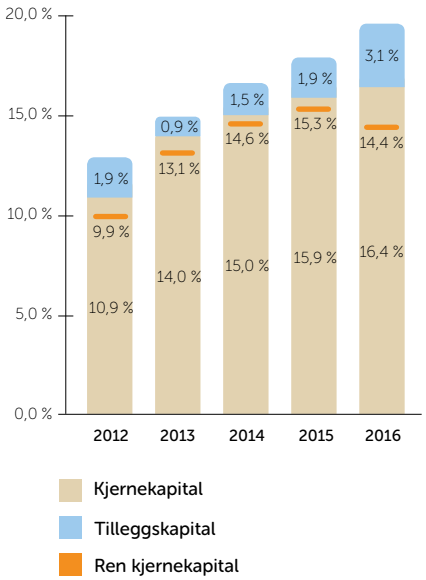
Banken har ved utgangen av 2016 overført lån for 18,3 mrd. kroner til SpareBank 1 Boligkreditt og SpareBank 1 Næringskreditt. Banken har 10 mrd. kroner i boliglån og næringslån på egen balanse som er kvalifisert for overføring til SpareBank 1 Boligkreditt og SpareBank 1 Næringskreditt. Dette utgjør en del av bankens likviditetsreserve, sammen med porteføljen av likvide rentepapirer og låneadgangen i Norges Bank.

Banken hadde ved utgangen av 2016 en verdipapirportefølje (inkludert beholdningen av egne papirer) på 4,7 mrd. kroner, en økning på 0,5 mrd. kroner i 2016. Banken har i tillegg plassert 350 mill. kroner i pengemarkedsfond. Eventuelle verdipapirer mottatt som sikkerhet i Repo-transaksjoner er ikke inkludert.

Beholdningen av likvider, definert som kontanter, innskudd i Norges Bank og fordringer på finansinstitusjoner, var ved utgangen av 2016 på 1,1 mrd. kroner (1,0 mrd. kroner). Banken har ved utgangen av 2016 likviditetsreserver til å dekke mer enn de neste 18 måneders forventede refinansieringsbehov.

Kapitaldekning og kapitalbehov

Konsernets kapital- og kjernekapitaldekning var ved utgangen av 2016 hhv. 19,5 % (17,8 %) og 16,4 % (15,9 %). Ren kjernekapitaldekning var 14,4 % (15,3 %). Ansvarlig kapital i konsernet var 3,5 mrd. kroner (3,0 mrd. kroner). Banken har i løpet av 4. kvartal fått en vesentlig eierposisjon i SpareBank 1 Boligkreditt. Dette reduserer bankens fradrag i den rene kjernekapitalen mot en økning i beregningsgrunnlaget etter CRD IV. Denne økningen av ren kjernekapital motvirkes av nedtrapping av overgangsregler knyttet til ikke-vesentlige investeringer i finansiell sektor som fører til en nettoreduksjon i ren kjernekapital. Det vises for øvrig til note 3.



Styret i Bank 1 Oslo Akershus gjør løpende vurderinger av kapitalsituasjonen og fremtidige kapitalkrav. Styret legger vekt på at konsernet skal være tilstrekkelig kapitalisert for til enhver tid å oppfylle alle regulatoriske krav inkludert buffere, samt ha en buffer utover dette (ledelsesbuffer).

BANK 1 OSLO AKERSHUS AS

Bankens resultat før tap endte for 2016 på 451 mill. kroner (272 mill. kroner). Det var bokført tap på utlån med 12 mill. kroner (netto inngang på tap på utlån med 18 mill. kroner), slik at resultat etter tap ble på 438 mill. kroner (290 mill. kroner). Beregnet skatt utgjorde 91 mill. kroner (77 mill. kroner), og resultat etter skatt ble dermed 348 mill. kroner (213 mill. kroner).

Bankens kapital- og kjernekapitaldekning var ved utgangen av 2016 på hhv. 19,2 % og 16,2 %, mot 17,4 % og 15,6 % ved utgangen av 2015. Ren kjernekapitaldekning viste 14,1 %, mens bankens netto ansvarlige kapital var på 3,5 mrd. kroner.

DATTERSELSKAPER OG FELLESKONTROLLERT VIRKSOMHET

EiendomsMegler 1 Oslo og Akershus konsern viste for 2016 et resultat før skatt på 3,4 mill. kroner (4,1 mill. kroner). Reduksjonen skyldes avsetning knyttet til sluttavtale for tidligere adm. direktør og nedskrivninger av anleggsmidler på 1,8 mill. kroner som følge av utrangering av anleggsmidler knyttet til nedlagte meglerkontorer. I motsatt retning trekker inntektsføring knyttet til ett enkelt engasjement på 2,4 mill. kroner. Solgte boliger i 2016 viste 3.397, mot 3.592 for 2015, en reduksjon på 5,4 %.

Invest 6 AS ble opprettet i 2011 og var et «tomt» selskap inntil banken i 2. kvartal 2015 overtok eiendommer i forbindelse med et misligholdt engasjement. Selskapet har som formål å klargjøre eiendommene for salg. De siste eiendommene ble solgt i 2. kvartal og konsernet har i 4. kvartal avviklet selskapet. For 2016 viste selskapet et resultat før skatt på 4 mill. kroner.

SpareBank 1 Boligkreditt AS er opprettet av bankene i SpareBank 1-alliansen for å utstede obligasjoner med fortrinnsrett. Bankene overfører godt sikrede boliglån med lav risiko til selskapet. Bankens eierandel var 9,68 % frem til 28.12.2016, og 10,21 % etter. For 2016 ga dette en resultatandel på -11 mill. kroner (42 mill. kroner). Resultatet var i stor grad påvirket av negativ verdiendring på basisswapper knyttet til egne innlån. Forklaringen er todelt, hvor markedsprisen på nye basisswapper er redusert, og at bokført gevinst reverseres med løpetid på swappene.

SpareBank 1 Næringskreditt er etablert etter samme modell som SpareBank 1 Boligkreditt. Bankens eierandel fra 1. oktober 2016 var 4,17 %. For 4. kvartal 2016 utgjorde dette en resultatandel på 1 mill. kroner.

SpareBank 1 Gruppen AS er SpareBank 1-bankenes felleseide holdingselskap for produktleveranser som bankene ikke produserer selv. Bankens eierandel i SpareBank 1 Gruppen er 1,4 %.

For 2016 ga dette en resultatandel på 22 mill. kroner (18 mill. kroner).

SpareBank 1 Kredittkort AS var i ordinær drift fra 1. juli 2014. Selskapet eies av bankene i SpareBank 1-alliansen, og Bank 1 Oslo Akershus sin eierandel er 9,6 %. For 2016 ga dette en resultatandel på 12 mill. kroner (11 mill. kroner).

SpareBank 1 Mobilbetaling AS (m-CASH) er SpareBank 1-alliansen sin satsing for å styrke SpareBank 1-bankenes posisjon på nye mobile flater gjennom vennebetaling og mobilbetaling i varehandelen. Selskapet eies av bankene i SpareBank 1-alliansen og Bank 1 Oslo Akershus sin eierandel er 8,6 %. For 2016 ga dette en resultatandel på -12 mill. kroner.

SpareBank 1-alliansen besluttet i februar 2017 og gå sammen med DnB og en rekke andre norske banker om en felles satsning rundt betalingstjenesten Vipps, og mCash legges i den forbindelse ned.

DISPONERING AV OVERSKUDD

Styret foreslår at det ikke utbetales utbytte for 2016.

EIERSTYRING OG SELSKAPSLEDELSE

I desember 2015 avtalte Sparebanken Hedmark kjøp av aksjer fra LO (29,9 %) og de øvrige SpareBank 1-bankene (i sum 29,6 %) slik at Bank 1 Oslo Akershus ville bli et heleid datterselskap av Sparebanken Hedmark. 29. juni 2016 ble transaksjonen gjennomført. Myndighetene har gitt tillatelse til at Bank 1 Oslo Akershus i en periode på inntil tre år kan bli drevet som en datterbank av Sparebanken Hedmark. De to bankene har som mål å gjennomføre fusjonen 1. april 2017.

Aksjene i Bank 1 Oslo Akershus AS er ikke børsnotert, men selskapet hadde per 31. desember 2016 obligasjonslån notert på Nordic ABM. Selskapet har i løpet av 2016 blitt et heleid datterselskap og eier er representert i styret. Styret har i tillegg ett aksjonærvalgt uavhengig styremedlem.

Styret i Bank 1 Oslo Akershus AS slutter seg til "Norsk anbefaling for eierstyring og selskapsledelse" der disse føringene er aktuelle og relevante for et selskap som ikke har aksjer notert på børs. Styringen av virksomheten skjer med utgangspunkt i norsk lovgivning og selskapets vedtekter, samt de strategiske mål og interne retningslinjer styret har trukket opp.

Styret har etablert både et revisjonsutvalg og et risikoutvalg. Utvalgene består av tre medlemmer fra bankens styre og medlemmene utnevnes til utvalgene for en periode på to år. For 2016 var det de samme medlemmene som deltok i begge utvalgene. Revisjonsutvalget har i 2016 blant annet gjennomgått utkast til kvartals- og årsregnskaper før de har blitt styrebehandlet. Utvalgene har i tillegg behandlet saker som angår konsernets risiko, kapitalstyring og intern kontroll. Utvalgene har også gjennomgått rapporter og brev fra konsernets interne og eksterne revisor, og har bistått styret med å se til at begge revisjonsordninger fungerer tilfredsstillende.

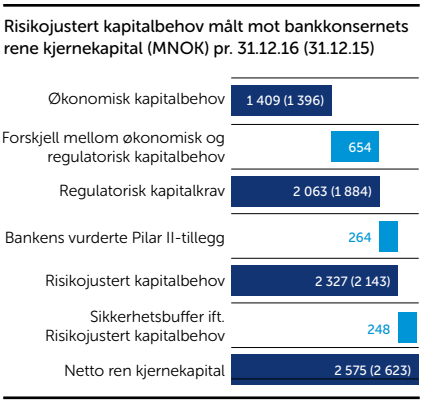
Banken har et eget godtgjørelsesutvalg som består av tre medlemmer av bankens styre. Medlemmene utnevnes til utvalget for en periode på to år. Normalt møtes utvalget to ganger årlig. Utvalget har i 2016 vært involvert i utarbeidelsen av retningslinjer og godtgjørelse for konsernets ledende ansatte.

RISIKOSTYRING OG RISIKOFORHOLD

Konsernet styrer risiko på overordnet nivå gjennom egen styrevedtatt policy for risiko- og kapitalstyring. Denne inneholder måltall og retningslinjer for blant annet konsernets risikotoleranse, beskriver prosesser for risikostyring, samt ansvar og roller i risikostyringen.

Konsernets virksomhet er hovedsakelig knyttet opp mot fire risikoområder – kredittrisiko, markedsrisiko, likviditetsrisiko og operasjonell risiko. Konsernet legger stor vekt på å identifisere og følge opp sentrale risikoer på en slik måte at konsernet kan oppnå sine strategiske målsettinger, og til enhver tid ha tilstrekkelig ansvarlig kapital.

Konsernet uttrykker og kvantifiserer risiko gjennom to måltall: Økonomisk kapitalbehov, som uttrykker bankens risiko målt med interne risikomodeller, og et såkalt risikojustert kapitalbehov, som uttrykker myndighetenes kapitalkrav (pilar I) tillagt bankens egenberegnede pilar II-behov.



Figuren ovenfor viser at bankens interne kapitalbehov har økt marginalt gjennom 2016, fra 1,40 mrd. kroner til 1,41 mrd. kroner.

Endringen skyldes i all hovedsak økt eierrisiko, som følge økt eierandel i SpareBank 1 Boligkreditt. I tillegg er den operasjonelle risikoen økt, mens kapitalkravet tilknyttet kreditt er redusert som følge av en generell bedring i kredittkvaliteten i porteføljene. Figuren viser også en økning i bankens totale risikojusterte kapitalbehov (pilar I + pilar II) på 184 mill. kroner fra 2,1 mrd. kroner til 2,3 mrd. kroner. Denne økningen skyldes en kombinasjon av kredittvekst og regelendringer på kapitaldekningsområdet.

På bakgrunn av anvendelseskravet til IRB-modeller, kommunikasjon med Finanstilsynet, samt rundskriv 12/2016

så har banken dreid over til å benytte regulatorisk kapital i både styring og vurdering av risikojustert kapitalbehov (pilar + pilar II-tillegg). Internt økonomiske modeller brukes derimot fremdeles til å måle og vurdere reell risiko.
Bankens sum av netto ren kjernekapital ved utgangen av 2016 på 2,6 mrd. kroner viser en tilfredsstillende buffer i forhold til risikojustert kapitalbehov (pilar I med tillegg av kapitalbehov etter pilar II).

Kredittrisiko

Kredittrisikoen representerer den største enkeltrisikoen i konsernet, og er definert som risikoen for tap som kan oppstå som følge av at kunder ikke har evne eller vilje til å oppfylle sine forpliktelser overfor banken. Bankens kredittstrategi er forankret i bankens forretningsstrategi, og legger forutsetningene for en lav til moderat risikoprofil. Kredittstrategien revideres av styret minimum en gang årlig.

Bankens kredittrisiko målt etter risikojustert kapitalbehov (11,5 %) er i 2016 redusert med 40 mill. kroner, til tross for høy utlånsvekst. Risikoen anses å være lav innenfor personmarkedet og lav til moderat innenfor bedriftsmarkedet.

Markedsrisiko

Markedsrisiko er knyttet til verdiendringer i renter, valutaposisjoner, verdipapirer og fast eiendom. Styringen av markedsrisiko skjer gjennom detaljerte rammer for blant annet investeringer i sertifikater, obligasjoner og posisjoner i valuta. Rammene revurderes minst en gang i året og vedtas av bankens styre. Eksponering i forhold til vedtatte rammer rapporteres kvartalsvis til styret.
Bankkonsernets markedsrisiko ved utgangen av 2016 er omtrent på samme nivå som ved utgangen av 2015. Markedsrisikoen anses å være lav.

Likviditets- og finansieringsrisiko

Likviditetsrisiko er risiko for at banken ikke klarer å oppfylle sine forpliktelser ved forfall. Samtidig innebærer likviditets- og finansieringsrisikoen et priselement, definert som risikoen for at banken ikke klarer å finansiere virksomheten uten ekstrakostnader i perioder med markedsuro.

Konsernet har gjennom hele 2016 hatt en tilfredsstillende likviditetssituasjon, og bankens likviditetssituasjon anses som tilfredsstillende pr. 31.12.16. Alle måltallene lå ved utgangen av 2016 innenfor de rammer som styret har fastsatt. Likviditetsrisikoen anses som lav.

Operasjonell risiko

Operasjonell risiko omfatter risiko for økonomisk tap ved menneskelige eller systemmessige feil, enten internt eller påført banken eksternt fra. Risiko for tap av renommé, juridisk risiko, risiko ved manglende kompetanse, etikk og holdninger hos personalet er alle elementer i operasjonell risiko.

Gjennom 2016 har banken fortsatt arbeidet med registrering og oppfølging av operasjonelle tap og andre uønskede hendelser. Banken har kontinuerlig fokus på videreutvikling av effektive interne kontrollsystemer. Retningslinjer angir hvordan ansatte skal rapportere hendelser knyttet til operasjonell risiko videre.

Banken har i likhet med de andre SpareBank 1-alliansebankene også i år hatt mange IT-relaterte hendelser og alvorlighetsgraden er på nivå med 2015.

Risikojustert kapitalbehov for operasjonell risiko er noe høyere ved utgangen av 2016 enn på tilsvarende tidspunkt i 2015. Dette skyldes at forretningsvolumet har økt gjennom 2016, og at beregningen av risikojustert kapitalbehov gjøres på basis av en myndighetsfastsatt sjablong. Styret anser at konsernet har en god kontroll med den operasjonelle risikoen totalt sett, som et resultat av både forebyggende og avdekkende kontrolltiltak.

Eierrisiko

I tillegg til de fire risikokategoriene som er omtalt ovenfor, må bankkonsernet også holde en høy andel ansvarlig kapital for å møte det regulatoriske kapitalkravet knyttet til strategiske eierposisjoner. Den største posten er her bankens eierandel i SpareBank 1 Boligkreditt.

For mer informasjon om bankens risiko- og kapitalstyring, henvises det til notene 5 og 6, samt bankens pilar III–dokument (tilgjengelig på https://www.sparebank1.no/nb/oslo-akershus/om-oss/investor.html).

SAMFUNNSANSVAR

Informasjon om konsernets arbeid for å ivareta sitt samfunnsansvar er beskrevet i eget temakapittel i årsrapporten. Her finnes også opplysninger om arbeidsmiljø, likestilling og tiltak i henhold til ytre miljø.

FORTSATT DRIFT

Årsoppgjøret er avlagt under forutsetning om fortsatt drift.

UTSIKTENE FREMOVER

Makrosituasjonen i Norge virker å være i bedring og en rekke økonomiske nøkkelindikatorer viser positiv utvikling. Styret anser dette som fordelaktig for konsernets virksomhet, kredittrisiko og tapsutvikling i tiden fremover.

Banken har styrket kapitaliseringen de siste årene, så vel nominelt, som relativt til myndighetenes økte krav, og har i dag en komfortabel kapitaldekning i forhold til dagens bufferkrav. Kapitaldekningsutviklingen det siste halve året må sees i sammenheng med at banken ble kjøpt opp av Sparebanken Hedmark fra 29. juni og deretter har tilpasset kapitaldekningen på konsernnivå. Banken har en robust finansieringsstruktur og er rustet til å tåle betydelig markedsuro om dette skulle smitte over i bankens marked og virksomhetsområder.

Bank 1 Oslo Akershus AS holder fast ved ambisjonen om en betydelig vekst i personmarkedet, så lenge denne kan skje med lønnsomhet. Dette er også i tråd med morbanken Sparebanken Hedmarks uttalte strategi om vekst i nye markedsområder.

Siden Sparebanken Hedmarks kjøp av banken ble gjennomført er et omfattende integrasjonsarbeid mellom bankene startet.

Bank 1 Oslo Akershus AS vil bli drevet som en datterbank i Sparebanken Hedmark inntil juridisk fusjon er gjennomført. Fusjonen er planlagt gjennomført 1. april 2017.

Fusjonen vil styrke kapitalsituasjonen og bevare kompetanse og leveransetilbud til beste for kundene, de ansatte og markedet. Den nye banken kommer til å bli en av de største sparebankene i Norge med en forretningskapital på vel 138 mrd. kroner, over 1.180 ansatte og over 250.000 kunder.

Styret vil rette en takk til konsernets ansatte for innsatsen i året som gikk.

Oslo, 17. mars 2017

STYRET I BANK 1 OSLO AKERSHUS AS



Richard Heiberg
Leder



Roar Flåthen
Nestleder



Tore Anstein Doblaug



Jan-Egil Pedersen



Arve Bakke



Tone Bjørnov



Tor Morten Nygård



Dordi Formoe
Ansattes representant



Torbjørn Vik
Adm. direktør

RESULTATREGNSKAP

Morbank				Konsern	
2015	2016	(Mill. kroner)	Note	2016	2015
1 187	1 148	Renteinntekter	20	1 154	1 193
716	638	Rentekostnader	20	643	721
471	**510**	**Netto renteinntekter**		**511**	**472**
397	384	Provisjonsinntekter	21	592	600
-37	-38	Provisjonskostnader	21	-36	-37
5	11	Andre driftsinntekter	21	14	10
364	**358**	**Netto provisjons- og andre inntekter**		**570**	**572**
35	77	Utbytte		32	2
0	0	Netto resultat fra eierinteresser	33	13	71
-65	56	Netto resultat fra andre finansielle investeringer	22	66	-66
-30	**133**	**Netto resultat fra finansielle investeringer**		**111**	**7**
806	**1 001**	**Sum netto inntekter**		**1 192**	**1 051**
266	269	Personalkostnader	23, 24	395	388
268	281	Andre driftskostnader	25	357	349
534	**550**	**Sum driftskostnader**		**753**	**737**
272	**451**	**Resultat før tap**		**439**	**314**
-18	12	Tap på utlån og garantier	11	12	-18
290	**438**	**Resultat før skatt**		**427**	**333**
77	91	Skattekostnad	26	93	79
213	**348**	**Resultat etter skatt**		**334**	**254**
		Resultatet tilordnes:			
213	**348**	**Kontrollerende eierinteresser**		**334**	**254**
0	**0**	**Ikke kontrollerende eierinteresser**		**0**	**0**
		Utvidet resultatregnskap			
213	**348**	**Periodens resultat**		**334**	**254**
		Poster som ikke vil bli reklassifisert til resultat			
51	-54	Estimatavvik pensjoner		-54	51
-14	14	Skatt på estimatavvik pensjoner		14	-14
1	0	Endring skatt på estimatavvik som følge av endret skattesats		0	1
		Poster som senere vil bli reklassifisert til resultat			
34	-18	Verdiendring finansielle eiendeler tilgjengelig for salg		-18	34
73	**-59**	**Sum resultatposter ført mot egenkapitalen**		**-59**	**73**
286	**289**	**Totalresultat**		**275**	**327**
		Totalresultatet tilordnes:			
286	**289**	**Kontrollerende eierinteresser**		**275**	**327**
0	**0**	**Ikke kontrollerende eierinteresser**		**0**	**0**

Note 1 til 47 er en integrert del av konsernregnskapet.

BALANSE

Morbank				Konsern	
31.12.15	31.12.16	(Mill. kroner)	Note	31.12.16	31.12.15
		EIENDELER			
615	388	Kontanter og fordringer på sentralbanker		389	615
410	694	Utlån til og fordringer på kredittinstitusjoner	7	694	410
31 728	34 525	Utlån til og fordringer på kunder	8	34 525	31 718
3 864	4 559	Sertifikater og obligasjoner	30	4 559	3 864
611	461	Finansielle derivater	31	461	611
72	426	Aksjer, andeler og andre egenkapitalinteresser	32	426	72
1 169	1 343	Investering i tilknyttede selskap og felleskontrollert virksomhet	33	1 404	1 249
58	58	Investering i datterselskaper	33	0	0
222	198	Eiendom, anlegg og utstyr	34	206	230
0	0	Virksomhet og anleggsmidler holdt for salg	35	0	14
0	0	Goodwill og andre immaterielle eiendeler	36	27	27
0	9	Utsatt skattefordel	26	11	0
101	87	Andre eiendeler	37	147	169
38 851	**42 748**	**Eiendeler**		**42 850**	**38 980**
		GJELD			
345	1 141	Innskudd fra og gjeld til kredittinstitusjoner	7	1 141	345
23 541	26 859	Innskudd fra og gjeld til kunder	38	26 838	23 521
10 396	9 946	Gjeld stiftet ved utstedelse av verdipapirer	39	9 946	10 396
202	116	Finansielle derivater	31	116	202
89	95	Forpliktelse ved periodeskatt	26	95	90
11	0	Forpliktelse ved utsatt skatt	26	0	7
125	217	Annen gjeld og balanseført forpliktelse	40	263	185
1 102	701	Ansvarlig lånekapital og fondsobligasjoner	41	701	1 102
35 811	**39 075**	**Gjeld**		**39 099**	**35 849**
457	457	Aksjekapital	44	457	457
653	653	Overkursfond		653	653
0	400	Hybridkapital	41	400	0
1 929	2 163	Annen egenkapital		2 240	2 021
3 040	**3 673**	**Egenkapital**		**3 751**	**3 131**
38 851	**42 748**	**Gjeld og egenkapital**		**42 850**	**38 980**

Styret i Bank 1 Oslo Akershus AS
Oslo, 17. mars 2017

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Torbjørn Vik
Adm. direktør

ENDRING I EGENKAPITAL

Morbank	Innskutt egenkapital			Opptjent egenkapital	
(Mill. kroner)	Aksjekapital	Overkursfond	Hybridkapital	Annen egenkapital	Sum egenkapital
Egenkapital per 01.01.15	**457**	**653**	**0**	**1 771**	**2 881**
Resultat 2015	0	0	0	213	213
Endringer i estimatavvik pensjon	0	0	0	51	51
Skatt på estimatavvik pensjoner	0	0	0	-12	-12
Verdiendring finansielle eiendeler tilgjengelig for salg	0	0	0	34	34
Årets totalresultat	0	0	0	286	286
Utbetalt utbytte	0	0	0	-127	-127
Egenkapital per 31.12.15	**457**	**653**	**0**	**1 929**	**3 040**
Egenkapital per 01.01.16	**457**	**653**	**0**	**1 929**	**3 040**
Resultat 2016	0	0	0	348	348
Endringer i estimatavvik pensjon	0	0	0	-54	-54
Skatt på estimatavvik pensjoner	0	0	0	14	14
Verdiendring finansielle eiendeler tilgjengelig for salg	0	0	0	-18	-18
Årets totalresultat	0	0	0	289	289
Utstedte fondsobligasjoner	0	0	400	0	400
Betalt rente på fondsobligasjon	0	0	0	-13	-13
Utbetalt utbytte	0	0	0	-43	-43
Egenkapital per 31.12.16	**457**	**653**	**400**	**2 163**	**3 673**

Konsern	Innskutt egenkapital			Opptjent egenkapital	
(mill. kroner)	Aksjekapital	Overkursfond	Hybridkapital	Annen egenkapital	Sum egenkapital
Egenkapital per 01.01.15	**457**	**653**	**0**	**1 821**	**2 931**
Resultat 2015	0	0	0	254	254
Endringer i estimatavvik pensjon	0	0	0	51	51
Skatt på estimatavvik pensjoner	0	0	0	-12	-12
Verdiendring finansielle eiendeler tilgjengelig for salg	0	0	0	34	34
Årets totalresultat	0	0	0	327	327
Utbetalt utbytte	0	0	0	-127	-127
Egenkapital per 31.12.15	**457**	**653**	**0**	**2 021**	**3 131**
Egenkapital per 01.01.16	**457**	**653**	**0**	**2 021**	**3 131**
Resultat 2016	0	0	0	334	334
Endringer i estimatavvik pensjon	0	0	0	-54	-54
Skatt på estimatavvik pensjoner	0	0	0	14	14
Verdiendring finansielle eiendeler tilgjengelig for salg	0	0	0	-18	-18
Årets totalresultat	0	0	0	275	275
Utstedte fondsobligasjoner	0	0	400	0	400
Betalt rente på fondsobligasjon	0	0	0	-13	-13
Utbetalt utbytte	0	0	0	-43	-43
Egenkapital per 31.12.16	**457**	**653**	**400**	**2 240**	**3 751**

KONTANTSTRØMOPPSTILLING

Morbank				Konsern	
31.12.15	31.12.16	(Mill. kroner)	Note	31.12.16	31.12.15
290	438	Resultat før skatt		427	333
-1 269	-1 223	Resultatførte renter på lån til kunder		-1 223	-1 269
394	331	Resultatførte renter på innskudd fra kunder		331	394
1 187	1 148	Innbetaling av renter fra kunder		1 148	1 187
-365	-299	Utbetaling av renter til kunder		-299	-365
65	-56	Verdiendring finansielle instrumenter		-56	65
0	0	Resultat fra felleskontrollert virksomhet	33	-13	-71
26	32	Av- og nedskrivninger	34, 36	40	31
-18	12	Tap på utlån/garantier	11	12	-18
-35	-77	Poster klassifisert som investeringsaktivitet		-32	-2
-94	-95	Periodens betalte skatt	26	-95	-94
180	**212**	**Tilført fra årets virksomhet**		**239**	**189**
-25	164	Reduksjon/(økning) øvrige fordringer	31, 37	172	-39
-37	0	Økning/(reduksjon) annen kortsiktig gjeld	31, 40	26	-26
-57	54	Forskjellen mellom kostnadsført pensjon og inn-/utbetalinger	24	54	-57
-4 074	-2 735	Reduksjon/(økning) utlån	8	-2 745	-4 174
1 641	3 286	Økning/(reduksjon) innskudd kunder	38	3 285	1 646
-4	796	Økning/(reduksjon) innskudd kredittinstitusjoner	7	796	-4
-8 055	-6 913	Kjøp av obligasjoner og sertifikater	30	-6 913	-8 055
8 676	6 215	Salg av obligasjoner og sertifikater	30	6 215	8 676
-1 755	**1 079**	**A) Netto likviditetsendring fra virksomheten**		**1 129**	**-1 844**
-38	-8	Utbetaling ved kjøp av varige driftsmidler	34	-12	-44
0	0	Innbetaling fra salg av varige driftsmidler	34	0	0
-142	-173	Innbetalt kapital felleskontrollert virksomhet, tilknyttede selskap og datterselskap	33	-173	-142
0	0	Tilbakebetalt kapital felleskontrollert virksomhet, tilknyttede selskaper og datterselskap	33	0	0
0	-350	Kjøp av aksjer og andeler	32	-350	0
0	0	Salg av aksjer og andeler	32	0	0
35	77	Innbetaling av utbytte		32	2
-145	**-455**	**B) Netto likviditetsendring investeringer**		**-503**	**-184**
0	-13	Utbetaling vedrørende ansvarlig lånekapital og fondsobligasjoner	41	-13	0
0	0	Innbetaling vedrørende ansvarlig lånekapital og fondsobligasjoner	41	0	0
3 369	878	Emitterte verdipapirer	39	878	3 369
-1 718	-1 389	Innløste verdipapirer	39	-1 389	-1 718
-127	-43	Avgitt konsernbidrag/utbytte		-43	0
1 524	**-567**	**C) Netto likviditetsendringer finansiering**		**-567**	**1 650**
-377	**57**	**A) + B) + C) Netto endringer i likvider i året**		**58**	**-377**
1 402	1 025	Likviditetsbeholdning periodens start		1 025	1 402
1 025	1 082	Likviditetsbeholdning periodens slutt		1 083	1 025
-377	**57**	**Netto endring likvider i perioden**		**58**	**-377**
		Likviditetsbeholdning spesifisert			
615	388	Kontanter og fordringer på sentralbanken		389	615
410	694	Fordringer på kredittinstitusjoner		694	410
1 025	**1 082**	**Likviditetsbeholdning**		**1 083**	**1 025**

RESULTATER FRA KVARTALSREGNSKAPENE - KONSERN

(Mill. kroner)	4. kvt. 2016	3. kvt. 2016	2. kvt. 2016	1. kvt. 2016	4. kvt. 2015	3. kvt. 2015	2. kvt. 2015	1. kvt. 2015
Renteinntekter	294	288	288	284	295	298	299	300
Rentekostnader	162	158	159	165	171	179	182	189
Netto renteinntekter	**132**	**130**	**129**	**120**	**124**	**119**	**118**	**112**
Provisjoner og inntekter fra banktjenester	142	151	167	132	145	149	158	148
Provisjonskostnader og kostnader ved banktjenester	-9	-9	-10	-8	-14	-9	-7	-8
Andre driftsinntekter	3	2	6	3	4	2	1	2
Netto provisjons- og andre inntekter	**135**	**145**	**163**	**126**	**135**	**143**	**152**	**142**
Utbytte	0	1	30	1	1	1	1	0
Inntekter av eierinteresser	-7	-0	6	15	17	13	13	28
Netto verdiendringer på finansielle investeringer	25	34	11	-6	-24	-24	-3	-15
Netto resultat fra finansielle investeringer	**18**	**35**	**48**	**10**	**-6**	**-11**	**11**	**13**
Sum inntekter	**286**	**309**	**340**	**256**	**253**	**251**	**280**	**267**
Personalkostnader	98	104	97	95	96	98	97	96
Andre driftskostnader	100	80	90	87	90	81	94	84
Sum driftskostnader	**198**	**185**	**187**	**183**	**186**	**180**	**190**	**181**
Driftsresultat før tap	**88**	**125**	**153**	**74**	**67**	**71**	**90**	**87**
Tap på utlån og garantier	0	1	11	-0	-3	-9	0	-7
Resultat før skatt	**87**	**124**	**142**	**74**	**70**	**80**	**89**	**94**
Skattekostnad	20	32	25	16	22	18	20	18
Resultat etter skatt	**67**	**92**	**117**	**57**	**47**	**62**	**69**	**76**
Lønnsomhet								
Egenkapitalavkastning [1]	7,7 %	11,0 %	14,3 %	7,3 %	6,1 %	8,2 %	9,2 %	10,4 %
Rentenetto [2]	1,23 %	1,23 %	1,26 %	1,24 %	1,28 %	1,24 %	1,29 %	1,28 %
Kostnadsprosent [3]	69,3 %	59,6 %	55,1 %	71,3 %	73,5 %	71,7 %	68,0 %	67,5 %
Balansetall								
Brutto utlån til kunder	34 659	34 342	33 504	32 475	31 834	31 793	30 941	29 106
Brutto utlån til kunder inkl. SB 1 Boligkreditt og SpareBank 1 Næringskreditt	52 941	52 721	51 548	48 953	48 105	47 664	46 150	43 926
Innskudd fra kunder	26 838	26 016	25 911	24 571	23 521	22 691	22 741	21 370
Innskuddsdekning [4]	77,4 %	75,8 %	77,3 %	75,7 %	73,9 %	71,4 %	73,5 %	73,4 %
Utlånsvekst siste 12 mnd	8,9 %	8,0 %	8,3 %	11,6 %	15,2 %	20,5 %	19,2 %	16,8 %
Utlånsvekst siste 12 mnd inkl. SB 1 Boligkreditt og SpareBank 1 Næringskreditt	10,1 %	10,6 %	11,7 %	11,4 %	13,3 %	14,6 %	12,3 %	8,6 %
Innskuddsvekst siste 12 mnd	14,1 %	14,7 %	13,9 %	15,0 %	7,7 %	6,6 %	12,2 %	14,2 %
Gjennomsnittlig forvaltningskapital	42 629	42 045	41 206	38 899	38 399	37 955	36 432	35 415
Forvaltningskapital	42 850	42 126	41 879	40 691	38 980	37 895	38 761	35 365
Forretningskapital [5]	61 132	60 505	59 922	57 169	55 251	53 766	53 970	50 185
Tap og mislighold								
Tap på utlån i prosent av brutto utlån	0,00 %	0,00 %	0,03 %	0,00 %	-0,01 %	-0,03 %	0,00 %	-0,02 %
Misligholdte engasjement (over 90 dager) i % av brutto utlån	0,15 %	0,18 %	0,21 %	0,26 %	0,24 %	0,32 %	0,33 %	0,39 %
Øvrige tapsutsatte engasjement i % av brutto utlån	0,05 %	0,06 %	0,05 %	0,03 %	0,03 %	0,04 %	0,04 %	0,13 %
Soliditet								
Kapitaldekning i % [6]	19,5 %	17,7 %	17,3 %	17,0 %	17,8 %	16,8 %	16,8 %	17,0 %
Kjernekapitaldekning i % [7]	16,4 %	15,5 %	15,1 %	14,8 %	15,9 %	14,9 %	14,8 %	14,9 %
Netto kjernekapital	2 950	2 799	2 716	2 662	2 730	2 523	2 523	2 505
Netto ansvarlig kapital	3 500	3 187	3 116	3 066	3 041	2 853	2 861	2 843

1) Resultat etter skatt i forhold til gjennomsnittlig egenkapital, beregnet som et snitt av kvartalsvis egenkapital og per 01.01. og 31.12.
2) Sum rentenetto hittil i år i forhold til gjennomsnittlig forvaltningskapital
3) Sum kostnader i forhold til sum netto inntekter
4) Innskudd fra kunder i prosent av brutto utlån (eks. SpareBank 1 Boligkreditt og SpareBank 1 Næringskreditt).
5) Forvaltningskapital + utlån overført til SpareBank 1 Boligkreditt og SpareBank 1 Næringskreditt
6) Netto ansvarlig kapital i prosent av beregnet risikovektet balanse
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NOTE 1 - GENERELL INFORMASJON

Konsernet Bank 1 Oslo Akershus består av morbanken Bank 1 Oslo Akershus samt EiendomsMegler 1 Oslo Akershus-konsern og Invest 6 AS. I tillegg inkluderes følgende selskaper i konsernet; SpareBank 1 Boligkreditt (eierandel 9,68 % frem til 28.12.2016, og 10,21 % etter), SpareBank 1 Kredittkort AS (9,60 %), SpareBank 1 Gruppen AS (1,40 %), SpareBank 1 Næringskreditt (4,17 %), SpareBank 1 Banksamarbeidet DA (7,74 %) og SpareBank 1 Mobilbetaling AS (8,60 %).

Bank 1 Oslo Akershus har hovedkontor i Oslo og har til sammen 13 lokalbanker, hvorav 7 er lokalisert i Oslo og 6 i Akershus. Noen av lokalbankene er samlokalisert med meglerkontorene til EiendomsMegler 1 Oslo Akershus. Alle datterselskapene har hovedkontor i Oslo.

Bank 1 Oslo Akershus er en forretningsbank.

Konsernets kjernevirksomhet er salg og videreformidling av finansielle produkter og tjenester, samt eiendomsmegling.

Konsernregnskapet ble godkjent av styret 17.03.2017. Generalforsamlingen er banken sitt øverste organ.

NOTE 2 - REGNSKAPSPRINSIPPER

Nedenfor gjengis de viktigste regnskapsprinsippene som er benyttet ved utarbeidelsen av konsernregnskapet. Dersom ikke annet fremgår er disse prinsippene benyttet på samme måte for alle regnskapsperioder.

Rammeverk for regnskapsavleggelsen

Konsernregnskapet 2016 til Bank 1 Oslo Akershus-konsernet utarbeidet i samsvar med internasjonale standarder (IFRS) og fortolkninger fra IFRS fortolkningskomitè (IFRIC), som fastsatt av EU. For det avlagte konsernregnskapet er det ingen forskjeller mellom IFRS som er fastsatt av EU og IASB.

Konsernregnskapet er basert på et modifisert historisk kost-prinsipp. Avvikene gjelder i hovedsak verdiregulering av tomter og bygninger, finansielle eiendeler tilgjengelig for salg og finansielle eiendeler og forpliktelser (herunder derivater) til virkelig verdi over resultatet.

Utarbeidelse av regnskaper i samsvar med IFRS krever bruk av estimater. Videre krever anvendelse av selskapets regnskapsprinsipper at ledelsen må utøve skjønn. Områder med stor grad av skjønnsmessige vurderinger, høy kompleksitet, eller områder hvor forutsetninger og estimater er vesentlige for regnskapet, er beskrevet i note 3.

Nye og endrede regnskapsstandarder som er tatt i bruk

Fra 1. januar 2016 er følgende nye standarder og fortolkninger (som kan ha effekt for konsernet) tatt i bruk:

IAS 37, fortolkning; IFRIC 21 Avgifter Fortolkningen omhandler når en forpliktelse til å betale en avgift skal innregnes. Det har vært en diskusjon etter innføring av standarden, om den årlige avgiften til Bankenes Sikringsfond for 2015 og 2016 skulle vært kostnadsført i sin helhet i 1. kvartal. Avgiften til Bankenes Sikringsfond ilegges normalt på bakgrunn av gjennomsnittlige garanterte innskudd og gjennomsnittlig beregningsgrunnlag for tidligere kvartaler. Det er ikke regulert hvorvidt en uttreden fra ordningen vil medføre tilbakebetaling av for mye innbetalt avgift. Praksis har vært en pro-rata belastning ved innmelding. Praksis og hensynet til likebehandling tilsier pro-rata også ved utmelding.

Den 19. september 2016 fastsatte Finansdepartementet en ny forskrift ved uttreden fra Bankenes Sikringsfond. Regelen innebærer at banker ikke lenger må regnskapsføre hele sikringsfondsavgiften i 1. kvartal, og trer i kraft 1. januar 2017.

Bank 1 Oslo Akershus har i 2016 videreført praksis ved at avgiften periodiseres månedlig. Sikringsfondsavgift for 2016 utgjorde 14 mill. kr for Bank 1 Oslo Akershus AS.

Andre standarder, endringer og fortolkninger som trådte i kraft for regnskapsåret 2016 var ikke vesentlige for konsernet.

Nye regnskapsstandarder og fortolkninger som ennå ikke er tatt i bruk

En rekke nye standarder, endringer til standardene og fortolkninger er pliktige for fremtidige årsregnskap. Blant de som konsernet har valgt å ikke tidliganvende, er de vesentligste opplyst om nedenfor.

IFRS 9 Finansielle instrumenter omhandler klassifikasjon, måling og innregning av finansielle eiendeler og forpliktelser samt sikringsbokføring. Konsernet har startet arbeidet med forberedelse til implementering av IFRS 9 og konsekvensutredning av dette. I løpet av 2016 er det jobbet med modellverk samt avklaringer rundt verdsettelse, klassifisering mv. Arbeidet med modellverket samt kartlegging av de økonomiske konsekvensene fortsetter gjennom 2017 slik at konsernet vil være klare for implementering 01.01.2018. Det vises til nærmere omtale i note 47.

IFRS 15 Inntekter fra kontrakter med kunder. IASB har publisert den nye standarden IFRS 15 Inntekter fra kontrakter med kunder. Den nye standarden skisserer en helhetlig modell for regnskapsføring av inntekter, og vil erstatte IAS 18. Den nye standarden gjelder for regnskapsår som begynner 1. januar 2018 eller senere, men tidligere anvendelse er tillatt. Standarden gjelder ikke for finansielle instrumenter. Konsernet har vurdert virkningen og ser ikke at disse vil få vesentlige konsekvenser.

Konsernet har vurdert virkningen av IFRS 16 Leieavtaler og ser ikke at disse vil få vesentlige konsekvenser.

Det er ingen andre standarder eller fortolkninger som ikke er trådt i kraft som forventes å gi en vesentlig påvirkning på konsernets regnskap.

Presentasjonsvaluta

Presentasjonsvalutaen er norske kroner (NOK), som også er funksjonelle valuta. Alle beløp er angitt i millioner kroner med mindre noe annet er angitt.

Konsolidering

Konsernregnskapet omfatter banken og alle datterselskap som ikke er planlagt avhendet i nær fremtid og derfor skal klassifiseres som holdt for salg etter IFRS 5. Som datterselskap regnes alle selskap hvor banken har kontroll, det vil si makt til å styre et selskaps finansielle og driftsmessige prinsipper i den hensikt å oppnå fordeler av selskapets aktiviteter. Datterselskap er konsolidert fra det tidspunkt banken har overtatt kontroll, og det tas ut av konsolideringen fra det tidspunkt banken gir fra seg kontroll. Gjensidige balanseposter og alle vesentlige resultatelementer er eliminert.

Ved overtakelse av kontroll i et selskap (virksomhetssammenslutning) blir alle identifiserbare eiendeler og forpliktelser oppført til virkelig verdi i samsvar med IFRS 3. En positiv differanse mellom virkelig verdi av kjøpsvederlaget og virkelig verdi av identifiserbare eiendeler og forpliktelser oppføres som goodwill, mens en eventuell negativ differanse inntektsføres ved kjøpet. Regnskapsføring av goodwill etter førstegangsinnregning er omtalt under avsnittet om immaterielle eiendeler.

Alle transaksjoner innad i konsernet blir eliminert ved utarbeidelse av konsernregnskap.

Tilknyttet selskap

Dersom et foretak direkte eller indirekte kontrollerer 20 % eller mer av stemmerettene i foretaket som det er investert i, antas det at foretaket har en betydelig innflytelse med mindre det klart kan godtgjøres at dette ikke er tilfelle. Styringsstrukturen for SpareBank 1-samarbeidet er regulert i en avtale mellom eierne.

Tilknyttede selskap regnskapsføres etter kostmetoden i selskapsregnskapet og etter egenkapitalmetoden i konsernregnskapet. Investeringen førstegangsinnregnes til anskaffelseskost og justeres deretter for endring i bankens andel av nettoeiendelene til det tilknyttede selskapet.

Banken eier 10,21 % av SpareBank 1 Boligkreditt AS, 9,60 % av SpareBank 1 Kredittkort AS, 4,17 % av SpareBank 1 Næringskreditt og 8,60 % av SpareBank 1 Mobilbetaling AS.

Felleskontrollert virksomhet

Felleskontrollert virksomhet kan bestå av felleskontrollert drift, felleskontrollerte eiendeler og felleskontrollerte selskap. Felles kontroll innebærer at banken gjennom avtale utøver kontroll sammen med andre deltakere. Felleskontrollert selskap regnskapsføres etter kostmetoden i selskapsregnskapet og etter egenkapitalmetoden i konsernregnskapet.

Banken eier 7,74 % av SpareBank 1 Banksamarbeidet DA, hvor de andre eierne er banker i SpareBank 1-alliansen og SpareBank 1 Gruppen. Banken eier også 1,40 % av SpareBank 1 Gruppen.

Overføring av utlån

Banken har inngått avtale om juridisk salg av utlån med høy sikkerhet og pant i fast eiendom til SpareBank 1 Boligkreditt AS og SpareBank 1 Næringskreditt AS. Banken vurderer at det vesentlige av risiko og fordeler ved eierskap knyttet til solgte utlån er overført. Alle overførte lån er fraregnet i bankens balanse. Det vises til nærmere omtale i note 9.

Utlån og tap på utlån

Utlån måles til amortisert kost i samsvar med IAS 39. Amortisert kost er anskaffelseskost minus tilbakebetalinger på hovedstolen, pluss eller minus kumulativ amortisering som følger av en effektiv rentemetode, og fratrukket eventuelle beløp for verdifall eller tapsutsatthet. Den effektive renten er den renten som nøyaktig diskonterer estimerte framtidige kontante inn- eller utbetalinger over det finansielle instrumentets forventede levetid.

Fastrentelån til kunder bokføres til virkelig verdi. Gevinst og tap som skyldes endring i virkelig verdi bokføres over resultatregnskapet som verdiendring. Opptjente renter og over-/underkurs regnskapsføres som renter. Renterisikoen i fastrenteutlånene styres med renteswapper som bokføres til virkelig verdi. Det er konsernets oppfatning at vurdering av fastrenteutlån til virkelig verdi gir mer relevant informasjon om verdiene i balansen.

Nedskrivning

Balanseført beløp av bankens eiendeler blir gjennomgått på balansedagen for å vurdere om det foreligger indikasjoner på verdifall. Dersom det foreligger slike indikasjoner estimeres eiendelens gjenvinnbare beløp. Årlig beregnes gjenvinnbart beløp på balansedagen for goodwill, eiendeler som har en ubegrenset utnyttbar levetid, og immaterielle eiendeler som ennå ikke er tilgjengelig for bruk. Nedskrivninger foretas når balanseført verdi av en eiendel eller kontantstrømgenererende enhet overstiger gjenvinnbart beløp. Nedskrivninger foretas over resultatregnskapet. Nedskrivning av goodwill reverseres ikke. For andre eiendeler reverseres nedskrivninger dersom det er en endring i estimater som er benyttet for å beregne gjenvinnbart beløp.

Individuelle nedskrivninger på utlån

Verditap på individuelle finansielle eiendeler er pådratt dersom, og bare dersom, det eksisterer objektive bevis på verdifall som kan medføre redusert fremtidig kontantstrøm til betjening av engasjementet. Verdifallet må være et resultat av en eller flere hendelser inntruffet etter første gangs innregning (en tapshendelse), og resultatet av tapshendelsen (eller hendelsene) må også kunne måles pålitelig. Objektive bevis på at verdien av en finansiell eiendel er redusert omfatter observerbare data som blir kjent for konsernet om følgende tapshendelser:

- vesentlige finansielle vanskeligheter hos utsteder eller låntaker
- ikke uvesentlig mislighold av kontrakt, som manglende betaling av avdrag og renter
- konsernet innvilger låntaker spesielle betingelser med bakgrunn i økonomiske eller legale forhold knyttet til låntakers økonomiske situasjon
- sannsynlighet for at skyldner vil inngå gjeldsforhandlinger eller andre finansielle reorganiseringer
- på grunn av finansielle problemer opphører de aktive markedene for den finansielle eiendelen

Konsernet vurderer først om det eksisterer individuelle objektive bevis på verdifall for finansielle eiendeler som er individuelt signifikante.

Dersom det er objektive bevis på at en verdireduksjon har inntruffet, beregnes størrelsen på tapet til differansen mellom eiendelens bokførte verdi og nåverdien av estimerte fremtidige kontantstrømmer (eksklusiv fremtidige kredittap som ikke er pådratt) diskontert med den finansielle eiendelens siste fastsatte effektive rentesats. Bokført verdi av eiendelen reduseres ved bruk av en nedskrivningskonto og tapet bokføres over resultatregnskapet.

Eiendeler som vurderes individuelt med hensyn på verdireduksjon, og hvor et verditap identifiseres eller fortsatt er identifisert, tas ikke med i beregning av gruppevise nedskrivninger.

Gruppevise nedskrivninger på utlån

For finansielle eiendeler som ikke er individuelt signifikante, vurderes de objektive bevisene på verdifall individuelt eller kollektivt. Dersom konsernet bestemmer at det ikke eksisterer objektive bevis på verdifall for en individuell finansiell eiendel, signifikant eller ikke, inkluderes eiendelen i en gruppe av finansielle eiendeler med samme kredittrisikokarakteristikk.

I vurderingen av gruppevise nedskrivninger hensyntas blant annet:

- Observerbare data indikerer at det er en målbar reduksjon i fremtidige kontantstrømmer fra en gruppe finansielle eiendeler siden første gangs bokføring, selv om reduksjonen ennå ikke fullt ut kan identifiseres til en individuelt finansiell eiendel i gruppen inkludert:
  - ugunstig utvikling i betalingsstatus for låntakere i gruppen
  - nasjonale eller lokale økonomiske betingelser som korrelerer med mislighold av eiendelene i gruppen

Verdifallet på grupper av finansielle eiendeler måles ved utvikling i rating på grupper av finansielle eiendeler ved å følge utviklingen i negativ migrering og endring i forventet tap over porteføljens løpetid.

Migrering av kunder utarbeides ved løpende å kredittvurdere hver enkelt kunde i bankens kredittvurderingssystemer.

For hendelser som har inntruffet, men som ennå ikke har gitt utslag i bankens porteføljeovervåkingssystemer, estimeres gruppevise nedskrivningsbehov ved bruk av stresstestmodeller.

Misligholdte/tapsutsatte lån

Samlet engasjement fra en kunde regnes som misligholdt når forfalte avdrag eller renter ikke er betalt 90 dager etter forfall eller rammekreditter er overtrukket i 90 dager eller mer. Utlån og andre engasjementer som ikke er misligholdte, men hvor kundens økonomiske situasjon gjør det sannsynlig at konsernet vil bli påført tap, og det derved er foretatt individuell nedskrivning, klassifiseres som tapsutsatte.

Verdireduksjon av lån bokført til virkelig verdi

På hver balansedag vurderer konsernet om det eksisterer bevis på at en finansiell eiendel eller gruppe av finansielle eiendeler bokført til virkelig verdi er utsatt for verdireduksjon. Tap som følge av verdireduksjon er bokført over resultatregnskapet i den perioden de oppstår.

Konstaterte tap

Når det er overveiende sannsynlig at tapene er endelige, klassifiseres tapene som konstaterte tap. Konstaterte tap som er dekket ved tidligere foretatte individuelle nedskrivninger føres mot nedskrivningene. Konstaterte tap uten dekning i de individuelle nedskrivningene samt over- eller underdekning i forhold til tidligere nedskrivninger resultatføres.

Overtatte eiendeler

Som ledd i behandlingen av misligholdte lån og garantier overtar banken i en del tilfeller eiendeler som har vært stilt som sikkerhet for slike engasjementer. Ved overtakelse verdsettes eiendelene til antatt realisasjonsverdi. Eventuelt avvik fra balanseført verdi av misligholdt eller nedskrevet engasjement ved overtakelsen klassifiseres som nedskrivning på utlån. Overtatte eiendeler balanseføres etter sin art. Ved endelig avhendelse resultatføres avviket fra balanseført verdi i henhold til eiendelens art i regnskapet.

Anleggsmidler holdt for salg

Eiendeler som bankens styre har besluttet skal selges, blir behandlet etter IFRS 5. Denne typen eiendeler er i hovedsak overtatte eiendeler i forbindelse med tapsengasjement. Eiendeler som opprinnelig blir avskrevet blir stoppet ved beslutning om salg. Resultat fra slik virksomhet samt tilhørende eiendeler og gjeld presenteres på egen linje som holdt for salg.

Leieavtaler

Finansielle leieavtaler er ført under hovedposten utlån i balansen og regnskapsføres til amortisert kost. Alle faste inntekter innenfor leieavtalens forventede løpetid inngår i beregningen av avtalens effektive rente.

Verdipapirer og derivater

Verdipapirer og derivater består av aksjer og andeler, sertifikater og obligasjoner og derivative valuta- og renteinstrumenter. Aksjer og andeler klassifiseres som enten til "virkelig verdi over resultatet" eller som "tilgjengelig for salg". Sertifikater og obligasjoner klassifiseres som "virkelig verdi over resultatet". Derivater regnes alltid som "virkelig verdi over resultatet", med mindre det er øremerket som sikringsinstrument.

Alle finansielle instrumenter som er klassifisert til "virkelig verdi over resultatet", måles til virkelig verdi, og endring i verdi fra inngående balanse resultatføres som netto resultat fra andre finansielle investeringer.

Aksjer og andeler som er klassifisert som "tilgjengelig for salg", måles også til virkelig verdi, men endringen i verdi fra inngående balanse føres under utvidet resultatregnskap og inngår derved i konsernets totalresultat. Aksjer som ikke kan måles pålitelig vurderes til kostpris etter IAS 39.46 c). Det er etablert rutiner for løpende verdivurdering av alle aksjeinvesteringer. Disse vurderingene gjøres med ulike intervaller i forhold til størrelsen på investeringen.

Verdipapirer og derivater som er øremerket som sikringsinstrumenter er ført til virkelig verdi i balansen. Kriterier og behandling av sikringsbokføring er omtalt nedenfor.

Immaterielle eiendeler

Immaterielle eiendeler består av goodwill og merverdier i konsernet Bank 1 Oslo Akershus. Andre immaterielle eiendeler vil innregnes når kravene til balanseføring er til stede. Goodwill oppstår som differanse mellom virkelig verdi av vederlaget ved kjøp av en virksomhet og virkelig verdi av identifiserbare eiendeler og forpliktelser, jfr. omtale under konsolidering. Goodwill avskrives ikke, men den er gjenstand for en årlig nedskrivningstest med sikte på å avdekke et eventuelt verdifall, i samsvar med IAS 36.

Repo-avtaler

Banken utfører kjøp av verdipapirer basert på en avtale om fremtidig tilbakesalg (gjenkjøpsavtaler). De kjøpte verdipapirene innregnes ikke i bankens balanse da banken ikke er utsatt for risiko eller nyter avkastning direkte knyttet til verdipapirene. Dette gjøres uavhengig av hvorvidt banken kan selge eller pantsette underliggende verdipapirer videre. Bankens eksponering knyttet til gjensalgsavtaler balanseføres til "Fordring på kredittinstitusjon med avtalt løpetid".

Eiendom, anlegg og utstyr

Eiendom, anlegg og utstyr samt eierbenyttet eiendom regnskapsføres i samsvar med IAS 16. Investeringen førsteganginnregnes til anskaffelseskost og avskrives deretter lineært over forventet levetid. Ved fastlegging

av avskrivningsplan splittes de enkelte eiendeler i nødvendig utstrekning opp i komponenter med forskjellig levetid, og det tas hensyn til estimert restverdi. Eiendom, anlegg og utstyr som hver for seg er av liten betydning, eksempelvis annet kontorutstyr, vurderes ikke individuelt for restverdier, levetid eller verdifall, men vurderes som grupper. Eierbenyttet eiendom er etter definisjon i IAS 40 eiendommer som i hovedsak benyttes av banken eller dens datterselskap til sin egen virksomhet. Eierbenyttet eiendom regnskapsføres etter kostmetoden, i samsvar med IAS 16.

Eiendom, anlegg og utstyr som avskrives, er gjenstand for en nedskrivningstest i samsvar med IAS 36 når omstendighetene indikerer det.

Innskudd fra kunder

Innskudd fra kunder vurderes til amortisert kost.

Gjeld ved utstedelse av verdipapirer

Lån som ikke inngår i sikringsbokføring førsteganginnregnes til opptakskost. Dette er virkelig verdi av det mottatte vederlaget etter fradrag av transaksjonsutgifter. Lån med flytende rente måles deretter til amortisert kost. Enhver forskjell mellom opptakskost og oppgjørsbeløpet ved forfall blir dermed periodisert over lånetiden ved hjelp av lånets effektive rente. Det benyttes ikke virkelig verdi opsjon for konsernets gjeld.

Usikre forpliktelser

Konsernet utsteder finansielle garantier som ledd i den ordinære virksomheten. Brutto latent forpliktelse framgår av note 40. Tapsvurderinger skjer som ledd i vurderingen av tap på utlån og etter samme prinsipper og rapporteres sammen med disse, jfr. note 11. Det foretas avsetninger for andre usikre forpliktelser dersom det er sannsynlighetsovervekt for at forpliktelsen materialiserer seg og de økonomiske konsekvensene kan beregnes pålitelig. Det gis opplysninger om usikre forpliktelser som ikke fyller kriteriene for balanseføring dersom de er vesentlige. Avsetning for restruktureringsutgifter foretas når banken har en avtalemessig eller rettslig forpliktelse.

Ansvarlige lån og fondsobligasjoner

Ansvarlige lån har prioritet etter all annen gjeld. Tidsbegrenset ansvarlig lån kan telle med 50 % av kjernekapitalen i kapitaldekningen, mens evigvarende ansvarlige lån kan telle med inntil 100 % av kjernekapitalen. Ansvarlige lån klassifiseres som forpliktelse i balansen og måles til amortisert kost slik som andre langsiktige lån.

En fondsobligasjon er en obligasjon med pålydende rente, men banken har ikke plikt til å utbetale renter i en periode hvor det ikke utbetales utbytte, og investor har heller ikke senere krav på renter som ikke er utbetalt, dvs. rentene akkumuleres ikke. Fondsobligasjon er godkjent som et element i kjernekapitalen innen en ramme på 15 prosent av samlet kjernekapital. Finanstilsynet kan kreve at fondsobligasjonene skrives ned proporsjonalt med egenkapitalen dersom bankens kjernekapitaldekning faller under fem prosent eller samlet kapitaldekning faller under seks prosent. Nedskrevne beløp på fondsobligasjonene skal være skrevet opp før det kan utbetales utbytte til aksjonærene eller egenkapitalen skrives opp.

Fondsobligasjoner ble ført som annen langsiktig gjeld til amortisert kost til og med 1. kvartal 2016. Fra og med 2. kvartal 2016 ble fondsobligasjoner reklassifisert fra gjeld til egenkapital da de ikke tilfredsstiller definisjonen av finansielle forpliktelse i henhold til IAS 32. Fondsobligasjonene er evigvarende og banken har en ensidig rett til ikke å betale renter til investorene under gitte vilkår. Renter presenteres ikke som en rentekostnad i resultatet, men som en reduksjon i annen egenkapital. Sammenlignbare tall er ikke omarbeidet. Se også egenkapitaloppstillingen for mer informasjon.

Renteinntekter og -kostnader

Renteinntekter og rentekostnader knyttet til eiendeler og forpliktelser som måles til amortisert kost resultatføres løpende basert på en effektiv rentemetode. Gebyrer knyttet til rentebærende innlån og utlån inngår i beregningen av effektiv rente og amortiseres dermed over forventet løpetid.

Provisjonsinntekter og -kostnader

Provisjonsinntekter og - kostnader blir generelt periodisert i takt med at en tjeneste blir ytt. Gebyrer knyttet til rentebærende instrumenter blir ikke ført som provisjoner, men inngår i beregningen av effektiv rente og resultatføres tilsvarende. Honorarer for rådgivning opptjenes i samsvar med inngått rådgivningsavtale, som oftest etter hvert som tjenesten ytes. Det samme gjelder for løpende forvaltningstjenester. Honorar og gebyr ved omsetning eller formidling av finansielle instrumenter, eiendom eller andre investeringsobjekter som ikke genererer balanseposter i bankens regnskap, resultatføres når transaksjonen sluttføres. Banken mottar provisjon fra SpareBank 1 Boligkreditt og SpareBank 1 Næringskreditt tilsvarende differansen mellom lånets rente og den finansieringskostnad kredittforetakene oppnår. I bankens regnskap fremkommer dette som provisjonsinntekter.

Transaksjoner og beholdninger i utenlandsk valuta

Transaksjoner i utenlandsk valuta omregnes til norske kroner på transaksjonstidspunktet. Gevinst og tap knyttet til gjennomførte transaksjoner eller til omregning av beholdninger av pengeposter på balansedagen resultatføres, med mindre de føres rett mot egenkapital etter prinsippene om sikringsbokføring. Gevinst og tap knyttet til omregning av andre poster enn pengeposter, innregnes på samme måte som den tilhørende balansepost.

Skatt

Resultatført skatt består av periodeskatt (betalbar skatt) og utsatt skatt. Periodeskatt er beregnet skatt på årets skattepliktige resultat. Utsatt skatt regnskapsføres etter gjeldsmetoden i samsvar med IAS 12. Det beregnes forpliktelse eller eiendel ved utsatt skatt på midlertidige forskjeller, som er differansen mellom balanseført verdi og skattemessig verdi på eiendeler og forpliktelser. Det beregnes likevel ikke forpliktelse eller eiendel ved utsatt skatt på goodwill som ikke gir skattemessige fradrag, og heller ikke på førstegangsinnregnede poster som verken påvirker regnskapsmessig eller skattepliktig resultat.

Det beregnes en eiendel ved utsatt skatt på fremførbare skattemessige underskudd. Eiendel ved utsatt skatt innregnes bare i det omfang det forventes fremtidig skattepliktige resultater som gjør det mulig å utnytte den tilhørende skattefordelen. Kildeskatt presenteres som periodeskatt.

Pensjoner

Banken har både innskuddsplaner og ytelsesplaner. Pensjonsordningene er finansiert gjennom innbetalinger til SpareBank 1 Livsforsikring AS.

En innskuddsplan er en pensjonsordning hvor konsernet betaler faste bidrag til forsikringsselskapet. Konsernet har ingen juridisk eller annen forpliktelse til å betale ytterligere tilskudd hvis forsikringsselskapet ikke har nok midler til å betale alle ansatte ytelser knyttet til opptjening i inneværende og tidligere perioder. Innskuddene regnskapsføres som lønnskostnad i takt med at de forfaller.

En ytelsesplan er en pensjonsordning som definerer en pensjonsutbetaling som en ansatt vil motta ved pensjonering. Bankens kollektive ytelsesbaserte ordning sikrer medlemmene en pensjon på 70 % av sluttlønn (opp til 12G) frem til 77 år med etterfølgende avtrapping. Lønn utover 12 G er sikret gjennom en innskuddsbasert ordning. Den ytelsesbaserte ordningen ble lukket for nyansatte etter 1. mai 2005. Gjenværende gjennomsnittelig opptjeningstid for medlemmene av ytelsesplanen i banken er beregnet til ca. 8,27 år.

I tillegg kommer forpliktelser som følger av Avtalefestet FørtidsPensjon (AFP) og enkelte særskilte avtaler om førtidspensjoner og tilleggspensjoner. I den gamle AFP-avsetningen ligger kun en avsetning for tidligere ansatte mellom 64 år og 67 år som i dag er AFP- pensjonister. Den gamle AFP-ordningen ble helt utfaset i løpet av 2015.

Den balanseførte forpliktelsen knyttet til ytelsesplaner er nåverdien av de definerte ytelsene på balansedatoen minus virkelig verdi av pensjonsmidlene. Pensjonsforpliktelsen beregnes årlig av en uavhengig aktuar ved bruk av en lineær opptjeningsmetode.

Nåverdien av de definerte ytelsene bestemmes ved å diskontere estimerte fremtidige utbetalinger med en diskonteringsrente med utgangspunkt i renten på en obligasjon utstedt av et selskap med høy kredittverdighet, OMF-renten (Obligasjoner med fortrinnsrett) da dette markedet anses dypt nok. OMF-renten skal ha tilnærmet den samme løpetiden som den relaterte pensjonsforpliktelsen. Bruk av foretaksobligasjon som diskonteringsrente krever at det finnes foretaksobligasjoner med lang løpetid, høy kvalitet, i samme valuta, og at det er et dypt marked for slike obligasjoner. Markedsaktører har fremholdt at OMF-markedet er tilstrekkelig dypt, og at prisingen i markedet er pålitelig. Analyser utført eksempelvis av aktører som Gabler Wassum, samt våre eierbankers egne analyser hensyntatt rentebytteavtaler underbygger at det finnes et dypt og likvid marked for foretaksobligasjoner med høy kredittverdighet, konsentrert til OMF. Det norske markedet for OMF har blitt mer velutviklet etter finanskrisen, og har høy kredittrating. Banken har derfor konkludert å legge til grunn OMF-renten som diskonteringsrente for beregning av pensjonsforpliktelsen. NRS har i sin oppdaterte veiledning for pensjonsforutsetningen per 31.12.2012 også konkludert med at OMF-renten ikke kan avvises som basis for fastsettelse av diskonteringsrenten. Endringer i pensjonsplanens ytelser resultatføres eller inntektsføres løpende i resultatregnskapet, med mindre rettighetene etter den nye pensjonsplanen er betinget av at arbeidstakeren blir værende i tjeneste i en spesifisert tidsperiode (opptjeningsperioden). I dette tilfellet amortiseres kostnaden knyttet til endret ytelse lineært over opptjeningsperioden.

Lov om statstilskudd til arbeidstakere som tar ut avtalefestet pensjon i privat sektor (AFP-tilskuddsloven) trådte i kraft 19. februar 2010. Arbeidstakere som tar ut AFP med virkningstidspunkt i 2011 eller senere, vil bli gitt ytelser etter den nye ordningen. Ny AFP-ordning utgjør et livs-

varig påslag på Folketrygden og kan tas ut fra 62 år. Den nye AFP-ordningen legger opp til at bedriften skal betale en samlet premie med utgangspunkt i årslønn til arbeidstakeren. Premien beregnes med utgangspunkt i en fast prosent av årslønn mellom 1 og 7,1 ganger gjennomsnittlig grunnbeløp. Det skal ikke betales premie for arbeidstakere etter det året de fyller 61 år. Opptjening i ny ordning beregnes på bakgrunn av arbeidstakerens livsinntekt, slik at alle tidligere arbeidsår innregnes i opptjeningsgrunnlaget. Ny ordning finansieres ved at Staten dekker 1/3 av pensjonsutgiftene og 2/3 dekkes av arbeidsgiver.

Den nye AFP-ordningen anses regnskapsmessig å være en ytelsesbasert flerforetaksordning. Dette innebærer at det enkelte foretaket skal regnskapsføre sin proporsjonale andel av ordningens pensjonsforpliktelse, pensjonsmidler og pensjonskostnad. Dersom det ikke foreligger beregninger av de enkelte komponentene i ordningen samt et konsistent og pålitelig grunnlag for allokering, regnskapsføres den nye AFP-ordningen som en innskuddsordning. Dette er tilfellet per i dag så den nye AFP-ordningen kostnadsføres som en innskuddsordning.

Utbytte

Styrets forslag til utbytte fremgår av årsberetningen. Foreslått utbytte til morselskapets aksjonærer klassifiseres som egenkapital inntil det er endelig vedtatt av generalforsamlingen. Fra og med det tidspunktet utbytte er vedtatt klassifiseres det som gjeld.

Kontantstrømoppstilling

Likviditetsbeholdningen er definert som kontanter, fordringer på sentralbanken og utlån og fordringer på kredittinstitusjoner. Kontantstrømoppstillingen utarbeides etter den indirekte metoden.

Segmentrapportering

Bank 1 Oslo Akershus har bedriftsmarked og personmarked samt datterselskapene som sitt primære rapporteringsformat. Konsernet presenterer en sektor- og næringsfordeling av utlån og innskudd som sitt sekundære rapporteringsformat. Konsernets segmentrapportering er i samsvar med IFRS 8.

Hendelser etter balansedagen

Regnskapet anses som godkjent for offentliggjøring når styret har behandlet regnskapet. Representantskapet og regulerende myndigheter vil etter dette kunne nekte å godkjenne regnskapet, men ikke forandre dette.

Hendelser fram til regnskapet anses godkjent for offentliggjøring og som vedrører forhold som allerede var kjent på balansedagen, vil inngå i informasjonsgrunnlaget for fastsettelsen av regnskapsestimater og således reflekteres fullt ut i regnskapet. Hendelser som vedrører forhold som ikke var kjent på balansedagen, vil bli opplyst om dersom de er vesentlige.

Regnskapet er avlagt etter en forutsetning om fortsatt drift. Denne forutsetningen var etter styrets oppfatning til stede på det tidspunkt regnskapet ble godkjent for fremleggelse.

Styrets forsalg til utbytte fremgår av årsberetningen.

NOTE 3 - KRITISKE ESTIMATER OG VURDERINGER VEDRØRENDE BRUK AV REGNSKAPSPRINSIPPER

Ved utarbeidelse av konsernregnskapet foretar ledelsen estimater, skjønnsmessige vurderinger og tar forutsetninger som påvirker effekten av anvendelsen av regnskapsprinsipper. Dette vil derfor påvirke regnskapsførte beløp for eiendeler, forpliktelser, inntekter og kostnader. Estimater og skjønnsmessige vurderinger evalueres løpende og er basert på historisk erfaring og forventninger om fremtidige hendelser som anses å være sannsynlige på balansetidspunktet.

Tap på utlån og garantier

Bankens utlånsportefølje rescores månedlig. Kunder med svak risikoklasse, betalingsmislighold, negativ migrering eller andre objektive kriterier vurderes med tanke på behov for individuell nedskrivning. Individuell nedskrivning beregnes som forskjellen mellom lånets bokførte verdi og nåverdien av diskontert kontantstrøm basert på effektiv rente på tidspunktet for første gangs beregning av spesifiserte tap.

Individuell nedskrivning av personmarkedsengasjement beregnes etter samme prinsipper.

Gruppevise nedskrivninger beregnes for grupper av engasjement som har økende kredittrisiko, men hvor det ikke er mulig å identifisere hvilket engasjement som vil medføre tap. Beregning foretas med utgangspunkt i økning i forventet tap for porteføljer som har migrert negativt siden innvilgelsestidspunktet.

Vurderingen av individuelle og gruppemessige nedskrivninger vil alltid baseres på en betydelig grad av skjønn. Banken benytter historisk informasjon som grunnlag for å estimere nedskrivningsbehov. Hvor sikkerhetsverdier er knyttet til spesielle objekter eller bransjer som er i krise, vil sikkerheter måtte realiseres i lite likvide markeder og vurdering av sikkerhetsverdier kan i slike tilfeller være beheftet med betydelig usikkerhet. For hendelser som har inntruffet, men som ennå ikke har gitt utslag i bankens porteføljeovervåkingssystemer, estimeres gruppevise nedskrivningsbehov ved bruk av stressmodeller. Se også note 2 Regnskapsprinsipper og note 6 Risikoforhold.

Virkelig verdi derivater

Virkelig verdi av derivater fremkommer vanligvis ved bruk av verdivurderingsmodeller der prisen på underliggende, eksempelvis renter og valuta, innhentes i markedet.

For opsjoner vil volatiliteter være observerte implisitte volatiliteter eller beregnede volatiliteter basert på historiske kursbevegelser for underliggende. I de tilfeller bankens risikoposisjon er tilnærmet nøytral, vil midtkurser bli anvendt. Med nøytral risikoposisjon menes eksempelvis at renterisiko innenfor et løpetidsbånd er tilnærmet null. I den utstrekning markedsprisene som innhentes tar utgangspunkt i transaksjoner med lavere kredittrisiko, vil dette hensyntas ved at den opprinnelige prisdifferansen målt mot slike transaksjoner med lavere kredittrisiko amortiseres over løpetiden.

Pensjoner

Nåverdien av pensjonsforpliktelsene avhenger av flere ulike faktorer som er bestemt av en rekke aktuarmessige forutsetninger. Forutsetningene som benyttes ved beregning av netto pensjonskostnad (inntekt) inkluderer diskonteringsrenten. Endringer i disse forutsetningene vil påvirke balanseført verdi av pensjonsforpliktelsene.

Konsernet bestemmer egnet diskonteringsrente ved utgangen av hvert kvartal. Dette er renten som skal brukes til å beregne nåverdien av fremtidige estimerte utgående kontantstrømmer som kreves for å gjøre opp pensjonsforpliktelsene. Ved fastsettelse av egnet diskonteringsrente har man fra 31.12.2012 gått over til å benytte OMF-renten (Obligasjoner med fortrinnsrett), da dette markedet anses for å være dypt nok. En del andre pensjonsforutsetninger er delvis basert på markedsbetingelser. Tilleggsinformasjon er gitt i note 24.

Eventuelle endringer knyttet til forventet lønnsvekst og diskonteringsrente med videre kan gi betydelig effekt på de innregnede pensjonsforpliktelser for egne ansatte.

Urealisert gevinst i VISA Norge FLI som følge av salg av VISA Europa til VISA Inc.

Den 2. november 2015 ble det offentliggjort en avtale mellom Visa Europe Ltd. og Visa Inc. der Visa Inc. kjøper samtlige aksjer i Visa Europe. Transaksjonen består av et kontantvederlag på EUR 11,5 mrd. kroner, konvertible preferanseaksjer på tidspunktet for annonsering estimert til EUR 5,0 mrd. kroner, og et kontantvederlag på inntil EUR 4,7 mrd. kroner, som utbetales fire år etter gjennomføring av transaksjonen. I forhold til den opprinnelige avtalen fra 2. november 2015 har Visa Inc og Visa Europe inngått tilleggsavtale der det betingede vederlaget bortfaller og partene har blitt enige om at det i stedet skal utbetales et tilleggsvederlag på EUR 1,12 mrd. kroner inkludert renter som skal utbetales tre år etter closing.

Bank 1 Oslo Akershus er medlem av foreningen Visa Norge, som igjen er gruppemedlem og aksjonær i Visa Europe. I eiermøte i Visa Norge 28. juni 2016 ble det vedtatt en allokeringsmodell for utdeling av vederlag til deltakerne og overføringen av kontantvederlaget ble gjennomført umiddelbart etter møtet. Vedtaket fastsatte også at fordelingsnøkkelen som skal benyttes for senere utbetalinger knyttet til transaksjonen (tilleggsvederlag og aksjer) skal være den samme.

Bank 1 Oslo Akershus har foretatt grundige vurderinger av den regnskapsmessige håndteringen av transaksjonen, herunder vurderinger av likviditet i forventet tildelte preferanseaksjer, aksjekursrisiko, valutarisiko og skatterisiko i transaksjonen. Eierinteressen i Visa Norge er vurdert å være en finansiell eiendel og klassifisert i kategorien tilgjengelig for salg.

Etter IAS 39.46 skal eiendeler som er klassifisert som tilgjengelig for salg regnskapsføres til virkelig verdi så lenge virkelig verdi kan måles pålitelig.

Bank 1 Oslo Akershus har mottatt kontantvederlag på 30 mill. kroner i andre kvartal 2016. Dette er inntektsført som utbytte i ordinært resultat. Samtidig er det reversert 16 mill. kroner av tidligere innregnet urealisert verdiendring på Visa Norge mot utvidet resultat (OCI).

NOTE 4 - SEGMENTINFORMASJON

Ledelsen har vurdert hvilke segmenter som er rapporterbare med utgangspunkt i distribusjonsform, produkter og kunder. Det primære rapporteringsformatet tar utgangspunkt i eiendelenes risiko og avkastningsprofil og er delt opp i divisjon personmarked og divisjon bedriftsmarked (inkl. fagbevegelsen). Bankens egne investeringsaktiviteter er ikke et separat rapporterbart segment og fremkommer under posten "Øvrig virksomhet/elimineringer" sammen med aktiviter som ikke lar seg allokere til person eller bedriftsmarked.

Banken opererer i et geografisk avgrenset område og rapportering på geografiske sekundærsegmenter gir lite tilleggsinformasjon. Viktige eiendelsklasser (utlån) er imidlertid fordelt geografisk i egen note under utlån.

Personmarked (PM) tilbyr et bredt spekter av produkter og tjenester. Kundene tilbys blant annet ulike typer finansiering, innskudd, plasseringer, forsikring og rådgivningstjenester. I tillegg tilbys også et bredt spekter av tjenester innenfor dagligbankområdet gjennom nettbank, mobilbank, SMS-tjenester og bankkontorer.

Bedriftsmarked (BM) tilbyr et bredt spekter av produkter og tjenester. Kundene tilbys blant annet ulike typer finansiering, innskudd, plasseringer, forsikring, valuta og rådgivningstjenester. I tillegg tilbys tjenester innenfor dagligbankområdet gjennom nettbank og bankkontorer.

Eiendomsmegler 1 tilbyr eiendomsmegling.

31.12.16 (Mill. kroner)	PM	BM	EiendomsMegler 1	Øvrige virksomhet/ elimineringer	Totalt
Resultatregnskap					
Netto renteinntekter	315	214	1	-19	511
Netto provisjons- og andre inntekter	305	65	222	-23	570
Andre driftskostnader	217	52	213	270	753
Netto resultat fra finansielle investeringer	0	0	0	111	111
Tap på utlån og garantier	-13	25	0	0	12
Resultat før skatt	**416**	**202**	**10**	**-200**	**427**
Balanse					
Brutto utlån til kunder	26 531	8 084	0	44	34 659
Individuelle nedskrivninger utlån	-5	-8	0	0	-13
Gruppevise nedskrivninger utlån	-36	-84	0	0	-120
Andre eiendeler	1 181	279	123	6 741	8 324
Sum eiendeler per segment	**27 670**	**8 271**	**123**	**6 785**	**42 850**
Innskudd fra og gjeld til kunder	14 740	5 534	0	6 563	26 838
Annen gjeld og egenkapital	12 930	2 737	123	221	16 012
Sum egenkapital og gjeld per segment	**27 670**	**8 271**	**123**	**6 785**	**42 850**

31.12.15 (Mill. kroner)	PM	BM	EiendomsMegler 1	Øvrige virksomhet/ elimineringer	Totalt
Resultatregnskap					
Netto renteinntekter	306	184	1	-19	472
Netto provisjons- og andre inntekter	333	60	208	-29	572
Andre driftskostnader	256	49	205	227	737
Netto resultat fra finansielle investeringer	0	0	0	7	7
Tap på utlån og garantier	-4	-27	0	13	-18
Resultat før skatt	**386**	**223**	**4**	**-281**	**333**
Balanse					
Brutto utlån til kunder	22 900	8 859	0	75	31 834
Individuelle nedskrivninger utlån	-17	-1	0	0	-18
Gruppevise nedskrivninger utlån	-44	-55	0	0	-99
Andre eiendeler	1 080	57	126	5 999	7 262
Sum eiendeler per segment	**23 919**	**8 860**	**126**	**6 074**	**38 980**
Innskudd fra og gjeld til kunder	11 858	4 991	0	6 673	23 521
Annen gjeld og egenkapital	12 062	3 869	126	-598	15 459
Sum egenkapital og gjeld per segment	**23 919**	**8 860**	**126**	**6 074**	**38 980**

NOTE 5 - KAPITALDEKNING OG KAPITALSTYRING

Kapitalstyring

Bankens kapitaldekning beregnes til enhver tid etter gjeldende regler og satser. Gjeldende regelverk inneholder flere overgangsordninger knyttet til beregning av kapitaldekning. Fullimplementering av reglene er gjeldende fra 1. januar 2017.

Reglene baserer seg på tre pilarer som skal sikre at finansinstitusjoner har kapital som samsvarer med deres risiko:

- Pilar 1: Minimumskrav til ansvarlig kapital
- Pilar 2: Vurdering av samlet kapitalbehov og tilsynsmessig oppfølging
- Pilar 3: Krav til offentliggjøring av informasjon

Kapitaldekningen beregnes basert på et risikovektet beregningsgrunnlag. Banken har tillatelse til å benytte AIRB-metode for beregning av risikovekter i utlånsporteføljen. Som en overgangsordning er det satt en nedre grense på 80 % av Basel I regelverket for beregningsgrunnlaget. Denne grensen er gjeldende for Bank 1.

Kapitaldekningen beregnes på tre ulike nivåer basert på ulike kapitaldefinisjoner:

- Ren kjernekapitaldekning
- Kjernekapitaldekning (inkluderer fondsobligasjoner)
- Totalkapitaldekning (inkluderer ansvarlig lån)

I henhold til vedtak i bankens styre den 22. september 2015 skal banken ha som mål til enhver tid å ha en ren kjernekapitaldekning som overstiger regulatoriske bufferkrav, med tillegg av Pilar II-kapitalbehov, med minst 0,5 %-poeng. Bankens langsiktige mål er uansett en ren kjernekapitaldekning på minst 13,5 %.

Morbank			Konsern	
31.12.15	**31.12.16**	(Mill. kroner)	**31.12.16**	**31.12.15**
457	457	Innbetalt aksjekapital	457	457
653	653	Overkursfond	653	653
1 716	1 815	Annen egenkapital	1 906	1 767
2 827	**2 925**	**Sum balanseført egenkapital (eksklusiv hybridkapital)**	**3 017**	**2 877**
		Kjernekapital		
170	348	Årsresultat fratrukket påregnelig skatt og utbytte (revisorbekreftet)	334	212
0	-9	Utsatt skattefordel, goodwill og andre immaterielle eiendeler	-38	-27
-72	-26	Positiv verdi av justert forventet tap etter IRB-metoden	-26	-70
-7	-8	Verdiendringer som følge av kravene om forsvarlige verdsettelse (AVA)	-8	-7
0	-698	Fradrag for vesentlige investeringer i ren kjernekapital i andre finansinstitusjoner	-691	0
-909	-29	Fradrag for ikke-vesentlige investeringer i ren kjernekapital i andre finansinstitusjoner	-21	-903
545	11	Overgangsregler for ikke-vesentlige investeringer i ren kjernekapital i andre finansinstitusjoner	8	542
2 555	**2 515**	**Netto ren kjernekapital**	**2 575**	**2 623**
400	400	Utstedt hybridkapital	400	400
-22	-22	Fradrag for vesentlige investeringer i annen kjernekapital i andre finansinstitusjoner	-22	-22
-273	-6	Fradrag for ikke-vesentlige investeringer i annen kjernekapital i andre finansinstitusjoner	-4	-271
-273	*-6*	*Herav overgangsregler*	*-4*	*-271*
106	**373**	**Netto kjernekapital**	**374**	**107**
		Tilleggskapital utover kjernekapital		
700	700	Utstedte ansvarlige lån	700	700
0	-145	Fradrag for vesentlige investeringer i tilleggskapital i andre finansinstitusjoner	-145	0
-392	-6	Fradrag for ikke-vesentlige investeringer i tilleggskapital i andre finansinstitusjoner	-5	-390
-273	*-6*	*Herav overgangsregler*	*-4*	*-271*
308	**549**	**Netto tilleggskapital**	**551**	**310**
2 968	**3 437**	**Netto ansvarlig kapital**	**3 500**	**3 041**
		Minimumskrav ansvarlig kapital		
942	922	Engasjement foretak SMB	922	942
4 981	3 838	Engasjement med spesialiserte foretak	3 838	4 981
207	235	Engasjement med øvrige foretak	235	207
84	101	Engasjement med massemarked SMB	101	84
5 524	6 036	Engasjement med massemarked personer	6 036	5 524
197	409	Engasjement med øvrig massemarked	409	197
1 021	1 931	Egenkapitalposisjoner	1 752	819
12 957	**13 471**	**Sum kredittrisiko IRB**	**13 292**	**12 755**

Note 5 forts. neste side

NOTE 5 forts.

Morbank			Konsern	
31.12.15	31.12.16	(Mill. kroner)	31.12.16	31.12.15
0	0	Markedsrisiko	0	0
1 414	1 534	Operasjonell risiko	1 873	1 712
86	12	CVA-tillegg	12	86
1 566	1 321	Engasjementer beregnet etter standardmetoden	1 473	1 726
0	736	Egenkapitalposisjoner beregnet etter standardmetode	754	0
1 005	803	Tillegg i beregningsgrunnlag tilknyttet Basel I-gulv	533	845
17 027	**17 878**	**Minimumskrav ansvarlig kapital (totalt beregningsgrunnlag)**	**17 937**	**17 124**
1 362	**1 430**	**Kapitalkrav (8 %)**	**1 435**	**1 370**
		Bufferkrav		
426	447	Bevaringsbuffer (2,5 %)	448	428
170	268	Motsyklisk buffer (1,5 % i Q3 2016, 1 % i tidligere perioder)	269	171
511	536	Systemrisikobuffer (3 %)	538	514
1 107	**1 251**	**Sum bufferkrav til ren kjernekapital (7 %, 6,5 % i tidligere perioder)**	**1 256**	**1 113**
682	**459**	**Tilgjengelig ren kjernekapital utover kapitalkrav (11,5 %, 11 % i tidligere perioder)**	**513**	**739**
		Kapitaldekning		
15,0 %	14,1 %	Ren kjernekapitaldekning	14,4 %	15,3 %
15,6 %	16,2 %	Kjernekapitaldekning	16,4 %	15,9 %
17,4 %	19,2 %	Kapitaldekning	19,5 %	17,8 %
15,9 %	14,7 %	Ren kjernekapitaldekning før Basel I-gulv	14,8 %	16,1 %
7,1 %	6,8 %	Uvektet kjernekapitaldekning	6,9 %	7,2 %

NOTE 6 -RISIKOFORHOLD

Risikostyring

Bank 1 Oslo Akershus har som mål å opprettholde en lav til moderat risikoprofil, og å ha en så høy kvalitet i sin risikooppfølging at ingen enkelthendelser skal kunne skade bankkonsernets finansielle stilling i alvorlig grad. Konsernets risikoprofil er kvantifisert gjennom mål for risikojustert avkastning, forventet tap, rammer for konsentrasjon, likviditets- og kapitalbehov samt regulatorisk kapitaldekning.

Prinsippene for risikostyring er fastsatt i bankens risikostyringspolicy. Det legges stor vekt på å identifisere, måle, rapportere og følge opp sentrale risikoer med korrektive tiltak for å sikre at bankkonsernet utvikler seg i tråd med definerte mål, vedtatt strategi og risikoprofil.

Risikostyringen i konsernet skal støtte opp under vedtatte mål og strategier. Risikostyringen skal videre sikre finansiell stabilitet og forsvarlig formuesforvaltning. Dette skal oppnås gjennom blant annet følgende:

- en sterk organisasjonskultur som kjennetegnes av god forretningsforståelse og høy bevissthet om risikostyring
- en god forståelse av hvilke risikoer som driver inntjeningen og risikokostnadene, og gjennom dette skape et godt grunnlag for beslutningstagere på ulike nivåer i organisasjonen
- å tilstrebe en optimal kapitalanvendelse innenfor vedtatt forretningsstrategi
- å unngå uventede negative hendelser som kan være ødeleggende for bankkonsernets drift og omdømme i markedet

Konsernets risiko tallfestes blant annet gjennom beregninger av forventet tap og behov for risikojustert kapital for å kunne dekke uventede tap.

Forventet tap beskriver det beløpet som statistisk må forventes å gå tapt i en 12 måneders periode. Risikojustert kapital beskriver hvor mye kapital konsernet mener det trenger for å dekke den faktiske risikoen konsernet har påtatt seg. Styret har vedtatt at den risikojusterte kapitalen skal dekke 99,9 prosent av uventede tap. Det er lagt til grunn statistiske metoder for beregning av forventet tap og for risikojustert kapital, men beregningen forutsetter likevel i noen tilfeller bruk av ekspertvurderinger. For risikotyper hvor det ikke finnes anerkjente metoder for å beregne kapitalbehov, legges det vekt på å definere rammer for styring av risikoen som skal sikre at sannsynligheten for at en hendelse inntreffer er svært lav. For ytterligere detaljer vises det til bankens Pilar III-rapportering som er tilgjengelig på bankens hjemmesider.

Konsernets overordnede risikoeksponering og risikoutvikling følges opp gjennom periodiske risikorapporter til ledelse og styre. Overordnet risikoovervåking og rapportering (risikokontroll) foretas av enhet for Risikostyring og compliance, som er uavhengig av de enkelte forretningsområdene.

Risikoområder

Konsernets risikostyringspolicy deler totalrisiko inn i ulike underområder. De viktigste hovedrisikoområdene anses å være kredittrisiko, markedsrisiko, likviditetsrisiko og operasjonell risiko, som omtales nærmere nedenfor.

Kredittrisiko

Kredittrisiko er risikoen for tap som følge av at kunder eller motparter ikke har evne eller vilje til å oppfylle sine forpliktelser. Konsernet er hovedsakelig eksponert for kredittrisiko gjennom bankens utlånsaktiviteter, men det er også knyttet noe kredittrisiko til likviditetsreserveporteføljen og til motpartsrisiko som oppstår gjennom rente – og valutaderivater.

For ytterligere informasjon henvises til notene 7 – 15 som omhandler kredittrisiko.

Kredittrisiko knyttet til utlånsvirksomheten utgjør bankens største risikoområde. Gjennom den årlige revisjonen av bankens kredittstrategi konkretiserer styret bankens risikoappetitt gjennom fastsettelse av mål og rammer for bankens kredittportefølje. Bankens kredittstrategi og kredittpolicy er utledet av bankens hovedstrategi, og inneholder retningslinjer for risikoprofilen herunder maksimalt forventet tap (EL) for henholdsvis Privatmarked og Bedriftsmarked, maksimal misligholdssannsynlighet i porteføljen (PD) og maksimal økonomisk kapital (UL) allokert til kredittvirksomheten.

Konsentrasjonsrisiko styres gjennom kapitalfordeling mellom Privatmarked og Bedriftsmarked, begrensning i størrelse på enkeltengasjement og grupper av engasjementer (eksempelvis bransjer), samt begrensninger i størrelsen på usikrede eksponeringer, både enkeltvis og samlet.

Bankens risikoklassifiseringssystem er utviklet for å kunne styre bankens utlånsportefølje i tråd med kredittstrategien og for å sikre den risikojusterte avkastningen. Styret delegerer kredittfullmakt til administrerende direktør og områdedirektørene, som igjen kan delegere innenfor sine respektive områder. Utlånsfullmaktene er gradert både i forhold til engasjementsstørrelse og risikoprofil.

Etterlevelse av styrevedtatt kredittstrategi med konkrete risikorammer overvåkes fortløpende av enhet for Risikostyring og compliance og rapporteres kvartalsvis til styret.

Banken har også egne enheter for håndtering av misligholdte - og tapsutsatte engasjementer.

Banken har siden 2008 hatt godkjennelse fra Finanstilsynet til å benytte interne modeller i sin risikostyring og

NOTE 6 forts.

kapitalberegning (IRB), og fikk i 2015 tillatelse fra Finanstilsynet til å benytte avansert metode (IRBA) for beregning av kapitalkrav for utlån til foretak.

Banken bruker kredittmodeller for risikoklassifisering, risikoprising og porteføljestyring.

Klassifiseringssystemet baserer seg på følgende 3 hovedkomponenter:

1. Misligholdssannsynlighet (PD)
Bankens kredittmodeller er basert på statistiske beregninger av misligholdssannsynlighet. Beregningene er basert på scoringsmodeller som tar hensyn til låntakers inntjeningsevne, finansielle stilling samt interne og eksterne adferdsdata. Modellene reflekterer misligholdssannsynligheten i løpet av de neste 12 månedene under de gjeldende konjunkturforhold.

For å kunne gruppere kundene etter misligholdssannsynlighet benyttes det ni risikoklasser. I tillegg har banken to risikoklasser for kunder med misligholdte og/eller tapsnedskrevne engasjement.

Modellene valideres minimum årlig både med hensyn på evne til å rangere kundene samt å estimere PD-nivå. Valideringsresultatene bekrefter at modellenes treffsikkerhet er innenfor interne mål og internasjonale anbefalinger.

2. Eksponering ved mislighold (EAD)
Dette er en beregnet størrelse på eksponeringen ved et fremtidig misligholdstidspunkt. For garantier og trekkrettigheter benyttes en konverteringsfaktor (KF) for å anslå hvor mye av ubenyttet ramme som antas å være trukket opp ved et fremtidig misligholdstidspunkt. For garantier benyttes KF til å estimere hvor mye av avgitte garantier som vil bli gjort gjeldende. Også KF-modellene valideres jevnlig.

3. Tap gitt mislighold (LGD)
Banken estimerer tapsgrad for hvert lån basert på forventet tilfriskningsgrad, realisasjonsverdi (RE -verdi) av stilte realsikkerheter, gjenvinningsgrad på usikret del av lånene samt direkte kostnader ved inndrivelse. Verdiene fastsettes etter faste modeller, og faktiske realisasjonsverdier valideres jevnlig for å teste modellenes pålitelighet.

De tre ovennevnte parametrene (PD, EAD og LGD) danner grunnlaget for bankens porteføljeklassifisering og den statistiske beregningen av forventet tap (EL) og behov for nødvendig risikojustert kapital (UL).

Motpartsrisiko

Banken styrer motpartsrisiko i derivathandelen gjennom bruk av såkalte ISDA og CSA -avtaler mot de finansinstitusjonene som er de mest brukte motpartene. ISDA -avtalene regulerer oppgjør mellom finansielle motparter, mens CSA -avtalene begrenser maksimal eksponering.

For kunder sikres motpartsrisikoen gjennom bruk av kontantdepot eller andre typer realsikkerheter.

Markedsrisiko

Markedsrisiko er risikoen for tap som følge av endringer i observerbare markedspriser som renter, valutakurser og verdipapirkurser. I bankkonsernet oppstår markedsrisiko hovedsakelig som følge av investeringer/plasseringer i obligasjoner og sertifikater, og som følge av driftsaktiviteter som finansiering, likviditetsstyring, rente- og valutahandel.

Styringen av markedsrisiko skjer gjennom detaljerte rammer for blant annet investeringer i aksjer, obligasjoner og posisjoner i rente og valutamarkedene.

Rammene gjennomgås minst en gang i året og vedtas av bankens styre. Etterlevelse av rammene overvåkes av enhet for Risikostyring og compliance, og status i forhold til styrevedtatte rammer rapporteres minimum kvartalsvis. Rammene ligger til enhver tid godt innenfor de maksimalgrenser myndighetene har fastlagt.

Renterisiko er risikoen for tap som oppstår ved endringer i rentenivået. For bankens vedkommende kommer renterisiko hovedsakelig fra fastrenteutlån og innlån i fastrentepapirer. Renterisikoen for alle renteposisjoner kan uttrykkes ved å se på endringen i verdien på renteinstrumentene ved en renteendring på ett basispunkt. Banken benytter analyser som viser effekten av nevnte renteendring for ulike løpetidsbånd, og det er fastsatt egne rammer for renteeksponering både innenfor hvert løpetidsbånd og samlet. Rentebindingen på bankens instrumenter er i all hovedsak kort, og bankens renterisiko er lav. For ytterligere informasjon henvises til note 16 som viser markedsrisiko knyttet til renterisiko.

Spreadrisiko er risikoen for at det oppstår tap som følge av endringer i markedsverdi/realistisk verdi av obligasjoner grunnet generelle endringer i kredittspreader. Obligasjonsrisikoen styres med utgangspunkt i en evaluering av de enkelte utstederselskaper. I tillegg har banken en egen ramme for markedsrisiko inkludert spreadrisiko for samtlige obligasjoner. Banken beregner spreadrisikoen basert på Finanstilsynets modul for markeds- og kredittrisiko.

Valutakursrisiko er risikoen for tap som har bakgrunn i endringer i valutakursene. Banken måler valutarisikoen ut fra nettoposisjoner i de ulike valutasortene. Rammene for valutakursrisiko er uttrykt både ved rammer for maksimal aggregert valutaposisjon og maksimal posisjon i enkeltvaluta. Valutarisikoen vurderes som lav. For ytterligere informasjon henvises til note 17 som viser markedsrisiko knyttet til valutaeksponering.

Kursrisiko på verdipapirer er risikoen for tap som oppstår ved endringer i pris på obligasjoner, sertifikater og egenkapitalpapirer som banken har investert i. Bankens risikoeksponering mot denne formen for risiko er regulert gjennom rammer for maksimale investeringer i de ulike porteføljene.

Likviditetsrisiko

Likviditetsrisiko er definert som risikoen for ikke å være i stand til å kunne innfri sine forpliktelser ved forfall, eventuelt å ikke kunne finansiere planlagt økning i eiendeler.

Innskudd fra kunder er bankkonsernets viktigste finansieringskilde. Per 31.12.2016 var innskuddsdekningen 77,4 %, mot 73,9 % per 31.12.2015.

Konsernet styrer likviditetsrisiko gjennom å spre innlån på ulike markeder, innlånskilder, instrumenter og løpetider. En for stor grad av konsentrasjon i forfall øker sårbarheten for refinansiering. Denne risikoen er søkt begrenset gjennom definerte rammer.

Styringen tar utgangspunkt i en overordnet likviditetsstrategi som blir gjennomgått og vedtatt av styret minimum årlig. Likviditetsstrategien gjenspeiler konsernets moderate risikoprofil. Som en del av strategien er det også utarbeidet en beredskapsplan for håndtering av likviditetssituasjonen i perioder med urolige kapitalmarkeder med både bankspesifikke og bransjeomfattende krisescenarier. Banken har som mål å kunne overleve i tolv måneder med moderat vekst uten ny ekstern finansiering. I tillegg har banken som mål å kunne klare en overlevelse på 90 dager i definerte krisescenarier.

Etterlevelse av rammer overvåkes av enhet for Risikostyring og compliance, og status rapporteres minimum kvartalsvis til styret.

De kvantitative likviditetskravene LCR (Liquidity Cover Ratio) og NSFR (Net Stable Funding Ratio), overvåkes og rapporteres av Risikostyring & compliance. Bankens likviditetsstyring skal utføres slik at LCR til enhver tid oppfyller lovkravet. Banken vil derfor ha en intern styringsbuffer som sikrer at kortsiktige svingninger ikke medfører at banken kommer under lovkravet. Banken har p.t. ikke etablert konkrete rammer for NSFR, men banken oppfyller allerede det fremtidige kravet til NSFR og planlegger å gjøre det også fremover.

Bankkonsernets likviditetssituasjon ved utgangen av 2016 vurderes å være god. For ytterligere informasjon henvises det til note 18 og 19.

Operasjonell risiko

Operasjonell risiko defineres som risikoen for tap som skyldes utilstrekkelige eller sviktende interne prosesser, svikt hos mennesker og systemer, eller eksterne hendelser. Definisjonen omfatter også juridisk risiko og etterlevelsesrisiko (compliancerisiko). Operasjonell risiko er en risikokategori som fanger opp det vesentligste av kostnader forbundet med kvalitetsbrister i konsernets løpende virksomhet.

Styring av operasjonell risiko har fått økt betydning i finansnæringen gjennom de senere årene. Faktorer som spiller inn er internasjonalisering, en sterk teknologisk utvikling og stadig økende krav fra både kunder, myndigheter og andre interessegrupper. Internasjonalt har mange betydelige tapshendelser i finansnæringen hatt sin bakgrunn i svikt innenfor dette risikoområdet.

Identifisering, styring og kontroll av operasjonell risiko er en integrert del av lederansvaret på alle nivåer i bankkonsernet. Ledernes viktigste hjelpemidler i arbeidet er faglig innsikt og lederkompetanse samt handlingsplaner, kontrollrutiner og gode oppfølgingssystemer. Et systematisk arbeid med risikovurderinger bidrar også til økt kunnskap og bevissthet om aktuelle forbedringsbehov i egen enhet. Eventuelle svakheter og forbedringstiltak rapporteres oppover i organisasjonen.

Banken bruker et eget registrerings- og oppfølgingsverktøy for bedre struktur og oppfølging av risiko, hendelser og forbedringsområder.

Operasjonelle tap og større hendelser rapporteres periodisk til styret.

Styret mottar årlig en uavhengig vurdering fra intern revisor om konsernets risikostyring, herunder en vurdering av om konsernets internkontroll virker hensiktsmessig og er betryggende.

For ytterligere informasjon om risikostyring vises til kapittelet om risikostyring og risikoforhold i styrets årsberetning.

NOTE 7 - KREDITTINSTITUSJONER – FORDRINGER OG GJELD

Morbank			Konsern	
31.12.15	31.12.16	(Mill. kroner)	31.12.16	31.12.15
		Utlån til og fordringer på kredittinstitusjoner		
160	294	Utlån og fordringer uten avtalt løpetid eller oppsigelsestid	294	160
250	400	Utlån og fordringer med avtalt løpetid eller oppsigelsestid	400	250
410	**694**	**Sum**	**694**	**410**
		Spesifikasjon av utlån og fordringer på de vesentligste valutasorter		
343	607	NOK	607	343
26	47	EUR	47	26
11	12	USD	12	11
10	8	CHF	8	10
8	8	JPY	8	8
1	2	GBP	2	1
11	9	Andre	9	11
410	**694**	**Sum**	**694**	**410**
		Gjeld til kredittinstitusjoner		
345	386	Lån og innskudd uten avtalt løpetid eller oppsigelsestid	386	345
1	755	Lån og innskudd med avtalt løpetid eller oppsigelsestid	755	1
345	**1 141**	**Sum**	**1 141**	**345**
		Spesifikasjon av gjeld på de vesentligste valutasorter		
342	1 136	NOK	1 136	342
4	4	EUR	4	4
0	0	Andre	0	0
345	**1 141**	**Sum**	**1 141**	**345**
1,3 %	1,5 %	**Gjennomsnittlig rente**	1,5 %	1,3 %

NOTE 8 - UTLÅN TIL OG FORDRINGER PÅ KUNDER

Morbank			Konsern	
31.12.15	31.12.16	(Mill. kroner)	31.12.16	31.12.15
		Utlån fordelt på fordringstype		
2 763	3 578	Kasse-/drifts- og brukskreditter	3 578	2 763
265	342	Byggelån	342	265
28 816	30 739	Nedbetalingslån	30 739	28 806
31 844	**34 659**	**Brutto utlån og fordringer på kunder**	**34 659**	**31 834**
-18	-13	Individuelle nedskrivninger	-13	-18
-99	-120	Gruppevise nedskrivninger	-120	-99
31 728	**34 525**	**Utlån og fordringer på kunder**	**34 525**	**31 718**
		Utlån fordelt på markeder		
22 735	26 140	Lønnstakere	26 140	22 735
9 110	8 518	Næringsfordelt	8 518	9 100
0	0	Offentlig	0	0
31 844	**34 659**	**Brutto utlån og fordringer på kunder**	**34 659**	**31 834**
-116	-133	Nedskrivninger	-133	-116
31 728	**34 525**	**Utlån og fordringer på kunder**	**34 525**	**31 718**
		Herav ansvarlig lånekapital		
0	0	Ansvarlig kapital i kredittinstitusjoner	0	0
0	0	Øvrig ansvarlig kapital	0	0
0	**0**	**Ansvarlig lånekapital bokført under utlån**	**0**	**0**
		Herav		
271	246	Utlån til ansatte [1)]	309	352
		I tillegg		
16 271	17 680	Utlån overført til SpareBank 1 Boligkreditt	17 680	16 271
0	602	Utlån overført til SpareBank 1 Næringskreditt	602	0
161	142	- Herav utlån til ansatte	183	210

[1)] Rentesats for nedbetalingslån og Flexilån til ansatte tilsvarer 80 % av laveste rentesats for privatmarkedslån og Flexilån.

29 168	32 046	Amortisert kost	32 046	29 158
2 676	2 613	Virkelig verdi	2 613	2 676
31 844	**34 659**	**Brutto utlån og fordringer på kunder**	**34 659**	**31 834**
		Totalt engasjement fordelt på risikogruppe		
86 %	89 %	Lav risiko	89 %	86 %
11 %	8 %	Middels risiko	8 %	11 %
3 %	2 %	Høy risiko	2 %	3 %
0 %	0 %	Mislighold og nedskrevne	0 %	0 %
100 %	**100 %**	**Sum totalt engasjement fordelt på risikogruppe**	**100 %**	**100 %**
		Brutto utlån fordelt på risikogruppe		
85 %	89 %	Lav risiko	89 %	85 %
12 %	9 %	Middels risiko	9 %	12 %
3 %	2 %	Høy risiko	2 %	3 %
0 %	0 %	Mislighold og nedskrevne	0 %	0 %
100 %	**100 %**	**Sum brutto utlån fordelt på risikogruppe**	**100 %**	**100 %**

Note 8 forts. neste side

NOTE 8 forts.

Morbank			Konsern	
31.12.15	31.12.16	(Mill. kroner)	31.12.16	31.12.15
		Individuelle nedskrivninger fordelt på risikogruppe		
-18	-13	Misligholdt (intern definisjon)	-13	-18
		I bankens interne risikoklassifiseringssystem klassifiseres alle engasjementer med individuelle nedskrivninger som misligholdt uavhengig av ekstern definisjon på mislighold (jmf note 2). De fordeles ikke på ulike risikogrupper slik som øvrige engasjement. Fordeling på risikogrupper er basert på at banken beregner misligholdssannsynlighet for alle kunder i utlånsporteføljen basert på objektive historiske data. Misligholdssannsynligheten benyttes deretter sammen med sikkerhetsverdier til å klassifisere kundene i ulike risikogrupper. Kundene rescores månedlig i bankens porteføljesystem.		
		Forventet årlig gjennomsnittlig tap fordelt på risikogruppe		
17	18	Lav risiko	18	17
26	17	Middels risiko	17	26
21	19	Høy risiko	19	21
12	12	Mislighold og nedskrevne	12	12
76	**66**	**Sum forventet årlig gj.snittlig netto tap fordelt på risikogrupper**	**66**	**76**
		Forventet årlig gjennomsnittlig netto tap er det beløpet morbanken statistisk forventer å tape på utlånsporteføljen i løpet av en 12 måneders periode. Dette beregnes med bakgrunn i historiske data. I en oppgangskonjunktur vil faktiske årlige tap være lavere enn det gjennomsnittlige forventede tap. I en nedgangskonjunktur vil de faktiske tapene på samme måte kunne bli høyere.		
		Totalt engasjement fordelt på sektor og næring *)		
24 034	27 608	Personkunder	27 608	24 034
0	0	Offentlig forvaltning	0	0
8	24	Primærnæringer	24	8
0	0	Trebearbeidende industri	0	0
32	38	Annen industri	38	32
120	144	Bygg og anlegg	144	120
3	2	Kraft- og vannforsyning	2	3
244	284	Varehandel	284	244
284	285	Hotell- og restaurantdrift	285	284
6 816	6 111	Eiendomsdrift	6 111	6 816
2 610	2 729	Forretningsmessig tjenesteyting	2 729	2 600
138	170	Transport og kommunikasjon	170	138
148	191	Øvrig næring	191	148
34 436	**37 585**	**Sum totalt engasjement fordelt på sektor og næring**	**37 585**	**34 426**
		*) Total engasjement inneholder ubenyttede kreditter og garantier i tillegg til netto utlån. Det er i tillegg gitt lånetilsagn på 363 millioner kroner i Divisjon PM og 371 millioner kroner i Divisjon BM per 31.12.2016.		
		Brutto utlån fordelt på sektor og næring		
22 735	26 140	Personkunder	26 140	22 735
0	0	Offentlig forvaltning	0	0
8	24	Primærnæringer	24	8
0	0	Trebearbeidende industri	0	0
26	25	Annen industri	25	26
77	89	Bygg og anlegg	89	77
3	2	Kraft- og vannforsyning	2	3
182	218	Varehandel	218	182
269	270	Hotell- og restaurantdrift	270	269
6 578	5 786	Eiendomsdrift	5 786	6 578
1 774	1 835	Forretningsmessig tjenesteyting	1 835	1 764
107	144	Transport og kommunikasjon	144	107
87	124	Øvrig næring	124	87
31 844	**34 659**	**Sum brutto utlån fordelt på sektor og næring**	**34 659**	**31 834**
16 271	18 282	Utlån i SpareBank 1 Boligkreditt og SpareBank 1 Næringskreditt	18 282	16 271
48 115	**52 941**	**Utlån inkludert SpareBank 1 Boligkreditt og SpareBank 1 Næringskreditt**	**52 941**	**48 105**

Note 8 forts. neste side

NOTE 8 forts.

Morbank			Konsern	
31.12.15	31.12.16	(Mill. kroner)	31.12.16	31.12.15
		Individuelle nedskrivninger fordelt på sektor og næring		
14	5	Personkunder	5	14
0	0	Offentlig forvaltning	0	0
0	0	Primærnæringer	0	0
0	0	Trebearbeidende industri	0	0
0	2	Annen industri	2	0
0	0	Bygg og anlegg	0	0
0	0	Kraft- og vannforsyning	0	0
0	5	Varehandel	5	0
0	0	Hotell- og restaurantdrift	0	0
0	0	Eiendomsdrift	0	0
0	0	Forretningsmessig tjenesteyting	0	0
0	0	Transport og kommunikasjon	0	0
3	0	Øvrig næring	0	3
18	**13**	**Sum individuelle nedskrivninger fordelt på sektor og næring**	**13**	**18**
		Forventet årlig gjennomsnittlig tap fordelt på sektor og næring		
29	28	Personkunder	28	29
0	0	Offentlig forvaltning	0	0
0	0	Primærnæringer	0	0
0	0	Trebearbeidende industri	0	0
1	0	Annen industri	0	1
2	1	Bygg og anlegg	1	2
0	0	Kraft- og vannforsyning	0	0
1	1	Varehandel	1	1
1	1	Hotell- og restaurantdrift	1	1
34	25	Eiendomsdrift	25	34
2	4	Forretningsmessig tjenesteyting	4	2
1	0	Transport og kommunikasjon	0	1
5	5	Øvrig næring	5	5
76	**66**	**Sum forventet årlig gjennomsnittlig tap fordelt på sektor og næring**	**66**	**76**
		Brutto utlån fordelt på geografiske områder		
18 700	19 275	Oslo	19 275	18 690
10 574	12 291	Akershus	12 291	10 574
2 571	3 092	Øvrig	3 092	2 571
31 844	**34 659**	**Sum brutto utlån fordelt på geografiske områder**	**34 659**	**31 834**

NOTE 9 - OVERFØRING AV FINANSIELLE EIENDELER

Bank 1 Oslo Akershus har avtaler om juridisk salg av utlån med høy sikkerhet og pant i eiendom til SpareBank 1 Boligkreditt og SpareBank 1 Næringskreditt. I henhold til inngått forvaltningsavtale med disse to selskapene i alliansen forestår banken forvalting av utlånene og opprettholder kundekontakten. Banken mottar et vederlag i form av provisjoner for de plikter som følger med forvaltningen av lånene. Banken har vurdert de regnskapsmessige implikasjonene dithen at det vesentligste av risiko og fordeler ved eierskap knyttet til de solgte utlånene er overført. Det innebærer full fraregning. Mottatt vederlag for lån som er overført til Sparebank 1 Boligkreditt og SpareBank 1 Næringskreditt tilsvarer bokført verdi og vurderes å samsvare med lånenes virkelige verdi på overføringstidspunktet. Banken innregner alle rettigheter og plikter som skapes eller beholdes ved overføringen separat som eiendeler eller forpliktelser.

Hvis kredittforetakene får tap på overtatte lån har de en viss motregningsrett i provisjoner fra samtlige banker som har overført lån. Det foreligger dermed en begrenset gjenværende involvering knyttet til solgte utlån ved mulig begrenset avregning av tap mot provisjon. Denne motregningsadgangen anses imidlertid ikke å være av en slik karakter at den endrer på konklusjonen om at det vesentligste av risiko og fordeler ved eierskap er overført.

Bankens maksimale eksponering for tap er representert ved det høyeste beløpet som vil kunne kreves dekket under avtalene.

Sparebank 1 Boligkreditt

SpareBank 1 Boligkreditt er eid av sparebanker som inngår i SpareBank 1-alliansen. Banken har en eierandel på 10,21 prosent pr 31.12.2016 (9,68 prosent pr 31.12.2015). SpareBank 1 Boligkreditt erverver utlån med pant i boliger og utsteder OMF innenfor regelverket for dette som ble etablert i 2007. Lån solgt til SpareBank 1 Boligkreditt er sikret med pant i bolig innenfor 75 prosent av takst. Solgte lån er juridisk eid av SpareBank 1 Boligkreditt og banken har, utover retten til å forestå forvaltning og motta provisjon, samt rett til å overta helt eller delvis nedskrevne lån, ingen rett til bruk av lånene. Banken forestår forvaltningen av de solgte utlånene og banken mottar en provisjon basert på nettoen av avkastningen på utlånene banken har solgt og kostnadene i selskapet.

Det er i 2016 solgt boliglån til en netto verdi av 2,0 mrd kroner til Sparebank 1 Boligkreditt. Totalt er det fraregnet boliglån til Sparebank 1 Boligkreditt for 17,7 mrd kroner ved utgangen av regnskapsåret. Gjenværende involvering er som følger:

Note 9 forts. neste side

NOTE 9 forts.

Mill. kroner	Bokført verdi eiendel	Virkelig verdi eiendel	Bokført verdi forpliktelse	Virkelig verdi forpliktelse	Maksimal eksponering for tap
Gjenværende involvering	0,0	0,0	0,0	0,0	10,4

Banken har, sammen med de andre eierne av SpareBank 1 Boligkreditt inngått avtale om etablering av likviditetsfasilitet for SpareBank 1 Boligkreditt. Dette innebærer at bankene kommiterer seg til å kjøpe boligkredittobligasjoner begrenset til en samlet verdi av 12 måneders forfall i SpareBank 1 Boligkreditt. Hver eier hefter prinsipalt for sin andel av behovet, subsidiært for det dobbelte av det som er det primære ansvaret i henhold til samme avtale. Obligasjonene kan deponeres i Norges Bank og medfører således ingen vesentlig økning i risiko for banken. SpareBank 1 Boligkreditt holder etter sine interne retningslinjer likviditet for de neste tolv måneders forfall. Denne trekkes fra ved vurderingen av bankenes ansvar. Det er derved kun dersom foretaket ikke lenger har likviditet for de neste tolv måneders forfall at banken vil rapportere noe engasjement knyttet til dette.

Sammen med de øvrige eierne av SpareBank 1 Boligkreditt har banken også inngått avtale om å sikre at SpareBank 1 Boligkreditt til enhver tid har en kjernekapitaldekning på minimum 9 %. Aksjonærene skal tilføre tilstrekkelig kjernekapital innen 3 måneder etter å ha mottatt skriftlig anmodning om dette. Aksjonærenes forpliktelse til å tilføre slik kjernekapital er proratarisk og ikke solidarisk, og skal være i henhold til hver aksjonærs pro rata andel av aksjene i SpareBank 1 Boligkreditt. Sammenholdt med den svært lave risikoprofilen i foretaket har banken vurdert det det som usannsynlig at det blir innkalt kapital ihht denne avtalen og har valgt å ikke holde noen reserver for dette.

Sparebank 1 Næringskreditt

SpareBank 1 Næringskreditt er eid av sparebanker som inngår i SpareBank 1-alliansen. Banken har en eierandel fra 1. oktober 2016 på 4,17 prosent. SpareBank 1 Næringskreditt erverver utlån med pant i næringseiendom og utsteder OMF innenfor regelverket for dette som ble etablert i 2007. Lån solgt til SpareBank 1 Næringskreditt er sikret med pant næringseiendom innenfor 60 prosent av takst. Solgte lån er juridisk eid av SpareBank 1 Næringskreditt og banken har, utover retten til å forestå forvaltning og motta provisjon, samt rett til å overta helt eller delvis nedskrevne lån, ingen rett til bruk av lånene. Banken forestår forvaltningen av de solgte utlånene og banken mottar en provisjon basert på nettoen av avkastningen på utlånene banken har solgt og kostnadene i selskapet.

Det er i 2016 solgt næringslån til en netto verdi av 0,6 mrd kroner til Sparebank 1 Næringskreditt. Totalt er det fraregnet boliglån til Sparebank 1 Næringskreditt for 0,6 mrd kroner ved utgangen av regnskapsåret. Gjenværende involvering er som følger:

Mill. kroner	Bokført verdi eiendel	Virkelig verdi eiendel	Bokført verdi forpliktelse	Virkelig verdi forpliktelse	Maksimal eksponering for tap
Gjenværende involvering	0,0	0,0	0,0	0,0	0,6

Banken har, sammen med de andre eierne av SpareBank 1 Næringskreditt inngått avtale om etablering av likviditetsfasilitet for SpareBank 1 Næringskreditt. Dette innebærer at bankene har forpliktet seg til å kjøpe OMF for det tilfellet at SpareBank 1 Næringskreditt ikke kan refinansiere sin virksomhet i markedet. Kjøpet er begrenset til en samlet verdi av de til enhver tid neste tolv måneders forfall i foretaket. Tidligere kjøp under denne avtalen trekkes fra framtidige kjøpsforpliktelser. Hver eier hefter prinsipalt for sin andel av behovet, subsidiært for det dobbelte av det som er det primære ansvaret i henhold til samme avtale. Obligasjonene kan deponeres i Norges Bank og medfører således ingen vesentlig økning i risiko for banken. SpareBank 1 Næringskreditt holder etter sine interne policy likviditet for de neste tolv måneders forfall. Denne trekkes fra ved vurderingen av bankenes ansvar. Det er derfor kun dersom Spareank 1 Næringskreditt ikke lenger har likviditet for de neste tolv måneders forfall at banken vil rapportere noe engasjement her i henhold til kapitaldekning eller store engasjementer.

Sammen med de øvrige eierne av SpareBank 1 Næringskreditt har banken også inngått avtale om å sikre at SpareBank 1 Næringskreditt til enhver tid har en kjernekapitaldekning på minimum 9 %. Aksjonærene skal tilføre tilstrekkelig kjernekapital innen 3 måneder etter å ha mottatt skriftlig anmodning om dette. Aksjonærenes forpliktelse til å tilføre slik kjernekapital er proratarisk og ikke solidarisk, og skal være i henhold til hver aksjonærs pro rata andel av aksjene i SpareBank 1 Næringskreditt. Sammenholdt med den svært lave risikoprofilen i foretaket har banken vurdert det som usannsynlig at det blir innkalt kapital i henhold til denne avtalen og har valgt å ikke holde noen reserver for dette.

NOTE 10 - ALDERSFORDELING PÅ FORFALTE, MEN IKKE NEDSKREVNE UTLÅN

Tabellen viser forfalte beløp på utlån og overtrekk på kreditt/innskudd fordelt på antall dager etter forfall som ikke skyldes forsinkelse i betalingsformidlingen. Hele utlånsengasjementet er inkludert når deler av engasjementet er forfalt.

Morbank (Mill. kroner)

Utlån til og fordringer på kunder per 31.12.16	Under 30 dager	30 - 60 dager	61 - 90 dager	Over 90 dager	Totalt
- Personmarked	2	1	1	37	**40**
- Bedriftsmarked	40	0	0	3	**43**
Sum	**42**	**1**	**1**	**40**	**84**

Utlån til og fordringer på kunder per 31.12.15	Under 30 dager	30 - 60 dager	61 - 90 dager	Over 90 dager	Totalt
- Personmarked	3	2	0	48	**54**
- Bedriftsmarked	0	0	0	5	**5**
Sum	**4**	**2**	**1**	**53**	**60**

Konsern (mill. kroner)

Utlån til og fordringer på kunder per 31.12.16	Under 30 dager	30 - 60 dager	61 - 90 dager	Over 90 dager	Totalt
- Personmarked	2	1	1	37	**40**
- Bedriftsmarked	40	0	0	3	**43**
Sum	**42**	**1**	**1**	**40**	**84**

Utlån til og fordringer på kunder per 31.12.15	Under 30 dager	30 - 60 dager	61 - 90 dager	Over 90 dager	Totalt
- Personmarked	5	39	1	38	**82**
- Bedriftsmarked	0	2	0	2	**4**
Sum	**5**	**41**	**1**	**40**	**87**

NOTE 11 - TAP PÅ UTLÅN OG GARANTIER

Morbank							Konsern					
2015			2016				2016			2015		
PM	BM	Totalt	PM	BM	Totalt	(mill. kroner)	PM	BM	Totalt	PM	BM	Totalt
5	21	**25**	12	-7	**5**	Periodens endring i individuelle nedskrivninger	12	-7	**5**	5	21	**25**
-9	-4	**-13**	7	-29	**-22**	+ Periodens endring i gruppenedskrivninger	7	-29	**-22**	-9	-4	**-13**
-5	-19	**-24**	-9	-1	**-9**	+ Konstaterte tap på engasjement som tidligere er nedskrevet	-9	-1	**-9**	-5	-19	**-24**
-1	-1	**-2**	-1	0	**-1**	+ Konstaterte tap på engasjement som tidligere ikke er nedskrevet	-1	0	**-1**	-1	-1	**-2**
6	26	**32**	4	11	**15**	- Inngang på tidligere konstaterte utlån, garantier m.v.	4	11	**15**	6	26	**32**
-4	**22**	**18**	**13**	**-25**	**-12**	**Sum tap på utlån og garantier**	**13**	**-25**	**-12**	**-4**	**22**	**18**

31.12.15			31.12.16				31.12.16			31.12.15		
PM	BM	Totalt	PM	BM	Totalt	**Individuelle nedskrivninger**	PM	BM	Totalt	PM	BM	Totalt
23	21	**44**	18	0	**18**	Individuelle nedskrivninger til dekning av tap på utlån, garantier, m.v. per 01.01.	18	0	**18**	23	21	**44**
-4	-21	**-25**	-9	0	**-9**	Konstaterte tap i perioden på utlån, garantier m.v. hvor det tidligere er foretatt individuelle nedskrivninger	-9	0	**-9**	-4	-21	**-25**
-2	0	**-2**	-4	0	**-4**	Tilbakeføring av tidligere års nedskrivninger	-4	0	**-4**	-2	0	**-2**
0	0	**0**	0	0	**0**	Økning i nedskrivninger på engasjementer hvor det tidligere er gjort individuelle nedskrivninger	0	0	**0**	0	0	**0**
1	0	**1**	1	7	**8**	Nedskrivninger på engasjementer hvor det tidligere år ikke er gjort individuelle nedskrivinger	1	7	**8**	1	0	**1**
18	**0**	**18**	**6**	**7**	**13**	**Individuelle nedskrivninger til dekning av tap på utlån og garantier per 31.12** [1]	**6**	**7**	**13**	**18**	**0**	**18**

31.12.15			31.12.16				31.12.16			31.12.15		
PM	BM	Totalt	PM	BM	Totalt	**Gruppenedskrivninger**	PM	BM	Totalt	PM	BM	Totalt
34	51	**85**	44	55	**99**	Gruppenedskrivninger for dekning av tap på utlån og garantier per 01.01.	44	55	**99**	34	51	**85**
9	4	**13**	-7	29	**22**	Periodens gruppenedskrivning for dekning av tap på utlån og garantier.	-7	29	**22**	9	4	**13**
44	**55**	**99**	**36**	**84**	**120**	**Gruppenedskrivning for dekning av tap på utlån og garantier per 31.12**	**36**	**84**	**120**	**44**	**55**	**99**

2015 Totalt	2016 Totalt	**Tap fordelt på sektor og næring** [2]	2016 Totalt	2015 Totalt
0	**2**	Personkunder	**2**	0
0	**0**	Offentlig forvaltning	**0**	0
0	**0**	Primærnæringer	**0**	0
0	**0**	Trearbeidende industri	**0**	0
0	**-3**	Annen industri	**-3**	0
-1	**0**	Bygg og anlegg	**0**	-1
0	**0**	Kraft- og vannforsyning	**0**	0
0	**-5**	Varehandel	**-5**	0
0	**0**	Hotell- og restaurantdrift	**0**	0
0	**0**	Eiendomsdrift	**0**	0
0	**0**	Forretningsmessig tjenesteyting	**0**	0
0	**0**	Transport og kommunikasjon	**0**	0
0	**0**	Øvrige næringer	**0**	0
-4	**-29**	Gruppenedskrivning næring	**-29**	-4
-9	**7**	Gruppenedskrivning person	**7**	-9
0	**0**	Gruppenedskrivning (tap overtatte eiendommer)	**0**	0
-13	**-28**	**Tap på utlån til kunder**	**-28**	**-13**

2012	2013	2014	2015	2016	**Misligholdte (over 90 dager) og tapsutsatte engasjement**	2016	2015	2014	2013	2012
215	205	125	77	50	Misligholdte engasjement (over 90 dager)	50	77	125	205	215
69	58	28	11	2	Individuelle nedskrivinger på misligholdte engasjement	2	11	28	58	69
146	**147**	**97**	**66**	**48**	**Netto misligholdte engasjement**	**48**	**66**	**97**	**147**	**146**
32 %	**28 %**	**22 %**	**14 %**	**5 %**	**Avsetningsgrad**	**5 %**	**14 %**	**22 %**	**28 %**	**32 %**
136	102	37	10	18	Øvrige tapsutsatte engasjement	18	10	37	102	136
114	81	16	7	11	Individuelle nedskrivninger på øvrige tapsutsatte	11	7	16	81	114
22	**21**	**21**	**3**	**8**	**Netto andre tapsutsatte**	**8**	**3**	**21**	**21**	**22**
84 %	**79 %**	**43 %**	**70 %**	**58 %**	**Avsetningsgrad**	**58 %**	**70 %**	**43 %**	**79 %**	**84 %**
52 %	**45 %**	**27 %**	**20 %**	**19 %**	**Avsetningsgrad totalt**	**19 %**	**20 %**	**27 %**	**45 %**	**52 %**
3	**2**	**5**	**5**	**2**	**Inntektsførte renter på nedskrevne lån**	**2**	**5**	**5**	**2**	**3**

[1] Note 11 avviker fra segmentnoten grunnet bruk av sektor istedenfor divisjon.
[2] Sum tap ekskl. innganger på tidligere konstatert engasjement.

NOTE 12 - KREDITTEKSPONERING FOR HVER INTERNE RISIKORATING

Banken benytter eget klassifiseringssystem for overvåking av kredittrisiko i porteføljen. Risikoklasseinndeling skjer ut fra den enkelte kundes sannsynlighet for mislighold. Risikogruppene er inndelt på basis av bankens 11 risikoklassser (A – K).

	Misligholdssannsynlighet			
Risikoklasse	F.o.m.	Til	Historisk mislighold* (% av antall)	Risikogruppe
A	0,00 %	0,10 %	0,02 %	Lav
B	0,10 %	0,25 %	0,08 %	Lav
C	0,25 %	0,50 %	0,10 %	Lav
D	0,50 %	0,75 %	0,26 %	Lav
E	0,75 %	1,25 %	0,85 %	Lav
F	1,25 %	2,50 %	1,81 %	Middels
G	2,50 %	5,00 %	3,70 %	Middels
H	5,00 %	10,00 %	6,06 %	Høy
I	10,00 %	100,00 %	15,81 %	Høy
J	Misligholdt			Misligholdt/ nedskrevet
K	Misligholdt/ nedskrevet			Misligholdt/ nedskrevet

** Gjennomsnittlig mislighold for perioden 2007-2016 i prosent av antall eksponeringer i PM og BM, vektet.*

Morbank	Gjennomsnittlig usikret eksponering i % 2016	Totalt engasjement 2016	Gjennomsnittlig usikret eksponering i % 2015	Totalt engasjement 2015
Lav risiko	4,4 %	33 423	5,4 %	27 637
Middels risiko	2,9 %	3 282	2,4 %	5 585
Høy risiko	10,2 %	784	10,7 %	1 107
Mislighold og nedskrevet	16,0 %	96	10,7 %	107
Totalt	**4,4 %**	**37 585**	**5,2 %**	**34 436**

Konsern	Gjennomsnittlig usikret eksponering i % 2016	Totalt engasjement 2016	Gjennomsnittlig usikret eksponering i % 2015	Totalt engasjement 2015
Lav risiko	4,2 %	33 376	5,0 %	27 505
Middels risiko	2,9 %	3 329	2,4 %	5 707
Høy risiko	10,2 %	784	10,7 %	1 107
Mislighold og nedskrevet	16,0 %	96	10,7 %	107
Totalt	**4,3 %**	**37 585**	**4,8 %**	**34 426**

Usikret eksponering er eksponeringen fratrukket markedsverdien på sikkerhetene.
Ved fastsettelse av markedsverdi benyttes fortrinnsvis eksterne verdianslag som ikke er mer enn to år gamle.

NOTE 13 - MAKSIMAL KREDITTEKSPONERING, IKKE HENSYNTATT PANTSTILLELSER

Tabellen nedenfor viser maksimal eksponering mot kredittrisiko i balansen, inkludert derivater. Eksponeringen er vist brutto før eventuelle pantstillelser og tillatte motregninger.

Morbank			Konsern	
31.12.15	31.12.16	(Mill. kroner)	31.12.16	31.12.15
		Eiendeler		
615	388	Kontanter og fordringer på sentralbanker	389	615
410	694	Utlån til og fordringer på kredittinstitusjoner	694	410
31 728	34 525	Utlån til og fordringer på kunder	34 525	31 718
3 864	4 559	Sertifikater, obligasjoner og rentefond	4 559	3 864
611	461	Finansielle derivater	461	611
37 228	**40 629**	**Sum kreditteksponering balanseposter**	**40 630**	**37 218**
		Forpliktelser		
243	254	Betingede forpliktelser (stilte garantier)	254	243
2 323	2 634	Ubenyttede kreditter	2 634	2 323
964	734	Lånetilsagn	734	964
3 530	**3 622**	**Sum finansielle garantistillelser og lånetilsagn**	**3 622**	**3 530**
40 758	**44 251**	**Total kredittrisikoeksponering**	**44 252**	**40 749**
Kredittrisikoeksponering knyttet til finansielle eiendeler fordelt på geografiske områder				
		Bankaktiviteter		
21 875	22 138	Oslo	22 139	21 866
11 664	13 437	Akershus	13 437	11 664
2 860	3 788	Landet for øvrig	3 788	2 860
-116	-133	Tapsavsetninger ufordelt	-133	-116
36 283	**39 230**	**Totalt bankaktiviteter**	**39 231**	**36 274**
		Aktiviteter finansielle instrumenter		
3 118	3 652	Norge	3 652	3 118
1 357	1 368	Europa	1 368	1 357
4 475	**5 021**	**Totalt aktiviteter finansielle instrumenter**	**5 021**	**4 475**
40 758	**44 251**	**Totalt fordelt på geografiske områder**	**44 252**	**40 749**

NOTE 14 - FINANSIELLE INSTRUMENTER OG MOTREGNING

I den finansielle oppstillingen har banken ingen finansielle instrumenter som bokføres netto.

Bank 1 Oslo Akershus har to sett avtaler som regulerer motpartsrisiko og netting av derivater. For privat- og næringslivskunder anvendes rammeavtaler med krav om sikkerhetsstillelse. For kunder som driver med tradingvirksomhet aksepteres kun kontantdepot som sikkerhet. Avtalene er unilaterale, det vil si at det kun er kundene som stiller sikkerhet. Mot finansielle institusjoner inngår banken standardiserte og hovedsakelig bilaterale ISDA-avtaler. I tillegg har banken inngått tilleggsavtaler om sikkerhetsstillelse (CSA) mot de mest sentrale motpartene.

Per 31.12.2016 har banken åtte CSA-avtaler. Banken inngår i hovedsak avtaler med kontanter som sikkerhet og kun kontantsikkerhet er pt. anvendt, men enkelte avtaler åpner for sikkerhet i utvalgte statsobligasjoner.

Bankens eksponering som følge av gjensalgsavtaler balanseføres under "Utlån til og fordringer på kredittinstitusjoner". Nettoeksponeringen tar hensyn til verdien av det underliggende verdipapiret. Bankens gjensalgsavtaler reguleres av GMRA-avtaler mot motparten. Banken har per 31.12.2016 to GMRA-avtaler.

Morbank og konsern (Mill. kroner)	Brutto balanseført beløp	Balanseført beløp som nettoføres etter IAS32	Nettobeløp i balansen	Beløp som kan være gjenstand for nettooppgjør, men som ikke er presentert netto i balansen		Beløp etter mulig nettoppgjør
				Nettingavtaler	Øvrig sikkerhet	
31.12.16	A	B	C=A-B	D		E=C+D
Eiendeler						
Finansielle derivater	461	0	461	-76	-201	184
Utlån til og fordringer på kredittinstitusjoner	0	0	0	0	0	0
Sum	**461**	**0**	**461**	**-76**	**-201**	**184**
Gjeld						
Finansielle derivater	116	0	116	-76	-32	7
Sum	**116**	**0**	**116**	**-76**	**-32**	**7**
31.12.15						
Eiendeler						
Finansielle derivater	611	0	611	-130	-253	228
Utlån til og fordringer på kredittinstitusjoner	0	0	0	0	0	0
Sum	**611**	**0**	**611**	**-130**	**-253**	**228**
Gjeld						
Finansielle derivater	202	0	202	-130	-101	-29
Sum	**202**	**0**	**202**	**-130**	**-101**	**-29**

NOTE 15 KREDITTKVALITET PER KLASSE AV FINANSIELLE EIENDELER

Morbank 31.12.16 (Mill. kroner)	Note	Verken misligholdt eller nedskrevet Lav risiko	 Middels risiko	 Høy risiko	Misligholdt eller individuelt nedskrevet	Sum
Utlån til og fordringer på kredittinstitusjoner		694	0	0	0	694
Sum utlån til og fordringer på kredittinstitusjoner	7	**694**	**0**	**0**	**0**	**694**
Brutto utlån til og fordringer på kunder		28 311	2 984	705	95	**32 095**
Privatmarked		*22 559*	*785*	*385*	*80*	***23 808***
Bedriftsmarked		*5 752*	*2 200*	*321*	*14*	***8 287***
Brutto utlån til og fordring på kunder og kredittinstitusjoner klassifisert som finansielle eiendeler til virkelig verdi over resultatet ved første gangs innregning		2 471	*77*	15	0	**2 564**
Privatmarked		*2 376*	*75*	*15*	*0*	***2 465***
Bedriftsmarked		*96*	*2*	*0*	*0*	***98***
Sum brutto utlån	8	**30 782**	**3 062**	**720**	**95**	34 659
Finansielle investeringer						
Sertifikater og obligasjoner		4 475	84	0	0	**4 559**
Sum finansielle investeringer	30	**4 475**	**84**	**0**	**0**	4 559
Totalt utlånsrelaterte eiendeler		**35 951**	**3 146**	**720**	**95**	39 912

Morbank 31.12.15 (Mill. kroner)						
Utlån til og fordringer på kredittinstitusjoner		410	0	0	0	410
Sum utlån til og fordringer på kredittinstitusjoner	7	**410**	**0**	**0**	**0**	410
Brutto utlån til og fordringer på kunder		24 422	3 837	803	107	**29 168**
Privatmarked		*18 890*	*795*	*471*	*103*	***20 259***
Bedriftsmarked		*5 532*	*3 041*	*332*	*3*	***8 909***
Brutto utlån til og fordring på kunder og kredittinstitusjoner klassifisert som finansielle eiendeler til virkelig verdi over resultatet ved første gangs innregning		2 616	*45*	15	0	**2 676**
Privatmarked		*2 525*	*37*	*15*	*0*	***2 577***
Bedriftsmarked		*91*	*8*	*0*	*0*	***99***
Sum brutto utlån	8	**27 038**	**3 882**	**818**	**107**	31 844
Finansielle investeringer						
Sertifikater og obligasjoner		3 635	204	25	0	**3 864**
Sum finansielle investeringer	30	**3 635**	**204**	**25**	**0**	3 864
Totalt utlånsrelaterte eiendeler		**31 082**	**4 086**	**843**	**107**	36 118

Konsern 31.12.2016 (Mill. kroner)						
Utlån til og fordringer på kredittinstitusjoner		694	0	0	0	694
Sum utlån til og fordringer på kredittinstitusjoner	7	**694**	**0**	**0**	**0**	**694**
Brutto utlån til og fordringer på kunder		28 311	2 984	705	95	**32 095**
Privatmarked		*22 559*	*785*	*385*	*80*	***23 808***
Bedriftsmarked		*5 752*	*2 200*	*321*	*14*	***8 287***
Brutto utlån til og fordring på kunder og kredittinstitusjoner klassifisert som finansielle eiendeler til virkelig verdi over resultatet ved første gangs innregning		2 471	*77*	15	0	**2 564**
Privatmarked		*2 376*	*75*	*15*	*0*	***2 465***
Bedriftsmarked		*96*	*2*	*0*	*0*	***98***
Sum brutto utlån	8	**30 782**	**3 062**	**720**	**95**	34 659
Finansielle investeringer						
Sertifikater og obligasjoner		4 475	84	0	0	**4 559**
Sum finansielle investeringer	30	**4 475**	**84**	**0**	**0**	4 559
Totalt utlånsrelaterte eiendeler		**35 951**	**3 146**	**720**	**95**	39 912

Note 15 forts. neste side

NOTE 15 forts.

Konsern 31.12.15 (mill. kroner)	Noter	Verken misligholdt eller nedskrevet Lav risiko	Middels risiko	Høy risiko	Misligholdt eller individuelt nedskrevet	Sum
Utlån til og fordringer på kredittinstitusjoner		410	0	0	0	410
Sum utlån til og fordringer på kredittinstitusjoner	7	**410**	**0**	**0**	**0**	**410**
Brutto utlån til og fordringer på kunder		*24 422*	3 827	803	107	**29 158**
Privatmarked		*18 890*	*795*	*471*	*103*	***20 259***
Bedriftsmarked		*5 532*	*3 031*	*332*	*3*	***8 899***
Brutto utlån til og fordring på kunder og kredittinstitusjoner klassifisert som finansielle eiendeler til virkelig verdi over resultatet ved første gangs innregning		2 616	*45*	15	0	**2 676**
Privatmarked		*2 525*	*37*	*15*	*0*	***2 577***
Bedriftsmarked		*91*	*8*	*0*	*0*	***99***
Sum brutto utlån	8	**27 038**	**3 872**	**818**	**107**	**31 834**
Finansielle investeringer						
Sertifikater og obligasjoner		3 635	204	25	0	**3 864**
Sum finansielle investeringer	30	**3 635**	**204**	**25**	**0**	**3 864**
Totalt utlånsrelaterte eiendeler		**31 082**	**4 076**	**843**	**107**	**36 108**

NOTE 16 - MARKEDSRISIKO KNYTTET TIL RENTERISIKO

Renterisiko oppstår som følge av at rentebærende eiendeler og forpliktelser har ulik gjenstående rentebindingstid.

Bankens styre har vedtatt rammer for den totale renterisikoen med hensyn til basisrisiko og rentekurverisiko. Renterisikoen styres mot ønsket nivå gjennom rentebindingen på plasseringer og innlån, samt ved bruk av rentederivater.

Basisrisiko er den verdiendring på konsernets eiendeler og gjeld som finner sted når hele rentekurven parallellforskyver seg. Denne risikoen er vist i tabellen nedenfor og er beregnet som effekten på instrumentenes virkelige verdi av en renteendring hvor hele rentekurven forutsettes å parallellforskyve seg med ett prosentpoeng. Det er her tatt hensyn til administrativ renterisiko, dvs. effekten av at det i praksis vil gå noe tid fra en renteendring inntreffer i markedet til banken har fått justert vilkårene på innskudd og utlån med flytende rente.

Konsernets renterisiko er i all hovedsak knyttet til forskyvninger i rentekurven for norske kroner (NOK).

Alle beløp er like for morbank og konsern.

Basisrisiko konsern	Renterisiko, 1 % endring 31.12.16	31.12.15
Fastrenteutlån til kunder	-75	-81
Øvrige utlån til kunder	-39	-36
Obligasjonsportefølje	-17	-16
Fastrenteinnskudd til kunder	20	22
Øvrige innskudd fra kunder	30	26
Obligasjonsinnlån	201	223
Annet	2	-38
Derivater	-98	-87
Total renterisiko (effekt på resultatet etter skatt)	**18**	**10**

Positivt fortegn indikerer at banken taper på en renteoppgang og omvendt.

Selv om beregningene ovenfor viser at banken vil tjene på en renteoppgang, er det ikke likegyldig hvordan renteoppgangen skjer. Tabellen nedenfor viser den såkalte rentekurverisikoen, dvs. risikoen for at rentekurven forskyver seg ulikt innenfor ulike tidsbånd ved en renteendring, ved å måle bankens netto renteeksponering innenfor de ulike tidsintervallene.

Rentekurverisikoen	Renterisiko, 1 % endring 31.12.16	31.12.15
0 - 1 mnd	-1	-1
1 - 3 mndr	-3	-3
3 - 6 mndr	1	3
6 - 12 mndr	9	7
1 - 3 år	17	-21
3 - 5 år	1	13
5 - 10 år	1	16
Total renterisiko (effekt på resultatet etter skatt)	**18**	**10**

NOTE 17 - MARKEDSRISIKO KNYTTET TIL VALUTAEKPONERING

Valutarisiko er risikoen for at konsernet pådrar seg et tap som følge av endringer i valutakursene i disfavør bankens posisjoner. Valutarisiko oppstår ved at konsernet har forskjeller mellom eiendeler og forpliktelser i den enkelte valuta.

Aktiviteter knyttet til omsetning av valuta skal til enhver tid skje innenfor vedtatte retningslinjer, rammer og fullmakter. Konsernets rammer definerer kvantitative mål for maksimal valutaeksponering, målt i kroner. Det er utarbeidet rammer for nettoposisjoner i hver enkelt valuta, samt samlet absolutt sum av nettoposisjoner per valuta:

- Nettoposisjonene per enkeltvaluta skal ikke overstige 15 MNOK (overnatten).

- Summen av alle absolutte nettoposisjoner pr. enkeltvaluta skal samlet ikke overstige 30 MNOK (overnatten).

Valutarisikoen kvantifiseres og overvåkes kontinuerlig. Konsernet har både gjennom året og ved årets slutt en begrenset valutarisiko. Per 31. desember var nettoposisjonene i de viktigste valutasortene, basert på virkelig verdi av de underliggende aktiva, som følger:

Alle beløp er like for morbank og konsern.

	Konsern	
Netto valutaeksponering (MNOK)	**2016**	**2015**
EUR	5,2	0,2
SEK	3,5	0,1
DKK	1,5	0,1
CHF	1,1	0,1
SGD	0,8	0,8
USD	0,3	0,0
GBP	0,3	1,8
JPY	0,3	0,2
Andre	4,4	2,6
Sum	**17,3**	**5,9**
Effekt på resultatet etter skatt ved 3 prosent netto kursendring	0,4	0,1
Effekt på resultatet etter skatt ved 10 prosent netto kursendring	1,3	0,4

NOTE 18 - LIKVIDITETSRISIKO

Likviditetsrisiko er risikoen for at konsernet ikke er i stand til å refinansiere sin gjeld eller ikke har evnen til å finansiere økninger i eiendeler.

Morbank

Per 31.12.16 (Mill. kroner)	**På forespørsel**	**Under 3 måneder**	**3-12 måneder**	**1-5 år**	**Over 5 år**	**Totalt**
KONTANTSTRØMMER KNYTTET TIL FORPLIKTELSER						
Gjeld til kredittinstitusjoner	0	394	0	0	0	394
Innskudd fra og gjeld til kunder	24 854	1 639	371	0	0	26 865
Gjeld stiftet ved utstedelse av verdipapirer	0	599	1 028	7 296	2 399	11 321
Derivater	0	4	10	250	213	477
Ansvarlig lånekapital	0	0	0	1 229	0	1 229
Forpliktelser ved periodeskatt	0	95	0	0	0	95
Lånetilsagn	0	970	0	0	0	970
Sum kontantstrøm forpliktelser	**24 854**	**3 701**	**1 409**	**8 774**	**2 612**	**41 349**

Konsern

Per 31.12.16 (Mill. kroner)	**På forespørsel**	**Under 3 måneder**	**3-12 måneder**	**1-5 år**	**Over 5 år**	**Totalt**
KONTANTSTRØMMER KNYTTET TIL FORPLIKTELSER						
Gjeld til kredittinstitusjoner	0	394	0	0	0	394
Innskudd fra og gjeld til kunder	24 833	1 639	371	0	0	26 844
Gjeld stiftet ved utstedelse av verdipapirer	0	599	1 028	7 296	2 399	11 321
Derivater	0	4	10	250	213	477
Ansvarlig lånekapital	0	0	0	1 229	0	1 229
Forpliktelser ved periodeskatt	0	95	0	0	0	95
Lånetilsagn	0	970	0	0	0	970
Sum kontantstrøm forpliktelser	**24 833**	**3 701**	**1 409**	**8 774**	**2 612**	**41 328**

Note 18 forts. neste side

NOTE 18 forts.

Morbank

Per 31.12.15 (Mill. kroner)	**På forespørsel**	**Under 3 måneder**	**3-12 måneder**	**1-5 år**	**Over 5 år**	**Totalt**
KONTANTSTRØMMER KNYTTET TIL FORPLIKTELSER						
Gjeld til kredittinstitusjoner	0	346	0	0	0	346
Innskudd fra og gjeld til kunder	23 186	2	359	0	0	23 547
Gjeld stiftet ved utstedelse av verdipapirer	0	595	1 028	7 296	2 399	11 318
Derivater	0	4	10	250	213	477
Ansvarlig lånekapital	0	0	0	1 229	0	1 229
Forpliktelser ved periodeskatt	0	89	0	0	0	89
Lånetilsagn	0	970	0	0	0	970
Sum kontantstrøm forpliktelser	**23 186**	**2 006**	**1 397**	**8 774**	**2 612**	**37 975**

Konsern

Per 31.12.15 (Mill. kroner)	**På forespørsel**	**Under 3 måneder**	**3-12 måneder**	**1-5 år**	**Over 5 år**	**Totalt**
KONTANTSTRØMMER KNYTTET TIL FORPLIKTELSER						
Gjeld til kredittinstitusjoner	0	346	0	0	0	346
Innskudd fra og gjeld til kunder	23 166	2	359	0	0	23 527
Gjeld stiftet ved utstedelse av verdipapirer	0	595	1 028	7 296	2 399	11 318
Derivater	0	4	10	250	213	477
Ansvarlig lånekapital	0	0	0	1 229	0	1 229
Forpliktelser ved periodeskatt	0	90	0	0	0	90
Lånetilsagn	0	970	0	0	0	970
Sum kontantstrøm forpliktelser	**23 166**	**2 007**	**1 397**	**8 774**	**2 612**	**37 956**

For innskudd er det i 2016 brukt en gjennomsnittlig rente på 1,58 %, det er regnet en gjennomsnittlig løpetid på 3 år for innskudd i intervallet 1 - 5 år.
For innskudd er det i 2015 brukt en gjennomsnittlig rente på 1,81 %, det er regnet en gjennomsnittlig løpetid på 3 år for innskudd i intervallet 1 - 5 år.

Styringen av likviditetsrisikoen tar utgangspunkt i rammer som årlig vedtas av styret. Størrelsen på likviditetsreserven skal til enhver tid være slik at banken med prognostisert vekst er uavhengig av ekstern finansiering i 12 måneder. Banken gjennomfører minst kvartalsvise stresstester og har etablert overlevelsesmål og tiltaksplaner for ulike tidsperioder og ulike stress-cenarioer.

Likviditetsreserven består av låneadgang i Norges Bank, boliglån som er klargjort for salg til SpareBank 1 Boligkreditt utover en buffer for et eventuelt boligprisfall samt likvide verdipapirer som ikke er deponert i Norges Bank. Reserven pr 31.12.2016 var på 10,6 milliarder kroner. Gjennomsnittlig løpetid på senior finansiering i obligasjons- og sertifikatmarkedet var pr årsskiftet 3,1 år.

NOTE 19 - FORFALLSANALYSE AV EIENDELER OG GJELD / FORPLIKTELSER

Morbank

Per 31.12.16 (Mill. kroner)	På forespørsel	Under 3 måneder	3-12 måneder	1-5 år	Over 5 år	Totalt
Eiendeler						
Kontanter og fordringer på sentralbanker	388	0	0	0	0	388
Utlån til og fordringer på kredittinstitusjoner	0	694	0	0	0	694
Netto utlån til og fordringer på kunder	4 885	309	969	3 996	24 367	34 526
Sertifikater, obligasjoner og rentefond	0	713	79	3 120	648	4 559
Finansielle derivater	0	7	104	273	77	461
Aksjer, andeler og andre egenkapitalinteresser	0	0	0	426	0	426
Investering i felleskontrollert virksomhet	1 343	0	0	0	0	1 343
Investering i datterselskaper	58	0	0	0	0	58
Eiendom, anlegg og utstyr	198	0	0	0	0	198
Investeringseiendommer	0	0	0	0	0	0
Virksomhet og anleggsmidler holdt for salg	0	0	0	0	0	0
Goodwill og andre immaterielle eiendeler	0	0	0	0	0	0
Eiendel ved utsatt skatt	9	0	0	0	0	9
Andre eiendeler	87	0	0	0	0	87
Sum eiendeler	**6 967**	**1 722**	**1 152**	**7 815**	**25 092**	**42 748**
Gjeld						
Innskudd fra og gjeld til kredittinstitusjoner	750	391	0	0	0	1 141
Innskudd fra og gjeld til kunder	24 854	1 638	367	0	0	26 859
Gjeld stiftet ved utstedelse av verdipapirer	0	626	689	7 944	688	9 946
Finansielle derivater	0	6	25	45	40	116
Forpliktelser ved periodeskatt	0	95	0	0	0	95
Forpliktelse ved utsatt skatt	0	0	0	0	0	0
Annen gjeld og balanseført forpliktelse	0	217	0	0	0	217
Ansvarlig lånekapital og fondsobligasjoner	0	0	1	0	700	701
Sum gjeld	**25 604**	**2 973**	**1 082**	**7 988**	**1 428**	**39 075**

Konsern

Per 31.12.16 (Mill. kroner)	På forespørsel	Under 3 måneder	3-12 måneder	1-5 år	Over 5 år	Totalt
Eiendeler						
Kontanter og fordringer på sentralbanker	389	0	0	0	0	389
Utlån til og fordringer på kredittinstitusjoner	0	694	0	0	0	694
Netto utlån til og fordringer på kunder	4 885	309	969	3 996	24 367	34 526
Sertifikater, obligasjoner og rentefond	0	713	79	3 120	648	4 559
Finansielle derivater	0	7	104	273	77	461
Aksjer, andeler og andre egenkapitalinteresser	1	0	0	426	0	426
Investering i felleskontrollert virksomhet	1 404	0	0	0	0	1 404
Investering i datterselskaper	0	0	0	0	0	0
Eiendom, anlegg og utstyr	206	0	0	0	0	206
Investeringseiendommer	0	0	0	0	0	0
Virksomhet og anleggsmidler holdt for salg	0	0	0	0	0	0
Goodwill og andre immaterielle eiendeler	27	0	0	0	0	27
Eiendel ved utsatt skatt	11	0	0	0	0	11
Andre eiendeler	147	0	0	0	0	147
Sum eiendeler	**7 069**	**1 722**	**1 152**	**7 815**	**25 092**	**42 850**
Gjeld						
Innskudd fra og gjeld til kredittinstitusjoner	750	391	0	0	0	1 141
Innskudd fra og gjeld til kunder	24 854	1 638	346	0	0	26 838
Gjeld stiftet ved utstedelse av verdipapirer	0	626	689	7 944	688	9 946
Finansielle derivater	0	6	25	45	40	116
Forpliktelser ved periodeskatt	0	95	0	0	0	95
Forpliktelse ved utsatt skatt	0	0	0	0	0	0
Annen gjeld og balanseført forpliktelse	0	263	0	0	0	263
Ansvarlig lånekapital og fondsobligasjoner	0	0	1	0	700	701
Sum gjeld	**25 604**	**3 019**	**1 060**	**7 988**	**1 428**	**39 099**

Note 19 forts. neste side

NOTE 19 forts.

Morbank

Per 31.12.15 (Mill. kroner)	På forespørsel	Under 3 måneder	3-12 måneder	1-5 år	Over 5 år	Totalt
Eiendeler						
Kontanter og fordringer på sentralbanker	615	0	0	0	0	615
Utlån til og fordringer på kredittinstitusjoner	0	410	0	0	0	410
Netto utlån til og fordringer på kunder	4 239	251	733	3 605	22 901	31 728
Sertifikater, obligasjoner og rentefond	0	160	314	2 418	971	3 864
Finansielle derivater	0	0	69	402	140	611
Aksjer, andeler og andre egenkapitalinteresser	0	0	0	72	0	72
Investering i felleskontrollert virksomhet	1 169	0	0	0	0	1 169
Investering i datterselskaper	58	0	0	0	0	58
Eiendom, anlegg og utstyr	222	0	0	0	0	222
Investeringseiendommer	0	0	0	0	0	0
Virksomhet og anleggsmidler holdt for salg	0	0	0	0	0	0
Goodwill og andre immaterielle eiendeler	0	0	0	0	0	0
Eiendel ved utsatt skatt	0	0	0	0	0	0
Andre eiendeler	101	0	0	0	0	101
Sum eiendeler	**6 404**	**821**	**1 116**	**6 498**	**24 012**	**38 850**
Gjeld						
Innskudd fra og gjeld til kredittinstitusjoner	0	345	0	0	0	345
Innskudd fra og gjeld til kunder	21 448	1 738	355	0	0	23 541
Gjeld stiftet ved utstedelse av verdipapirer	0	493	852	6 871	2 180	10 396
Finansielle derivater	0	0	30	80	92	202
Forpliktelser ved periodeskatt	0	89	0	0	0	89
Forpliktelse ved utsatt skatt	0	11	0	0	0	11
Annen gjeld og balanseført forpliktelse	0	125	0	0	0	125
Ansvarlig lånekapital	0	0	2	0	1 100	1 102
Sum gjeld	**21 448**	**2 801**	**1 238**	**6 951**	**3 372**	**35 811**

Konsern

Per 31.12.15 (Mill. kroner)	På forespørsel	Under 3 måneder	3-12 måneder	1-5 år	Over 5 år	Totalt
Eiendeler						
Kontanter og fordringer på sentralbanker	615	0	0	0	0	615
Utlån til og fordringer på kredittinstitusjoner	0	410	0	0	0	410
Netto utlån til og fordringer på kunder	4 239	251	723	3 605	22 901	31 718
Sertifikater, obligasjoner og rentefond	0	160	314	2 418	971	3 864
Finansielle derivater	0	0	69	402	140	611
Aksjer, andeler og andre egenkapitalinteresser	0	0	0	72	0	72
Investering i felleskontrollert virksomhet	1 249	0	0	0	0	1 249
Investering i datterselskaper	0	0	0	0	0	0
Eiendom, anlegg og utstyr	230	0	0	0	0	230
Investeringseiendommer	0	0	0	0	0	0
Virksomhet og anleggsmidler holdt for salg	14	0	0	0	0	14
Goodwill og andre immaterielle eiendeler	27	0	0	0	0	27
Eiendel ved utsatt skatt	0	0	0	0	0	0
Andre eiendeler	169	0	0	0	0	169
Sum eiendeler	**6 543**	**821**	**1 106**	**6 498**	**24 012**	**38 980**
Gjeld						
Innskudd fra og gjeld til kredittinstitusjoner	0	345	0	0	0	345
Innskudd fra og gjeld til kunder	21 448	1 738	335	0	0	23 521
Gjeld stiftet ved utstedelse av verdipapirer	0	493	852	6 871	2 180	10 396
Finansielle derivater	0	0	30	80	92	202
Forpliktelser ved periodeskatt	0	90	0	0	0	90
Forpliktelse ved utsatt skatt	0	8	0	0	0	8
Annen gjeld og balanseført forpliktelse	0	185	0	0	0	185
Ansvarlig lånekapital	0	0	2	0	1 100	1 102
Sum gjeld	**21 448**	**2 859**	**1 219**	**6 951**	**3 372**	**35 849**

NOTE 20 - NETTO RENTEINNTEKTER

Morbank			Konsern	
2015	2016	(Mill. kroner)	2016	2015
		Renteinntekter		
11	7	Renter av utlån til og fordringer på kredittinstitusjoner	7	11
1 048	1 012	Renter av utlån til og fordringer på kunder [1]	1 017	1 054
75	71	Renter av sertifikater, obligasjoner og andre rentebærende verdipapirer	71	75
53	58	Andre renteinntekter og lignende inntekter	58	53
1 187	**1 148**	**Sum renteinntekter**	**1 154**	**1 193**
		Rentekostnader		
5	11	Renter på gjeld til kredittinstitusjoner	11	5
365	299	Renter på innskudd fra og gjeld til kunder	304	370
289	288	Renter på utstedte verdipapirer	288	289
43	26	Renter på ansvarlig lånekapital	26	43
13	14	Avgifter til Bankenes sikringsfond	14	13
716	**638**	**Sum rentekostnader**	**643**	**721**
471	**510**	**Sum netto renteinntekter**	**511**	**472**
89	87	[1] Av dette utgjør renter av utlån til og fordringer på kunder bokført til virkelig verdi	87	89

NOTE 21 - NETTO PROVISJONS- OG ANDRE INNTEKTER

Morbank			Konsern	
2015	2016	(Mill. kroner)	2016	2015
		Provisjonsinntekter		
4	4	Garantiprovisjon	4	4
0	0	Verdipapiromsetning	0	0
102	107	Betalingsformidling	107	102
78	80	Liv- og forsikringsprodukter	80	78
170	146	Provisjon fra lån overført til kredittforetak	146	170
0	0	Meglerprovisjon	210	203
42	47	Andre provisjonsinntekter	45	42
397	**384**	**Sum provisjonsinntekter**	**592**	**600**
		Provisjonskostnader		
37	38	Betalingsformidling	36	37
37	**38**	**Sum provisjonskostnader**	**36**	**37**
		Andre driftsinntekter		
1	1	Driftsinntekter fast eiendom	1	1
4	10	Andre driftsinntekter	14	9
5	**11**	**Sum andre driftsinntekter**	**14**	**10**
364	**358**	**Sum netto provisjons- og andre driftsinntekter**	**570**	**572**

NOTE 22 - NETTO RESULTAT FRA FINANSIELLE INVESTERINGER

Morbank			Konsern	
2015	2016	(Mill. kroner)	2016	2015
		VURDERT TIL VIRKELIG VERDI OVER RESULTATET		
		Verdiendring på renteinstrumenter		
-55	24	Obligasjoner, sertifikater og fondsandeler utpekt til virkelig verdi over resultatet	24	-55
1	125	Verdipapirgjeld utpekt til virkelig verdi over resultatet	125	1
-19	-38	Fastrenteutlån utpekt til virkelig verdi over resultatet	-38	-19
		Verdiendring på derivater og sikring		
-0	1	Netto verdiendring på derivater som sikrer obligasjoner (eiendeler)	1	0
-6	-122	Netto verdiendring på derivater som sikrer innlån	-122	-6
13	43	Netto verdiendring på øvrige derivater	43	13
		Inntekter fra egenkapitalinstrumenter		
35	45	Utbytte (mor) eller netto resultat fra konsernselskaper	13	71
-1	3	Gevinst eller tap ved realisasjon av konsernselskaper	0	1
0	-13	Nedskriving av eiendeler i konsernselskaper	0	0
-32	**68**	**Sum netto inntekter fra finansielle eiendeler til virkelig verdi over resultatet**	**47**	**6**
		VURDERT TIL AMORTISERT KOST		
0	0	Obligasjoner og sertifikater holde til forfall	0	0
0	**0**	**Sum netto inntekter fra finansielle eiendeler til amortisert kost**	**0**	**0**
		VURDERT TIL VIRKELIG VERDI - TILGJENGELIG FOR SALG		
0	32	Utbytte fra egenkapitalinstrumenter tilgjengelig for salg	32	0
0	16	Gevinst/tap ved realisasjon av egenkapitalinstrumenter tilgjengelig for salg	16	0
0	**48**	**Sum netto inntekter fra finansielle eiendeler tilgjengelig for salg**	**48**	**0**
2	**16**	**Netto inntekter fra valutahandel**	**16**	**1**
-30	**133**	**Sum netto resultat fra finansielle investeringer**	**111**	**7**

NOTE 23 - PERSONALKOSTNADER OG YTELSER TIL LEDENDE ANSATTE OG TILLITSVALGTE

Morbank			Konsern	
2015	2016	(Mill. kroner)	2016	2015
221	226	Lønn	344	337
23	20	Pensjonskostnader (note 24)	22	26
22	23	Sosiale kostnader	29	25
266	**269**	**Sum personalkostnader**	**395**	**388**
289	285	Gjennomsnittlig antall ansatte	428	426
293	281	Antall årsverk	413	423
296	284	Antall ansatte	432	427

Note 23 forts. neste side

NOTE 23 forts.

Ytelser til konsernledelsen (hele 1.000 kroner)

2016	Tittel	Lønn og andre kortsiktige ytelser	Herav utbetalt bonus	Andre godtgjørelser	Opptjente pensjons-rettigheter siste år	Lån
Torbjørn Vik [1]	Administrerende direktør	2 598	0	145	1 119	2 910
Monica Mathisen [1]	Direktør Bedriftsmarked	1 722	0	145	376	9 741
Kåre Johan Osen [1]	Direktør Personmarked tom. 31. jan 2016	146	0	10	0	1 619
Kent Staahle [2]	Direktør Personmarked fom. 01. feb. 2016	1 604	68	126	0	0
Espen Mejlænder-Larsen [2]	Direktør Organisasjonsmarked	1 569	0	129	0	2 653
Geir-Egil Bolstad [2]	Direktør Forretningsstøtte	1 939	0	132	0	6 306
Gudrun Michelsen [1]	Direktør Risiko og Compliance	1 602	0	136	267	5 963
Marianne Uppman [2]	Leder Juridisk avdeling	1 587	0	144	0	2 654
Odd Nymark [2]	Adm. dir Eiendomsmegler 1 tom. 06. okt. 2016	2 476	0	129	0	7 735
Jon Olav Halgunset [2]	Adm. dir Eiendomsmegler 1 fom. 07. okt. 2016	341	0	31	0	0
2015						
Torbjørn Vik [1]	Administrerende direktør	2 701	167	153	1 359	3 894
Monica Mathisen [1]	Direktør Bedriftsmarked	1 682	109	219	315	8 505
Kåre Johan Osen [1]	Direktør Personmarked	225	109	1 548	0	1 682
Ottar Karbøl [1]	Direktør Organisasjonsmarked tom. 30. juni 2015	1 192	105	616	94	0
Espen Mejlænder-Larsen [2]	Direktør Forretningsstøtte fom. 01. juli 2015	1 278	90	175	0	2 601
Geir-Egil Bolstad [2]	Direktør Forretningsstøtte	1 962	120	300	0	5 492
Gudrun Michelsen [1]	Direktør Risiko og Compliance	1 509	100	211	218	1 566
Marianne Uppman [2]	Leder Juridisk avdeling	1 509	100	203	0	2 494
Odd Nymark [2]	Adm. dir Eiendomsmegler 1	2 224	50	326	0	14 873

[1] Ytelsesbasert pensjon
[2] Innskuddsbasert pensjon

Ytelser til styret og kontrollkomiteen (hele 1.000 kroner)

2016	Tittel	Honorar	Lån
Richard Heiberg	Styreleder, leder godtgjørelsesutvalget, medlem valgkomiteen	261	0
Roar Flåthen	Nestleder styret	211	0
Jan-Egil Pedersen	Styremedlem	174	0
Finn Haugan	Styremedlem tom. 29. april 2016	174	0
Knut Oscar Fleten	Styremedlem tom. 29. april 2016	174	0
Tor Morten Nygård	Styremedlem fom. 30. april 2016	0	0
Arve Bakke	Styremedlem, medlem revisjonsutvalget, risikoutvalget og godtgjørelsesutvalget	265	0
Tone Bjørnov	Styremedlem, leder revisjonsutvalget og risikoutvalget, medlem godtgjørelsesutvalget	299	0
Tore Anstein Dobloug	Styremedlem, medlem risikoutvalget og revisjonsutvalget	249	0
Dordi Formoe	Styremedlem (ansattrepresentant)	174	2 815
Jan Grenaker	Styremedlem tom. 29. april 2016 (møtende varamedlem, ansatt)	87	0
Torbjørn Vik	Administrerende direktør	0	2 910
Knut Ro	Leder kontrollkomiteen	127	0
Ivar Listerud	Nestleder kontrollkomiteen	91	0
Odd Broshaug	Medlem kontrollkomiteen	91	0
Rolf Røkke	Medlem kontrollkomiteen	91	0
Rigmor Abel	Medlem kontrollkomiteen	91	0

2015	Tittel	Honorar	Lån
Richard Heiberg	Styreleder, leder godtgjørelsesutvalget, medlem valgkomiteen	276	0
Roar Flåthen	Nestleder styret	206	0
Jan-Egil Pedersen	Styremedlem	170	0
Finn Haugan	Styremedlem	170	0
Knut Oscar Fleten	Styremedlem	170	0
Arve Bakke	Styremedlem, medlem revisjonsutvalget, risikoutvalget og godtgjørelsesutvalget	284	0
Tone Bjørnov	Styremedlem, leder revisjonsutvalget og risikoutvalget, medlem godtgjørelsesutvalget	308	0
Tore Anstein Dobloug	Styremedlem, medlem risikoutvalget og revisjonsutvalget	256	0
Dordi Formoe	Styremedlem (ansattrepresentant)	170	2 855
Jan Grenaker	Styremedlem fom. 9. april 2014 (møtende varamedlem, ansatt)	85	0
Torbjørn Vik	Administrerende direktør	0	3 894

Note 23 forts. neste side

NOTE 23 forts.

Ytelser til styret og kontrollkomiteen (hele 1.000 kroner)

2015	Tittel	Honorar	Lån
Knut Ro	Leder kontrollkomiteen	124	0
Ivar Listerud	Nestleder kontrollkomiteen	89	0
Odd Broshaug	Medlem kontrollkomiteen	89	0
Rolf Røkke	Medlem kontrollkomiteen	89	0
Rigmor Abel	Medlem kontrollkomiteen	89	0

Ytelser til representantskapet (hele 1.000 kroner)	2016
Representantskapets leder	53
Øvrige medlemmer	48

Banken har utarbeidet en godtgjørelsespolitikk, som er styregodkjent i tråd med godtgjørelsesforskriften som trådde i kraft 1. januar 2011. Godtgjørelsepolitikken identifiserer ledende ansatte og risikotagere, samt beskriver aktuell godtgjørelsesordning. Variabelt lønnselement for disse gruppene utgjør maksimalt 1,5 månedslønn.

Sluttvederlag blir betalt når ansettelsesforhold avsluttes av konsernet før det normale tidspunktet for pensjonering eller når en ansatt frivillig aksepterer å slutte mot et slikt vederlag. Konsernet regnskapsfører sluttvederlag når det beviselig er forpliktet til enten å avslutte arbeidsforholdet til dagens arbeidstakere i henhold til en formell, detaljert plan som konsernet ikke kan trekke tilbake, eller til å gi sluttvederlag som følge av et tilbud som er gitt for å oppfordre til frivillig avgang. Sluttvederlag som forfaller mer enn 12 måneder etter balansedagen diskonteres til nåverdi.

Nedbetalingslån til ansatte gis med inntil 30 års nedbetalingstid og månedlige terminer. Rentesats for for nedbetalingslån og Flexilån til ansatte tilsvarer 80 % av laveste rentesats for privatmarkedslån og Flexilån. Totalt lånebeløp innenfor disse betingelsene er det høyeste beløp av 2 mill. kroner og tre ganger den ansattes inntekt. Lån over denne rammen skal det prises i forhold til scoring og sikkerhet, samt at totalkundeforholdet må vurderes.

NOTE 24 - PENSJONER

Generell beskrivelse av selskapets pensjonsforpliktelser

Selskapet har en kollektiv pensjonsordning for sine ansatte i SpareBank 1 Livsforsikring AS. Pensjonsordningen sikrer de fleste av de ansatte en pensjon på 70 % av sluttlønnen frem til 77 år med etterfølgende avtrapping. I tillegg er det etablert en ordning for kollektiv innskuddspensjon for nyansatte fra 01.01.2005. Fra samme tidspunkt ble den ytelesbaserte pensjonsordningen lukket.

I selskapet er 87 yrkesaktive i den ytelesesbaserte pensjonsordningen og 113 pensjonister omfattet av ordningen. I innskuddsordningen er 206 yrkesaktive i Bank 1 Oslo Akershus AS, og 121 i EM 1 Oslo omfattet av ordningen.

Ved verdsettelse av pensjonsmidlene og ved måling av påløpte forpliktelser benyttes estimerte verdier. Disse verdiene korrigeres hvert år i samsvar med oppgaver over pensjonsmidlenes flytteverdi fra livselskapet og aktuarmessig beregning av forpliktelsene.

Kostnadene er beregnet på forutsetningene for inngående balanse per 01.01. og det er beregnet en oppdatert netto pensjonsforpliktelse ut fra forutsetningene 31.12. Aktuarielle gevinster og tap (estimatavvik) blir regnskapsført mot egenkapitalen i oppstillingen over utvidet resultatregnskap i den perioden de oppstår.

Periodens pensjonskostnad består av periodens pensjonsopptjening og rentekostnad påløpt pensjonsforpliktelse fratrukket forventet avkastning samt periodisert arbeidsgiveravgift. Innbetalt innskuddspensjon kostnadsføres i betalingsåret.

Forventet premieinnbetaling for 2017 er anslått til å være 0 mill. kroner. Det er besluttet at ytelsespesjonsordningen skal avvikles fra og med 1. januar 2017. De ansatte som har ytelsespensjon flyttes over til bankens innskuddsordning.

Morbank			Konsern	
31.12.15	31.12.16	(Mill. kroner)	31.12.16	31.12.15
		Pensjonsforpliktelse i ytelsesbaserte pensjonsordninger		
337	290	Nåverdi pensjonsforpliktelse 01.01	290	337
6	8	Pensjon opptjent i perioden	8	6
7	8	Rentekostnad påløpt pensjonsforpliktelse	8	7
4	0	Utmelding medlemmer i pensjonsordning	0	4
-53	33	Aktuarielle gevinster og tap (estimatavvik)	33	-53
-12	-11	Utbetalte ytelser	-11	-12
0	-1	Annet	-1	0
290	**326**	**Nåverdi pensjonsforpliktelse 31.12**	**326**	**290**
271	304	– herav fondsbaserte	304	271
19	22	– herav ikke-fondsbaserte	22	19
		Pensjonsmidler		
268	272	Pensjonsmidler 01.01	272	268
7	6	Forventet avkastning i perioden	6	7
0	0	Utmelding medlemmer i pensjonsordning	0	0
-5	-11	Aktuarielle gevinster og tap (estimatavvik)	-11	-5
15	6	Innbetaling fra arbeidsgiver	6	15
-12	-11	Utbetalte ytelser	-11	-12
272	**262**	**Pensjonsmidler 31.12**	**262**	**272**

Note 24 forts. neste side

NOTE 24 forts.

Morbank			Konsern	
31.12.15	31.12.16	(Mill. kroner)	31.12.16	31.12.15
		Finansiell status 31.12		
290	326	Nåverdi pensjonsforpliktelse 31.12	326	290
272	262	Pensjonsmidler 31.12	262	272
17	**64**	**Netto pensjonsforpliktelse 31.12**	**64**	**17**
17	**64**	**Netto pensjonsforpliktelse 31.12 eksl. arbeidsgiveravgift**	**64**	**17**
10	3	Arbeidsgiveravgift 01.01	3	10
1	1	Arbeidsgiveravgiftkostnad	1	1
0	0	Netto arbeidsgiveravgift utmelding av medlemmer	0	0
-6	6	Aktuarielle gevinster og tap (estimatavvik)	6	-6
-2	-1	Utbetalt	-1	-2
0	3	Andre endringer	3	0
3	**12**	**Arbeidsgiveravgift 31.12**	**12**	**3**
20	**76**	**Netto pensjonsforpliktelse i balansen**	**76**	**20**
		Periodens pensjonskostnad		
6	8	Ytelsesbasert pensjon opptjent i perioden	8	6
7	8	Rentekostnad påløpt pensjonsforpliktelse	8	7
-7	-6	Forventet avkastning på pensjonsmidler	-6	-7
7	**9**	**Netto ytelsesbasert pensjonskostnad uten arbeidsgiveravgift**	**9**	**7**
1	-1	Periodisert arbeidsgiveravgift	-1	1
8	**8**	**Netto resultatført ytelsesbasert pensjonskostnad**	**8**	**8**
8	*9*	*– herav sikret pensjonskostnad inklusive arbeidsgiveravgift*	*9*	*8*
15	13	Innskuddsbasert pensjonskostnad inkl aga	16	18
23	**21**	**Periodens pensjonskostnad innregnet i resultatregnskapet**	**24**	**26**
0	-1	Avviklingsgevinst som følge av gammel AFP opphører inkl. aga	-1	0
0	0	Avviklingsgevinst/tap ved avslutning av pensjonsopptjening (utstedelse av fripoliser)	0	0
23	**20**	**Sum pensjonskostnader innskudd og ytelse inklusive avviklingsgevinster**	**23**	**26**
23	25	Estimert pensjonskostnad ytelse og innskudd for neste år inkl. aga ekskl. estimatavvik:	29	26
54	54	Pensjonsgrunnlag - ytelse sikret	54	54
14,8 %	14,0 %	Kostnad i prosent av pensjonsgrunnlaget	14,0 %	14,8 %
		Aktuarielle gevinster og tap (estimatendringer)		
51	-54	Periodens aktuarielle gevinster og (tap) innregnet i resultatet inkl. aga og før skatt	-54	51
-18	33	Kumulative aktuarielle gevinster og (tap) innregnet i resultatet inkl. aga og før skatt	33	-18

Morbank					Konsern			
31.12.15		31.12.16			31.12.16		31.12.15	
Noterte	Unoterte	Noterte	Unoterte	**Sammensetning av pensjonsmidler** (Mill. kroner)	Noterte	Unoterte	Noterte	Unoterte
79	10	83	12	Obligasjoner til amortisert kost	83	12	79	10
95	3	84	1	Obligasjoner til virkelig verdi	84	1	95	3
0	48	0	46	Eiendom	0	46	0	48
37	0	36	0	Aksjer og andeler	36	0	37	0
0	0	0	1	Andre eiendeler	0	1	0	0
212	**61**	**203**	**59**	**Sum pensjonsmidler**	**203**	**59**	**212**	**61**

Note 24 forts. neste side

NOTE 24 forts.

Morbank 2015	Morbank 2016	(mill. kroner)	Konsern 2016	Konsern 2015
7	8	**Den faktiske avkastningen på pensjonsmidlene i NOK**	6	7

31.12.15	31.12.16	**Forutsetninger**	31.12.16	31.12.15
2,60 %	2,60 %	Diskonteringsrente	2,60 %	2,60 %
2,60 %	2,60 %	Forventet avkastning på midlene	2,60 %	2,60 %
2,50 %	2,00 %	Fremtidig lønnsutvikling	2,00 %	2,50 %
2,25 %	2,00 %	G-regulering	2,00 %	2,25 %
0,50 %	2,00 %	Pensjonsregulering	2,00 %	0,50 %
14,10 %	14,10 %	Arbeidsgiveravgift	14,10 %	14,10 %
0	5,00 %	Finansskatt	5,00 %	
4 % og 2 %	4 % og 2 %	Frivillig avgang	4 % og 2 %	4 % og 2 %
		Demografiske forutsetninger:		
K2013BE	K2013BE	Dødelighet	K2013BE	K2013BE
IR2003	IR2003	Uførhet	IR2003	IR2003

2012	2013	2014	2015	2016	**Utviklingen de siste fem år i den ytelsesbaserte pensjonsordningen** (Mill. kroner)	2016	2015	2014	2013	2012
216	280	337	290	326	Nåverdi pensjonsforpliktelse 31.12	326	290	337	280	216
207	240	268	272	262	Pensjonsmidler 31.12	262	272	268	240	207
8	40	70	17	64	Underskudd	64	17	70	40	8

Vedlagt følger en tabell for sensitivitet på Bank 1 Oslo Akershus sin pensjonsforpliktelse:

Påvirkning på pensjonsforpliktelsen	Endring	Økning pensjonsforpliktelse	Reduksjon i pensjonsforpliktelse
Diskonteringsrenten	0,50 %	-6,67 %	7,45 %
Lønnsvekst	0,50 %	2,85 %	-2,61 %
Pensjonsvekst	0,25 %	2,77 %	-2,65 %
Forventet levetid	1 år	3,45 %	-3,46 %

Sensitivitetsanalysen over er basert på endring i en av forutsetningene, gitt at alle andre forutsetninger holdes konstante. I praksis vil dette neppe skje, og endringer i noen av forutsetningene kan samvariere. Sensitivitetsberegningen er utført ved bruk av samme metode som aktuarberegningen for beregning av pensjonsforpliktelsen i balansen. Vektet gjennomsnittlig durasjon på pensjonsforpliktelsen til Bank 1 Oslo Akershus AS er på 15,81.

Forventet forfallsprofil på pensjonsforpliktelsene til Bank 1 Oslo Akershus AS som er forventet utbetalingstidspunkt følger følgende forfallsprofil:

	Under 1 år	1 – 2 år	2 – 5 år	Mer enn 5 år	Sum
Forventet utbetaling av pensjonsforpliktelsen	0	0	8	318	326

NOTE 25 - ANDRE DRIFTSKOSTNADER

Morbank 2015	Morbank 2016	(i 1.000 kroner)	Konsern 2016	Konsern 2015
112	117	IT-kostnader	123	118
21	24	Markedsføring	35	35
26	32	Ordinære avskrivninger (note 34 og 36)	37	31
39	39	Driftskostnader faste eiendommer	52	54
30	33	Eksterne honorarer	36	37
41	36	Andre driftskostnader	74	74
268	**281**	**Sum andre driftskostnader**	**357**	**349**
		Godtgjørelse til revisor (i 1.000 kroner)		
517	599	Lovpålagt revisjon	799	627
0	23	Skatterådgivning	23	0
0	205	Andre attestasjonstjenester	261	50
469	33	Andre tjenester utenfor revisjon	79	482
985	**859**	**Sum inklusiv merverdiavgift**	**1 115**	**1 159**

NOTE 26 - SKATT

Morbank			Konsern	
2015	2016	(Mill. kroner)	2016	2015
290	438	Resultat før skattekostnad	427	333
16	34	Endring i midlertidige forskjeller	36	9
51	-54	Endring midlertidige forskjeller ført direkte mot egenkapitalen	-54	51
-26	-82	Permanente forskjeller [1]	-70	-60
331	**337**	**Grunnlag for betalbar skatt**	**339**	**333**
89	84	Betalbar skatt	85	90
0	11	Korreksjon betalbar skatt 2014	11	0
89	95	Sum betalbar skatt	95	90
-17	5	Endring i utsatt skatt/utsatt skattefordel	4	-16
4	0	Korrigert feil utsatt skatt	0	4
1	1	For lite/mye avsatt skatt tidligere år	3	1
77	**91**	**Skattekostnad**	**93**	**79**
		Midlertidige forskjeller per 31.12		
38	30	Anleggsmidler	28	38
2	1	Gevinst- og tapskonto	1	2
0	0	Netto avsetning for forpliktelser	-5	-6
48	37	Aksjer og verdipapirer	37	48
-446	-318	Obligasjonsinnlån	-318	-446
373	284	Sikringsinstrumenter	284	373
-20	-73	Netto pensjonsforpliktelse	-73	-20
49	4	Påløpte renter renteswapper	4	49
0	0	Underskudd til fremføring	0	-10
44	**-35**	**Sum midlertidige forskjeller som påvirker skattegrunnlag**	**-43**	**28**
		Endring i midlertidige forskjeller per 31.12		
0	8	Anleggsmidler	10	-4
0	0	Gevinst- og tapskonto	0	0
74	12	Aksjer og verdipapirer	12	74
-2	-128	Obligasjonsinnlån	-128	-2
11	89	Sikringsinstrumenter	89	11
-59	53	Netto pensjonsforpliktelse	53	-59
-9	0	Påløpte renter renteswapper	0	-9
0	0	Netto avsetning for forpliktelser	-0	-2
51	-54	Estimatavvik pensjoner mot egenkapital	-54	51
67	**-20**	**Sum endring midlertidige forskjeller som påvirker skattegrunnlag**	**-18**	**61**
		Utsatt skatt/utsatt skattefordel per 31.12		
11	-9	Utsatt skatt netto midlertidige forskjeller som påvirker skattegrunnlaget	-11	7
11	**-9**	**Sum utsatt skatt/utsatt skattefordel**	**-11**	**7**
		Avstemming av skattekostnad		
78	110	25 % / 27 % av resultat før skatt	107	90
-7	-20	Permanente forskjeller (25 % / 27 %)	-18	-16
1	0	Skatteeffekt av endret skattesats for balanseført utsatt skatt	0	1
5	1	Korreksjon tidligere år	3	5
77	**91**	**Beregnet skattekostnad**	**92**	**79**
27 %	**21 %**	**Effektiv skattesats**	**22 %**	**24 %**

[1] Inkluderer skattefritt utbytte, ikke fradragsberettigede kostnader, netto skattefri gevinst ved realisasjon av aksjer innenfor EØS-området, samt fradrag for resultatandel knyttet til TS/FKV (resultatandel trekkes ut ettersom den allerede er skattlagt hos det enkelte selskap).

NOTE 27 - KLASSIFIKASJON AV FINANSIELLE INSTRUMENTER

Morbank Per 31.12.16 (Mill. kroner)	Finansielle instrumenter til virkelig verdi over resultatet: Holdt for omsetning	Finansielle instrumenter til virkelig verdi over resultatet: Bestemt regnskapsført til virkelig verdi	Finansielle derivater som sikrings-instrumenter	Finansielle instru-menter vurdert til amortisert kost	Finansielle instru-menter vurdert som tilgjengelig for salg	Finansielle instrumenter som holdes til forfall	Totalt
Finansielle eiendeler							
Kontanter og fordringer på sentralbanker	0	0	0	388	0	0	388
Utlån til og fordringer på kredittinstitusjoner	0	0	0	694	0	0	694
Utlån til og fordringer på kunder	0	2 613	0	31 913	0	0	34 525
Sertifikater og obligasjoner	0	4 559	0	0	0	0	4 559
Finansielle derivater	50	0	411	0	0	0	461
Aksjer, andeler og andre egenkapitalinteresser	0	356	0	0	70	0	426
Anleggsmidler holdt for salg	0	0	0	0	0	0	0
Sum finansielle eiendeler	**50**	**7 527**	**411**	**32 995**	**70**	**0**	**41 054**
Finansiell gjeld							
Innskudd fra og gjeld til kredittinstitusjoner	0	0	0	1 141	0	0	1 141
Innskudd fra og gjeld til kunder	0	0	0	26 859	0	0	26 859
Gjeld stiftet ved utstedelse av verdipapirer	0	5 800	0	4 147	0	0	9 946
Finansielle derivater	116	0	0	0	0	0	116
Ansvarlig lånekapital	0	0	0	701	0	0	701
Sum finansiell gjeld	**116**	**5 800**	**0**	**32 848**	**0**	**0**	**38 763**

Konsern Per 31.12.16 (Mill. kroner)							
Finansielle eiendeler							
Kontanter og fordringer på sentralbanker	0	0	0	389	0	0	389
Utlån til og fordringer på kredittinstitusjoner	0	0	0	694	0	0	694
Utlån til og fordringer på kunder	0	2 613	0	31 913	0	0	34 525
Sertifikater og obligasjoner	0	4 559	0	0	0	0	4 559
Finansielle derivater	50	0	411	0	0	0	461
Aksjer, andeler og andre egenkapitalinteresser	0	356	0	0	70	0	426
Anleggsmidler holdt for salg	0	0	0	0	0	0	0
Sum finansielle eiendeler	**50**	**7 527**	**411**	**32 996**	**70**	**0**	**41 055**
Finansiell gjeld							
Innskudd fra og gjeld til kredittinstitusjoner	0	0	0	1 141	0	0	1 141
Innskudd fra og gjeld til kunder	0	0	0	26 838	0	0	26 838
Gjeld stiftet ved utstedelse av verdipapirer	0	5 800	0	4 147	0	0	9 946
Finansielle derivater	116	0	0	0	0	0	116
Ansvarlig lånekapital	0	0	0	701	0	0	701
Sum finansiell gjeld	**116**	**5 800**	**0**	**32 826**	**0**	**0**	**38 742**

Note 27 forts. neste side

NOTE 27 forts.

Morbank

Per 31.12.15 (Mill. kroner)

	Finansielle instrumenter til virkelig verdi over resultatet						
	Holdt for omsetning	Bestemt regnskapsført til virkelig verdi	Finansielle derivater som sikrings-instrumenter	Finansielle instru-menter vurdert til amortisert kost	Finansielle instru-menter vurdert som tilgjengelig for salg	Finansielle instrumenter som holdes til forfall	Totalt
Finansielle eiendeler							
Kontanter og fordringer på sentralbanker	0	0	0	615	0	0	615
Utlån til og fordringer på kredittinstitusjoner	0	0	0	410	0	0	410
Utlån til og fordringer på kunder	0	2 676	0	29 052	0	0	31 728
Sertifikater og obligasjoner	0	3 864	0	0	0	0	3 864
Finansielle derivater	68	0	542	0	0	0	611
Aksjer, andeler og andre egenkapitalinteresser	0	0	0	0	72	0	72
Anleggsmidler holdt for salg	0	0	0	0	0	0	0
Sum finansielle eiendeler	**68**	**6 540**	**542**	**30 077**	**72**	**0**	**37 300**
Finansiell gjeld							
Innskudd fra og gjeld til kredittinstitusjoner	0	0	0	345	0	0	345
Innskudd fra og gjeld til kunder	0	0	0	23 541	0	0	23 541
Gjeld stiftet ved utstedelse av verdipapirer	0	5 501	0	4 895	0	0	10 396
Finansielle derivater	202	0	0	0	0	0	202
Ansvarlig lånekapital	0	0	0	1 102	0	0	1 102
Sum finansiell gjeld	**202**	**5 501**	**0**	**29 883**	**0**	**0**	**35 586**

Konsern

Per 31.12.15 (Mill. kroner)

Finansielle eiendeler							
Kontanter og fordringer på sentralbanker	0	0	0	615	0	0	615
Utlån til og fordringer på kredittinstitusjoner	0	0	0	410	0	0	410
Utlån til og fordringer på kunder	0	2 676	0	29 042	0	0	31 718
Sertifikater og obligasjoner	0	3 864	0	0	0	0	3 864
Finansielle derivater	68	0	542	0	0	0	611
Aksjer, andeler og andre egenkapitalinteresser	0	0	0	0	72	0	72
Anleggsmidler holdt for salg	0	0	0	0	14	0	14
Sum finansielle eiendeler	**68**	**6 540**	**542**	**30 067**	**86**	**0**	**37 304**
Finansiell gjeld							
Innskudd fra og gjeld til kredittinstitusjoner	0	0	0	345	0	0	345
Innskudd fra og gjeld til kunder	0	0	0	23 521	0	0	23 521
Gjeld stiftet ved utstedelse av verdipapirer	0	5 501	0	4 895	0	0	10 396
Finansielle derivater	202	0	0	0	0	0	202
Ansvarlig lånekapital	0	0	0	1 102	0	0	1 102
Sum finansiell gjeld	**202**	**5 501**	**0**	**29 864**	**0**	**0**	**35 566**

NOTE 28 - VIRKELIG VERDI AV FINANSIELLE INSTRUMENTER VURDERT TIL AMORTISERT KOST

(mill. kroner)	Bokført verdi 31.12.16	Virkelig verdi 31.12.16	Bokført verdi 31.12.15	Virkelig verdi 31.12.15
Morbank				
EIENDELER				
Kontanter og fordringer på sentralbanker	388	388	615	615
Utlån til og fordringer på kredittinstitusjoner	694	694	410	410
Utlån til og fordringer på kunder	31 913	31 913	29 052	29 052
Verdipapirer	0	0	0	0
Derivater	0	0	0	0
Sum finansielle eiendeler	**32 995**	**32 995**	**30 077**	**30 077**
FORPLIKTELSER				
Gjeld til kredittinstitusjoner	1 141	1 141	345	345
Innskudd fra og gjeld til kunder	26 859	26 859	23 541	23 541
Gjeld stiftet ved utstedelse av verdipapirer	4 147	4 147	4 895	4 895
Derivater	0	0	0	0
Ansvarlig lånekapital	701	701	1 102	1 102
Sum finansielle forpliktelser	**32 848**	**32 848**	**29 883**	**29 872**
Konsern				
EIENDELER				
Kontanter og fordringer på sentralbanker	389	389	615	615
Utlån til og fordringer på kredittinstitusjoner	694	694	410	410
Utlån til og fordringer på kunder	31 913	31 913	29 042	29 042
Verdipapirer	0	0	0	0
Derivater	0	0	0	0
Sum finansielle eiendeler	**32 996**	**32 996**	**30 067**	**30 067**
FORPLIKTELSER				
Gjeld til kredittinstitusjoner	1 141	1 141	345	345
Innskudd fra og gjeld til kunder	26 838	26 838	23 521	23 521
Gjeld stiftet ved utstedelse av verdipapirer	4 445	4 445	4 895	4 895
Derivater	0	0	0	0
Ansvarlig lånekapital	701	701	1 102	1 102
Sum finansielle forpliktelser	**33 125**	**33 125**	**29 864**	**29 852**

Virkelig verdi klassifisert per nivå

Morbank **Per 31.12.16** (Mill. kroner)	Nivå 1 Kvoterte priser	Nivå 2 Observerbare forutsetninger	Nivå 3 Ikke observerbare forutsetninger	Sum virkelig verdi
EIENDELER				
Kontanter og fordringer på sentralbanker	0	388	0	388
Utlån til og fordringer på kredittinstitusjoner	0	694	0	694
Utlån til og fordringer på kunder	0	0	31 913	31 913
Verdipapirer	0	0	0	0
Derivater	0	0	0	0
Sum finansielle eiendeler	**0**	**1 082**	**31 913**	**32 995**
FORPLIKTELSER				
Gjeld til kredittinstitusjoner	0	1 141	0	1 141
Innskudd fra og gjeld til kunder	0	0	26 859	26 859
Gjeld stiftet ved utstedelse av verdipapirer	0	4 147	0	4 147
Derivater	0	0	0	0
Ansvarlig lånekapital	0	701	0	701
Sum finansielle forpliktelser	**0**	**5 989**	**26 859**	**32 848**

Note 28 forts. neste side

NOTE 28 forts.

Virkelig verdi klassifisert per nivå

Konsern Per 31.12.16 (Mill. kroner)	Nivå 1 Kvoterte priser	Nivå 2 Observerbare forutsetninger	Nivå 3 Ikke observerbare forutsetninger	Sum virkelig verdi
EIENDELER				
Kontanter og fordringer på sentralbanker	0	389	0	389
Utlån til og fordringer på kredittinstitusjoner	0	694	0	694
Utlån til og fordringer på kunder	0	0	31 913	31 913
Verdipapirer	0	0	0	0
Derivater	0	0	0	0
Sum finansielle eiendeler	**0**	**1 083**	**31 913**	**32 996**
FORPLIKTELSER				
Gjeld til kredittinstitusjoner	0	1 141	0	1 141
Innskudd fra og gjeld til kunder	0	0	26 838	26 838
Gjeld stiftet ved utstedelse av verdipapirer	0	4 445	0	4 445
Derivater	0	0	0	0
Ansvarlig lånekapital	0	701	0	701
Sum finansielle forpliktelser	**0**	**6 287**	**26 838**	**33 125**

GENERELT

Finansielle instrumenter vurdert til virkelig verdi

De fleste finansielle instrumenter, med unntak av kundeutlån og kundeinnskudd med flytende rente samt gjeld til kredittinstitusjoner, vurderes til virkelig verdi. For nærmere beskrivelse henvises til note 2 og 3.

Finansielle instrumenter vurdert til amortisert kost

Finansielle instrumenter som ikke måles til virkelig verdi regnskapsføres til amortisert kost. For nærmere beskrivelse se note 2. Amortisert kost innebærer verdsetting av balanseposter etter opprinnelig avtalte kontantstrømmer, eventuelt justert for nedskrivninger.

Verdsetting til virkelig verdi vil alltid være beheftet med usikkerhet.

Virkelig verdivurdering av poster ført til amortisert kost

Ved virkelig verdivurdering av poster ført til amortisert kost har vi delt inn i følgende: utlån til og fordringer på kredittinstitusjoner, utlån til kunder personmarked og bedriftsmarked, innskudd fra og gjeld til kunder og gjeld til kredittinstitusjoner.

Utlån til kunder og kredittinstitusjoner prises på ulike måter. Her følger en oversikt over ulike prismodeller fordelt på de ulike kategoriene:

- Utlån til og fordringer på kredittinstitusjoner prises med utgangspunkt i NIBOR.
- Utlån til kunder personmarked prises med flytende og fast kunderente.
- Utlån til kunder bedriftsmarked prises med flytende og fast kunderente samt en del lån prises med utgangspunkt i NIBOR.

Alle fastrentelån bokføres til virkelig verdi i bankens regnskap.

Banken vurderer at lån i personmarkedet med flytende rente har en riktig markedspris til enhver tid. Lån til bedriftsmarkedet med flytende rente har også etter vår vurdering en riktig markedspris på balansetidspunktet. Begrunnelsen for dette er at den flytende renten kontinuerlig vurderes og justeres i henhold til rentenivået i kapitalmarkedet og endringer i konkurransesituasjonen.

NIBOR-lån på til sammen 7,1 milliarder kroner (fordelt på bedriftsmarkedet og kredittinstitusjoner) per 31.12.2016 er inngått med forskjellige marginer og med ulike tidsintervall for renteregulering. Av disse lånene har i overkant 1 milliard kroner margin med fast bindingstid. Samlet sett har denne porteføljen etter bankens vurdering en riktig markedspris. De øvrige NIBOR-lånene kan reforhandles kontinuerlig. Banken tilstreber at disse lånene har rett markedspris til enhver tid.

Gjeld til kredittinstitusjoner og innskudd til kunder

For innskudd til kunder og gjeld til kredittinstitusjoner estimeres virkelig verdi lik bokført verdi siden disse i all hovedsak har flyende rente.

Basert på ovennevnte vurderinger blir det ingen forskjell mellom bokført verdi og virkelig verdi i tabellen over.

Gjeld stiftet ved utstedelse av verdipapirer

Verdipapirgjeld blir verdivurdert ved teoretisk markedsverdivurdering basert på rente- og spreadkurver.

NOTE 29 - VURDERING AV VIRKELIG VERDI PÅ FINANSIELLE EIENDELER

Tabellene under viser finansielle eiendeler til virkelig verdi etter verdsettelsesmetode. De ulike nivåene er definert som følger:
Nivå 1: Notert pris i et aktivt marked for en identisk eiendel eller forpliktelse
Nivå 2: Verdsettelse basert på andre observerbare faktorer enn notert pris (brukt i nivå 1) enten direkte (pris) eller indirekte (utledet fra priser) for eiendelen eller forpliktelsen.
Nivå 3: Verdsettelse basert på faktorer som ikke er hentet fra observerbare markeder (ikke observerbare forutsetninger).

Morbank

per 31.12.16 (Mill. kroner)	Nivå 1	Nivå 2	Nivå 3	Total
EIENDELER				
Finansielle eiendeler til virkelig verdi over resultatet				
– Derivater	0	461	0	461
– Obligasjoner og sertifikater	0	4 559	0	4 559
– Egenkapitalinstrumenter	356	0	0	356
– Fastrentelån	0	0	2 613	2 613
Finansielle eiendeler tilgjengelig for salg				0
– Anleggsmidler holdt for salg	0	0	0	0
– Egenkapitalinstrumenter	12	0	115	128
– Andre finansielle eiendeler (VISA Norge)	0	0	15	15
Sum finansielle eiendeler	**368**	**5 021**	**2 743**	**8 132**
GJELD				
Finansielle forpliktelser til virkelig verdi over resultatet				
– Derivater	0	116	0	116
– Verdipapirgjeld	0	5 800	0	5 800
Sum finansiell gjeld	**0**	**5 915**	**0**	**5 915**

Morbank

per 31.12.15 (mill. kroner)	Nivå 1	Nivå 2	Nivå 3	Total
EIENDELER				
Finansielle eiendeler til virkelig verdi over resultatet				
– Derivater	0	611	0	611
– Obligasjoner og sertifikater	0	3 864	0	3 864
– Egenkapitalinstrumenter	0	0	0	0
– Fastrentelån	0	0	2 676	2 676
Finansielle eiendeler tilgjengelig for salg				
– Anleggsmidler holdt for salg	0	0	0	0
– Egenkapitalinstrumenter	13	0	117	130
– Andre finansielle eiendeler (VISA Norge)	0	0	31	31
Sum finansielle eiendeler	**13**	**4 475**	**2 824**	**7 312**
GJELD				
Finansielle forpliktelser til virkelig verdi over resultatet				
– Derivater	0	202	0	202
– Verdipapirgjeld	0	5 501	0	5 501
Sum finansiell gjeld	**0**	**5 703**	**0**	**5 703**

Konsern

per 31.12.16 (Mill. kroner)	Nivå 1	Nivå 2	Nivå 3	Total
EIENDELER				
Finansielle eiendeler til virkelig verdi over resultatet				
– Derivater	0	461	0	461
– Obligasjoner og sertifikater	0	4 559	0	4 559
– Egenkapitalinstrumenter	356	0	0	356
– Fastrentelån	0	0	2 613	2 613
Finansielle eiendeler tilgjengelig for salg				
– Anleggsmidler holdt for salg	0	0	0	0
– Egenkapitalinstrumenter	12	0	57	70
– Andre finansielle eiendeler (VISA Norge)	0	0	15	15
Sum finansielle eiendeler	**368**	**5 021**	**2 685**	**8 074**
GJELD				
Finansielle forpliktelser til virkelig verdi over resultatet				
– Derivater	0	116	0	116
– Verdipapirgjeld	0	5 800	0	5 800
Sum finansiell gjeld	**0**	**5 915**	**0**	**5 915**

Note 29 forts. neste side

NOTE 29 forts.

Konsern

per 31.12.15 (mill. kroner)	Nivå 1	Nivå 2	Nivå 3	Total
EIENDELER				
Finansielle eiendeler til virkelig verdi over resultatet				
– Derivater	0	611	0	611
– Obligasjoner og sertifikater	0	3 864	0	3 864
– Egenkapitalinstrumenter	0	0	0	0
– Fastrentelån	0	0	2 676	2 676
Finansielle eiendeler tilgjengelig for salg				
– Anleggsmidler holdt for salg	0	0	14	14
– Egenkapitalinstrumenter	13	0	60	72
– Andre finansielle eiendeler (VISA Norge)	0	0	31	31
Sum finansielle eiendeler	**13**	**4 475**	**2 781**	**7 268**
GJELD				
Finansielle forpliktelser til virkelig verdi over resultatet				
– Derivater	0	202	0	202
– Verdipapirgjeld	0	5 501	0	5 501
Sum finansiell gjeld	**0**	**5 703**	**0**	**5 703**

Virkelig verdi av finansielle instrumenter som handles i aktive markeder er basert på markedspris på balansedagen. Et marked er betraktet som aktivt dersom markedskursene er enkelt og regelmessig tilgjengelige fra en børs, handler, megler, næringsgruppering, prissettingstjeneste eller reguleringsmyndighet, og disse prisene representerer faktiske og regelmessige forekommende markedstransaksjoner på en armlengdes avstand. Markedsprisen som benyttes for finansielle eiendeler er gjeldende kjøpskurs; for finansielle forpliktelser benyttes gjeldende salgskurs. Disse instrumentene er inkludert i nivå 1. Instrumenter inkludert i nivå 1 omfatter kun egenkapitalinstrumenter notert på Oslo Børs eller New York Stock Exchange klassifisert som holdt for handelsformål eller tilgjengelig for salg.

Virkelig verdi av finansielle instrumenter som ikke handles i et aktivt marked (for eksempel enkelte OTC-derivater) bestemmes ved å bruke verdsettelsesmetoder. Disse verdsettelsesmetodene maksimerer bruken av observerbare data der det er tilgjengelig, og belager seg minst mulig på konsernets egne estimater. Dersom alle vesentlige data som kreves for å fastsette virkelig verdi av et instrument er observerbare data, er instrumentet inkludert i nivå 2.

Dersom en eller flere vesentlige data ikke er basert på observerbare markedsdata, er instrumentet inkludert i nivå 3.

Verdsettelsesmetoder som brukes til å verdsette finansielle instrumenter inkluderer;

- Virkelig verdi av rentebytteavtaler er beregnet som nåverdien av estimert fremtidig kontantstrøm basert på observerbar rentekurve.
- Virkelig verdi av forwardkontrakter i fremmed valuta er bestemt ved å se på nåverdien av forskjellen mellom avtalt terminkurs og terminkurs på balansedagen.
- Virkelig verdi av obligasjoner og sertifikater (eiendeler og forpliktelser) er beregnet som nåverdien av estimert fremtidig kontantstrøm basert på observerbar avkastningskurve, herunder inkludert en indikert kredittspread på utsteder fra et anerkjent meglerhus eller Reuters prissettingstjeneste.
- Virkelig verdi av fastrenteinnskudd og -utlån er beregnet som nåverdien av estimert fremtidig kontantstrøm basert på observerbar swaprentekurve med tillegg for et implisitt påslag beregnet som differanse mellom referanserenten og rente gitt av bankens prisliste på balansedagen.
- Andre teknikker, slik som multiplikatormodeller, er benyttet for å fastsette virkelig verdi på de resterende finansielle instrumentene.

Følgende tabell presenterer endringene i instrumentene klassifisert i nivå 3 i konsern per 31.12.16:

	Egenkapital-instrumenter over resultatet	Fastrentelån	Anleggsmidler holdt for salg	Egenkapital-instrumenter tilgjengelig for salg	Andre finansielle eienedeler	Sum
Inngående balanse 01.01	0	2 676	14	60	31	2 781
Investeringer i perioden	0	404	0	0	0	404
Salg i perioden (til bokført verdi)	0	-431	-14	0	0	-445
Gevinst eller tap ført i resultatet	0	-38	0	-2	0	-40
Gevinst eller tap ført direkte mot totalresultatet	0	0	0	0	-16	-16
Utgående balanse 31.12.16	**0**	**2 613**	**0**	**57**	15	**2 685**

Følgende tabell presenterer endringene i instrumentene klassifisert i nivå 3 i konsern per 31.12.15:

Inngående balanse 01.01	2	1 754	0	60	0	1 817
Investeringer i perioden	0	1 102	23	0	0	1 126
Salg i perioden (til bokført verdi)	-2	-187	-9	0	0	-198
Gevinst eller tap ført i resultatet	0	6	0	0	0	6
Gevinst eller tap ført direkte mot totalresultatet	0	0	0	0	31	31
Utgående balanse 31.12.15	**0**	**2 676**	**14**	**60**	**31**	**2 781**

Periodens samlede gevinst og tap gjelder for eiendeler som er eiet på balansedagen.

Banken har klassifisert sin fastrenteutlånsportefølje til nivå 3 i virkelig-verdi hierarkiet. Bankens verdsettelsesmetode består av en nåverdimodell hvor kundens fremtidige innbetalinger diskonteres etter en rente som tilsvarer markedets tilbud av fastrentelån. Denne diskonteringsrenten vil bestå av swaprente i tillegg til et marginpåslag. Swaprenten observeres for hvert enkelt lån basert på gjenværende løpetid på rentebindingen. Marginpåslaget dekker andre kostnader, kredittrisiko samt et avkastningskrav.

En økning av diskonteringsrenten med ti basispunkter ville ha medført en negativ endring i virkelig verdi på MNOK 6,8.

Det vil oppstå en differanse mellom førstegangsinnregning av utlånene og porteføljens verdi etter virkelig-verdi prinsippet. Denne 'dag-1-effekten' bokføres ved førstegangsinnregning, men vil amortiseres over lånenes løpetid. Denne effekten er på 8,1 MNOK per 31.12.16. Banken yter ikke ytterligere lån som bokføres til virkelig verdi.

NOTE 30 - SERTIFIKATER OG OBLIGASJONER

Morbank			Konsern	
31.12.15	31.12.16	(mill. kroner)	31.12.16	31.12.15
		Stat		
0	0	- pålydende verdi	0	0
0	0	- virkelig verdi	0	0
		Annen offentlig utsteder		
150	1 396	- pålydende verdi	1 396	150
151	1 401	- virkelig verdi	1 401	151
		Finansielle foretak	-	
3 473	3 039	- pålydende verdi	3 039	3 473
3 456	3 047	- virkelig verdi	3 047	3 456
		Ikke-finansielle foretak	-	
258	110	- pålydende verdi	110	258
257	111	- virkelig verdi	111	257
3 881	**4 546**	**Sum rentepapirer, pålydende verdi**	**4 546**	**3 881**
3 864	**4 559**	**Sum rentepapirer, virkelig verdi over resultatet**	**4 559**	**3 864**

Alle sertifikater og obligasjoner måles til virkelig verdi over resultatet. For nærmere spesifikasjon av risiko knyttet til rentepapirer henvises til note 16 Markedsrisiko knyttet til renterisiko.

NOTE 31 - FINANSIELLE DERIVATER

Generell beskrivelse

Banken har bare inngått rentebytteavtaler og opsjoner og disse består av;

Valutainstrumenter: Avtaler om å bytte valutabetingelser over en på forhånd avtalt periode og til et avtalt beløp.
Renteinstrumenter: Avtaler om å bytte rentebetingelser over en på forhånd avtalt periode og til et avtalt beløp.
Opsjoner: Avtale hvor selger gir kjøper rett, men ikke plikt til enten å selge eller kjøpe et finansielt instrument før eller på et bestemt tidspunkt og til en forhåndsavtalt pris.

Derivatene blir bokført til virkelig verdi over resultatet. Gevinster blir ført som eiendeler og tap ført som gjeld for alle rentederivater. Kun sikringer knyttet til bankens innlånsvirksomhet defineres som "virkelig verdi sikring" i henhold til IFRS standard IAS 39. Øvrig sikring defineres som økonomisk sikring, og benyttes blant annet for sikring av rentebytteavtaler med små beløp hvor det ikke er naturlig med sikring i et en-til-en forhold. Disse derivatene bulksikres (sikring av flere sikringsobjekter med ett sikringsinstrument), og dette kvalifiserer dermed ikke til dokumentert sikringsbokføring. Banken benytter også økonomisk sikring for alle andre derivater enn rentebytteavtaler (rente- og valutabytte, valutabytte og valutatermin), og banken benytter seg således ikke av kontantstrømssikring.

Morbank og konsern	31.12.16			31.12.15		
		Virkelig verdi			Virkelig verdi	
Valuta -og renteinstrumenter (Mill. kroner)	**Kontraktssum**	**Eiendeler**	**Forpliktelser**	**Kontraktssum**	**Eiendeler**	**Forpliktelser**
Til virkelig verdi over resultatet:						
Valutainstrumenter	637	13	6	501	-16	0
Rentebytteavtaler (swap) (dekker også cross currency)	5 513	38	109	6 368	85	202
Øvrige rentederivater	50	0	0	42	0	0
Sum valuta- og renteinstrumenter	**6 200**	**50**	**116**	**6 912**	**68**	**202**
Til sikringsformål:						
Valutainstrumenter	0	0	0	0	0	0
Rentebytteavtaler (swap) (dekker også cross currency)	5 370	411	0	5 150	542	0
Sum valuta- og renteinstrumenter	**5 370**	**411**	**0**	**5 150**	**542**	**0**
Sum valutainstrumenter	**637**	**13**	**6**	**501**	**-16**	**0**
Sum renteinstrumenter	**10 933**	**449**	**109**	**11 561**	**627**	**202**
Sum valuta- og rentederivater	**11 570**	**461**	**116**	**12 062**	**611**	**202**

Markedsverdien til valutaswapper og valutaterminer ble nettoført under andre eiendeler i balansen.

Banken har ingen kredittderivater. Kredittderivater er finansielle kontrakter som overfører hele eller deler av kredittrisikoen knyttet til lån, obligasjoner eller andre engasjementer fra kjøperen av beskyttelse til selgeren av beskyttelse. Kredittderivater gjør det mulig å overføre kredittrisiko knyttet til bestemte aktiva til en tredje part uten å selge aktivaene. Kredittderivater har mange likhetstrekk med garantier.

NOTE 32 - AKSJER, ANDELER OG ANDRE EGENKAPITALINTERESSER

Banken klassifiserer aksjer innenfor kategoriene virkelig verdi og tilgjengelig for salg. Verdipapirer som kan måles pålitelig og som rapporteres internt til virkelig verdi klassifiseres til virkelig verdi over resultatet. Øvrige aksjer klassifiseres som tilgjengelig for salg til virkelig verdi mot utvidet resultat.

Morbank			Konsern	
31.12.15	31.12.16	(Mill. kroner)	31.12.16	31.12.15
0	**356**	**Til virkelig verdi over resultat**	**356**	**0**
0	*0*	*- Børsnoterte*	*0*	*0*
0	*356*	*- Unoterte*	*356*	*0*
61	**70**	**Tilgjengelig for salg**	**70**	**72**
2	*12*	*- Børsnoterte*	*12*	*13*
60	*57*	*- Unoterte*	*57*	*60*
61	**426**	**Sum aksjer og andeler**	**426**	**72**
2	**12**	**Sum børsnoterte selskaper**	**12**	**13**
60	**413**	**Sum unoterte selskaper**	**413**	**60**

Morbank og konsern	Prinsipp*	Eierandel (%)	Beholdning (antall)	Anskaffelseskost	Markedsverdi/ bokført verdi
Børsnoterte selskaper					
VISA Inc. (USA)	TFS	0,0 %	4 641	2	12
Sum børsnoterte aksjer				**2**	**12**
Unoterte selskaper					
Arbejdernes Landsbank AS (DK)	TFS	0,0 %	1 000	0	0
Bank Solidarity (RU)	TFS	0,9 %	14 500	2	0
S.W.I.F.T. Scrl (BE)	TFS	0,0 %	7	0	0
Oslo Kongressenter Folket Hus BA	TFS	13,7 %	70 638	7	56
SR Eiendomsinvest Tyskland I AS	TFS	1,3 %	46 461	5	1
Nordisk Areal AS	TFS	1,0 %	50 000	5	0
Filmparken AS	TFS	2,3 %	379 197	0	0
Verdipapirfondet Holberg Likviditet	FVO	2,7 %	1 962 641	200	203
Verdipapirfondet Holberg Likviditet 20	FVO	3,5 %	495 616	50	50
Pengemarkedsfondet Pluss Likviditet II	FVO	2,7 %	99 985	100	102
Sum ikke børsnotere aksjer og andeler				**369**	**413**
Sum aksjer og andeler				**371**	**426**

* FVO (Fair Value Option) - til virkelig verdi over resultatet, TFS (Tilgjengelig for salg) - til virkelig verdi mot utvidet resultat.

NOTE 33 - INVESTERINGER I EIERINTERESSER

Datterselskaper, tilknyttede selskaper, felleskontrollert virksomhet og selskaper holdt for salg

Firma	Anskaffelses - tidspunkt	Forretningskontor	Eierandel i prosent
Investeringer i datterselskaper			
Aksjer eid av morbanken			
EiendomsMegler 1 Oslo og Akershus AS	2001	Oslo	100 %
Aksjer eid av datterselskaper			
EiendomsMegler 1 Oslo AS (eid av EiendomsMegler 1 Oslo og Akershus AS)	2007	Oslo	100 %
Tilknyttede selskaper			
SpareBank 1 Boligkreditt AS	2007	Stavanger	10,2 %
SpareBank 1 Næringskreditt AS	2009	Stavanger	4,2 %
SpareBank 1 Kredittkort AS	2012	Trondheim	9,6 %
SpareBank 1 Mobilbetaling AS	2015	Oslo	8,6 %
Felleskontrollerte virksomheter			
SpareBank 1 Banksamarbeidet DA	2003	Oslo	7,7 %
SpareBank 1 Gruppen AS	2013	Tromsø	1,4 %

Aksjer i datterselskaper morbank

Investeringer er bokført til anskaffelseskost i morbanken. Det foretas full konsolidering i konsernregnskapet.

31.12.16	Selskapets aksjekapital	Antall aksjer	Pålydende verdi	Eiendeler	Gjeld	Sum inntekter	Sum kostnader	Årsresultat før skatt	Bokført verdi 31.12.16
EiendomsMegler 1 Oslo og Akershus Konsern	1	2	1	123	52	221	217	3	58
Sum investering i datterselskaper									**58**

31.12.15	Selskapets aksjekapital	Antall aksjer	Pålydende verdi	Eiendeler	Gjeld	Sum inntekter	Sum kostnader	Årsresultat før skatt	Bokført verdi 31.12.15
EiendomsMegler 1 Oslo og Akershus Konsern	1	2	1	126	57	209	205	4	58
Invest 6 AS	0	1 000	0	14	14	0	0	0	0
Sum investering i datterselskaper									**58**

Investeringer i tilknyttede selskaper og felleskontrollert virksomhet

Tilknyttede selskaper og felleskontrollert virksomhet er bokført til anskaffelseskost i morbanken. Konserntall er presentert etter egenkapitalmetoden.

Morbank			Konsern	
31.12.15	31.12.16	(Mill. kroner)	31.12.16	31.12.15
1 027	1 169	Balanseført verdi per 01.01	1 249	1 070
142	186	Tilgang/avgang	186	142
0	-13	Nedskrivning	0	0
0	0	EK-endringer	0	0
0	0	Resultatandel	13	71
0	0	Utbetalt utbytte	-45	-33
1 169	**1 343**	**Balanseført verdi per 31.12**	**1 404**	**1 249**

Spesifikasjon av årets endring på konsern	Tilgang/avgang	EK-endring	Utbetalt utbytte	Sum
SpareBank 1 Boligkreditt AS	96	0	-10	86
SpareBank 1 Næringskreditt AS	77	0	0	77
SpareBank 1 Kredittkort AS	0	0	0	0
SpareBank 1 Gruppen AS	0	0	-35	-35
SpareBank 1 Mobilbetaling AS	14	-13	0	1
Sum kontantstrøm	**186**	**-13**	**-45**	**129**
SpareBank 1 Boligkreditt AS - resultatandel	-11	0	0	-11
SpareBank 1 Næringskreditt AS - resultatandel	1	0	0	1
SpareBank 1 Kredittkort AS - resultatandel	12	0	0	12
SpareBank 1 Gruppen konsern - resultatandel	22	0	0	22
SpareBank 1 Mobilbetaling AS - resultatandel	-12	0	0	-12
Sum endring balanseført verdi	**200**	**-13**	**-45**	**142**

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NOTE 33 forts.

31.12.16	Eiendeler	Gjeld	Inntekter	Kostnader	Resultat	Bokført verdi 31.12.16	Eierandel	Antall aksjer
SpareBank 1 Boligkreditt AS	252 251	241 198	411	521	-110	992	10,21 %	6 609 157
SpareBank 1 Næringskreditt AS	13 642	11 559	122	38	84	77	4,19 %	611 366
SpareBank 1 Banksamarbeidet DA konsern	984	846	1 055	1 048	7	8	8,60 %	774
SpareBank 1 Kredittkort AS	5 401	4 323	512	383	129	86	9,59 %	276 928
SpareBank 1 Gruppen konsern	63 089	55 323	14 088	12 513	1 575	172	1,40 %	27 390
SpareBank 1 Mobilbetaling AS	124	30	-1	134	-135	8	8,60 %	714
	335 491	**313 279**	**16 188**	**13 328**	**1 769**	**1 343**		

31.12.15	Eiendeler	Gjeld	Inntekter	Kostnader	Resultat	Bokført verdi 31.12.15	Eierandel	Antall aksjer
SpareBank 1 Boligkreditt AS	269 206	259 489	654	201	453	896	9,36 %	5 971 066
SpareBank 1 Banksamarbeidet DA konsern	750	622	944	923	21	8	7,74 %	774
SpareBank 1 Kredittkort AS	5 248	4 256	921	809	112	86	9,28 %	278 524
SpareBank 1 Gruppen konsern	58 021	50 063	12 212	10 925	1 287	172	1,40 %	27 390
SpareBank 1 Mobilbetaling AS	83	0	0	0	0	7	8,60 %	714
	333 308	**314 430**	**14 731**	**12 858**	**1 873**	**1 169**		

NOTE 34 - EIENDOM, ANLEGG OG UTSTYR

Morbank				Konsern		
Bygg, tomter og annen fast eiendom	Maskiner, inventar og transportmidler	Totalt	(Mill. kroner)	Bygg, tomter og annen fast eiendom	Maskiner, inventar og transportmidler	Totalt
148	138	285	Anskaffelseskost 01.01.15	148	154	302
17	21	38	Tilgang	17	27	44
1	0	1	Avgang/utrangering til anskaffelseskost	1	0	1
164	**159**	**322**	**Anskaffelseskost 31.12.15**	**164**	**181**	**344**
15	59	74	Akkumulert av-og nedskrivning 01.01.15	15	70	85
6	20	26	Årets avskrivning	6	22	29
0	0	0	Akkumulerte av- og nedskrivninger på årets avgang	0	0	0
21	79	100	Akkumulert avskrivning og nedskrivning 31.12.15	21	93	114
142	**80**	**222**	**Balanseført verdi 31.12.15**	**142**	**88**	**230**
164	159	322	Anskaffelseskost 01.01.16	164	181	344
0	10	10	Tilgang	0	14	14
-1	0	-1	Korreksjon	-1	0	-1
0	-33	-33	Avgang/utrangering til anskaffelseskost	0	-33	-33
162	**135**	**297**	**Anskaffelseskost 31.12.16**	**162**	**161**	**324**
21	79	100	Akkumulert av-og nedskrivning 01.01.16	21	93	114
7	21	28	Årets avskrivning	7	26	33
0	28	28	Akkumulerte av- og nedskrivninger på årets avgang	0	30	30
28	71	100	Akkumulert avskrivning og nedskrivning 31.12.16	28	89	117
134	**64**	**198**	**Balanseført verdi 31.12.16**	**134**	**72**	**206**

Avskrivning
Med utgangspunkt i anskaffelseskost fratrukket eventuell restverdi, avskrives eiendelene lineært over forventet levetid innenfor følgende rammer:
- Maskiner 3 år
- Inventar 7 år
- IT-utstyr 3-5 år
- Tekniske anlegg 10 år
- Bygg og annen fast eiendom 50 år

Sikkerhetsstillelse
Banken har ikke pantsatt eller akseptert andre rådighetsbegrensninger for sine anleggsmidler.

Anskaffelseskost av avskrevne eiendeler
Anskaffelseskost av fullt ut avskrevne eiendeler som fortsatt er i bruk i banken i 2016 utgjør 15 millioner kroner.

Uutnyttede driftsmidler
Alle aktiverte bygninger er fullt utnyttet. Det var de også i 2015.

Bruttoverdi av anleggsmidler som er midlertidig ute av drift
Konsernet har ikke anleggsmidler som midlertidig er ute av drift per 31.12.2016.

Overtatte eiendeler utgjør 5,0 millioner kroner i 2015 og 2016.

NOTE 35 - VIRKSOMHET OG ANLEGGSMIDLER HOLDT FOR SALG

Investering i selskaper holdt for salg

Bankens strategi er at eierskap som følge av misligholdte engasjementer i utgangspunktet skal ha kort varighet, normal ikke lenger enn ett år. Investeringer er bokført til virkelig verdi i morbanken. Det foretas full konsolidering i konsernregnskapet.

Morbank (Mill. kroner)

2016

Invest 6 AS er avviklet og slettet i 2016. Bank 1 har ved utgangen av 2016 ingen virksomhet holdt for salg.

2015	Selskapets aksjekapital	Antall aksjer	Pålydende verdi	Eiendeler	Gjeld	Sum inntekter	Sum kostnader	Selskapets årsresultat	Bokført verdi 31.12.15
Invest 6 AS	0	1 000	0	14	14	2	0	2	0

Konsern (Mill. kroner)

Eiendom	Verdi 01.01.16	Salg	Verdi 31.12.16
Leiligheter Monte Carrera, Gran Canaria	14	-14	0
Total eiendom	**14**	**-14**	**0**
Øvrig anleggsmidler	**0**	**0**	**0**
Totalt virksomhet og anleggsmidler holdt for salg	**14**	**-14**	**0**

NOTE 36 - GOODWILL OG ANDRE IMMATERIELLE EIENDELER

Morbank			Konsern	
31.12.15	31.12.16	(Mill. kroner)	31.12.16	31.12.15
		Goodwill		
0	0	Anskaffelseskost 01.01	58	58
0	0	Oppkjøp av datterselskap	0	0
0	0	Avgang	0	0
0	0	Anskaffelseskost 31.12	58	58
0	0	Akkumulerte nedskrivninger 01.01	37	37
0	0	Årets nedskrivninger	0	0
0	0	Akkumulerte nedskrivninger 31.12	37	37
0	**0**	**Balanseført goodwill 31.12**	**21**	**21**
		Andre immaterielle eiendeler		
0	0	Anskaffelseskost 01.01	17	17
0	0	Tilgang	0	0
0	0	Avgang	0	0
0	0	Anskaffelseskost 31.12	17	17
0	0	Akkumulerte avskrivninger og nedskrivninger 01.01	12	8
0	0	Årets nedskrivninger	0	0
0	0	Årets avskrivninger	0	3
0	0	Akkumulerte avskrivninger og nedskrivninger 31.12	12	12
0	**0**	**Balanseført andre immaterielle eiendeler 31.12**	6	6
0	**0**	**Sum goodwill og andre immaterielle eiendeler 31.12**	**27**	**27**

Balanseført goodwill er knyttet til EiendomsMegler 1-konsernet.
Goodwillpostene vurderes årlig og nedskrives dersom det er grunnlag for det. Det er ikke foretatt nedskrivning av goodwill i 2016.

Se note 3 for beskrivelse av verdivurderingsmodell for goodwill.

NOTE 37 - ANDRE EIENDELER

Morbank			Konsern	
31.12.15	31.12.16	(Mill. kroner)	31.12.16	31.12.15
13	10	Opptjente ikke mottatte inntekter	10	13
77	54	Forskuddsbetalte ikke påløpte kostnader	111	140
11	23	Øvrige eiendeler	25	16
101	**87**	**Sum andre eiendeler**	**147**	**169**

NOTE 38 - INNSKUDD FRA OG GJELD TIL KUNDER

Morbank			Konsern	
31.12.15	31.12.16	(Mill. kroner)	31.12.16	31.12.15
		Innskudd fra og gjeld til kunder		
16 198	19 275	Innskudd fra og gjeld til kunder uten avtalt løpetid	19 254	16 178
7 343	7 584	Innskudd fra og gjeld til kunder med avtalt løpetid	7 584	7 343
23 541	**26 859**	**Sum innskudd fra og gjeld til kunder**	**26 838**	**23 521**
12,1 %	10,0 %	Av totale innskudd utgjør fastrenteinnskudd	10,0 %	12,1 %
		Innskudd fordelt på sektor og næring		
11 245	16 445	Lønnstakere o.l	16 445	11 245
431	442	Offentlig forvaltning	442	431
89	10	Primærnæringer	10	89
5	5	Trebearbeidende industri	5	5
83	112	Annen industri	112	83
241	208	Bygg og anlegg	208	241
0	3	Kraft- og vannforsyning	3	0
624	635	Varehandel	635	624
137	126	Hotell- og restaurantdrift	126	137
1 516	1 873	Eiendomsdrift	1 873	1 516
8 597	6 086	Forretningsmessig tjenesteyting	6 064	8 578
104	117	Transport og kommunikasjon	117	104
468	796	Øvrig virksomhet	796	468
23 541	**26 859**	**Sum innskudd fordelt på sektor og næring**	**26 838**	**23 521**
		Innskudd fordelt på geografiske områder		
15 960	16 943	Oslo	16 921	15 940
5 234	6 171	Akershus	6 171	5 234
2 347	3 745	Andre	3 745	2 347
23 541	**26 859**	**Sum innskudd fordelt på geografiske områder**	**26 838**	**23 521**

NOTE 39 - GJELD VED UTSTEDELSE AV VERDIPAPIRER

Morbank			Konsern	
31.12.15	31.12.16	(Mill. kroner)	31.12.16	31.12.15
		Sertifikater og andre kortsiktige låneopptak		
0	0	*- pålydende verdi*	0	0
0	0	*- bokført verdi*	0	0
		Obligasjonsgjeld		
9 840	9 518	*- pålydende verdi*	9 518	9 840
10 396	9 946	*- bokført verdi*	9 946	10 396
9 840	**9 518**	**Sum gjeld ved utstedelse av verdipapirer, pålydende verdi**	**9 518**	**9 840**
10 396	**9 946**	**Sum gjeld ved utstedelse av verdipapirer, bokført verdi**	**9 946**	**10 396**
		Verdipapirgjeld fordelt på forfallstidspunkt		
1 247	0	2016	0	1 247
1 143	1 198	2017	1 198	1 143
1 900	1 900	2018	1 900	1 900
1 900	1 900	2019	1 900	1 900
1 550	1 900	2020	1 900	1 550
1 750	2 000	2021	2 000	1 750
350	350	2022	350	350
0	270	2026	270	0
9 840	**9 518**	**Sum verdipapirgjeld, pålydende verdi**	**9 518**	**9 840**

Morbank og konsern

(Mill. kroner)	31.12.16	Emittert	Forfalt/innløst	Øvrige endringer	31.12.15
Sertifikatgjeld, nominell verdi	0	0	0	0	0
Obligasjonsgjeld, nominell verdi	9 518	973	-1 295	0	9 840
Verdijusteringer	331	0	0	-132	463
Opptjente renter	97	0	0	4	93
Sum gjeld stiftet ved utstedelse av verdipapirer	**9 946**	**973**	**-1 295**	**-128**	**10 396**

NOTE 40 - ANNEN GJELD OG FORPLIKTELSE

Morbank			Konsern	
31.12.15	31.12.16	(Mill. kroner)	31.12.16	31.12.15
		Annen gjeld og balanseført forpliktelse		
20	76	Pensjonsforpliktelser (note 24)	76	20
24	30	Andre spesifiserte avsetninger	54	45
22	21	Påløpte feriepenger	31	31
7	9	Leverandørgjeld	16	15
52	81	Annet	86	74
125	**217**	**Sum annen gjeld og balanseført forpliktelse**	**263**	**185**
		Stilte garantier mv. (avtalte garantibeløp)		
11	10	Betalingsgarantier	10	11
176	185	Kontraktsgarantier	185	176
7	7	Lånegarantier	7	7
0	0	Garantier for skatter	0	0
49	52	Annen garantiansvar	52	49
243	**254**	**Sum stilte garantier**	**254**	**243**

Note 40 forts. neste side

NOTE 40 forts.

Morbank			Konsern	
31.12.15	31.12.16	(mill. kroner)	31.12.16	31.12.15
		Andre forpliktelser ikke balanseført		
2 323	2 634	Ubenyttede kreditter	2 634	2 323
964	734	Innvilgede lånetilsagn (ikke diskontert)	734	964
50	38	Ubenyttede garantitilsagn	38	50
3 337	**3 406**	**Sum andre forpliktelser**	**3 406**	**3 337**
3 705	**3 878**	**Totale forpliktelser**	**3 923**	**3 766**
		Pantstillelser		
871	702	Pantstillelser i verdipapirer	702	871

Pantstillelser
Pantstillelser består i sin helhet av verdipapirer stillet som sikkerhet for D-lånsadgang i Norges Bank.

Pågående rettstvister
Konsernet er ikke part i rettstvister med et økonomisk omfang som vurdereres til å ha vesentlig betydning for konsernets økonomiske stilling.

NOTE 41 - ANSVARLIG LÅNEKAPITAL OG FONDSOBLIGASJONSLÅN

Fondsobligasjoner ble ført som annen langsiktig gjeld til amortisert kost i 2015, mens fra 2. kvartal 2016 ble fondsobligasjoner reklassifisert fra gjeld til egenkapital.
For beskrivelse av ansvarlig lånekapital og fondsobligasjoner og hvordan de påvirker kapitaldekningen, henvises til note 2 Regnskapsprinsipper.

Morbank			Konsern	
31.12.15	31.12.16	(mill. kroner)	31.12.16	31.12.15
		Tidsbegrenset:		
200	200	2023 3 mndr Nibor + 2,75 % (Call opsjon 2018) [1]	200	200
300	301	2023 3 mndr Nibor + 1,95 % (Call opsjon 2018) [1]	301	300
200	200	2024 3 mndr Nibor + 1,65 % (Call opsjon 2019) [1]	200	200
701	**701**	**Sum tidsbegrenset**	**701**	**701**
		Fondsobligasjonslån:		
201	0	Evigvarende 3 mndr Nibor + 3,05 % (Call opsjon 2019)	0	201
200	0	Evigvarende 3 mndr Nibor + 3,5 % (Call opsjon 2019)	0	200
401	**0**	**Sum fondsobligasjonslån**	**0**	**401**
1 102	**701**	**Sum ansvarlig lånekapital og fondsobligasjonslån**	**701**	**1 102**
3,61 %	3,24 %	Gjennomsnittlig rente NOK	3,24 %	3,61 %

[1] Det fremkommer ingen marginøkning i avtalen i tilfellet call-opsjonen ikke benyttes.

Morbank og konsern
(mill. kroner)

Endringer i ansvarlig lånekapital og fondsobligasjonslån	31.12.16	Emittert	Forfalt/innløst	Reklassifisering til egenkapital	Øvrige endringer	31.12.15
Ordinær ansvarlig lånekapital, nominell verdi	700	0	0	0	0	700
Fondsobligasjonslån, nominell verdi	0	0	0	-400	0	400
Opptjente renter	1	0	0	0	-1	2
Sum ansvarlig lånekapital og fondsobligasjonslån	**701**	**0**	**0**	**-400**	**-1**	**1 102**

Endringer i ansvarlig lånekapital og fondsobligasjonslån	31.12.15	Emittert	Forfalt/innløst	Reklassifisering til egenkapital	Øvrige endringer	31.12.14
Ordinær ansvarlig lånekapital, nominell verdi	700	0	0	0	0	700
Fondsobligasjonslån, nominell verdi	400	0	0	0	0	400
Opptjente renter	2	0	0	0	2	2
Sum ansvarlig lånekapital og fondsobligasjonslån	**1 102**	**0**	**0**	**0**	**2**	**1 102**

NOTE 42 - OPPKJØP AV VIRKSOMHETER / VIRKSOMHETSSAMMENSLUTNING

Det ble ikke foretatt oppkjøp av virksomheter i 2015 eller 2016.

NOTE 43 - VESENTLIGE TRANSAKSJONER MED NÆRSTÅENDE SELSKAPER

Med nærstående parter menes her tilknyttede selskaper, felleskontrollerte virksomheter, datterselskaper og selskaper holdt for salg hvor banken har betydelig innflytelse. Spesifikasjon av disse selskapene er vist i note 33. I tillegg omfatter nærstående selskaper i denne sammenhengen våre eiere (se note 44) og SpareBank 1 Gruppen AS med tilhørende selskaper fordi de er underlagt den samme felleskontrollen etter vurderingsreglene i IAS 24 punkt 9.b ii-iv.

Bankens mellomværende med ansatte og medlemmer av styret vises i note 8 og 23.

	Datterselskaper		Øvrige nærstående selskaper	
Lån (Mill. kroner)	**31.12.16**	**31.12.15**	**31.12.16**	**31.12.15**
Utlån per 01.01.	10	0	626	577
Nye utlån/tilbakebetalinger i perioden	-10	10	437	49
Endringer i nærstående parter	0	0	0	0
Utlån per 31.12	**0**	**10**	**1 063**	**626**
Renteinntekter	0	0	26	19
Innskudd (Mill. kroner)				
Innskudd per 01.01	20	26	3 129	3 495
Innskudd/uttak i perioden	1	-6	1 201	-366
Endringer i nærstående parter	0	0	0	0
Innskudd per 31.12	**21**	**20**	**4 330**	**3 129**
Rentekostnader	0	0	39	41
Provisjonsinntekt	0	0	269	284
Utstedte garantier og kausjonsansvar	92	92	7	6
Overført utlån til kredittforetak	0	0	18 282	16 271

Alle lån til og innskudd fra nærstående selskaper er inngått på markedsmessige vilkår og er bokført i morbanken.

NOTE 44 - AKSJEKAPITAL OG EIERSTRUKTUR

Bankens aksjekapital utgjør per 31.12.2016 457.333.900 kroner fordelt på 4.573.339 aksjer, hver pålydende 100 kroner. Per 31.12.2016 var det en aksjeeier. Per 31.12.2015 var det 23 aksjeeiere.

	31.12.16			31.12.15		
Alle aksjeeiere	**Antall aksjer**	**Aksjekapital**	**Andel**	**Antall aksjer**	**Aksjekapital**	**Andel**
Sparebanken Hedmark	4 573 339	457 333 900	100 %	1 854 126	185 412 600	40,542 %
Landsorganisasjonen i Norge	0	0	0	889 306	88 930 600	19,445 %
Samarbeidende Sparebanker AS	0	0	0	694 435	69 443 500	15,184 %
SpareBank 1 Nord-Norge	0	0	0	218 841	21 884 100	4,785 %
SpareBank 1 SMN	0	0	0	218 841	21 884 100	4,785 %
SpareBank 1 SR-bank	0	0	0	218 841	21 884 100	4,785 %
Fellesforbundet	0	0	0	168 073	16 807 300	3,675 %
Norsk Nærings- og Nytelsesmiddelarbeiderforbund	0	0	0	105 064	10 506 400	2,297 %
Industri Energi	0	0	0	38 348	3 834 800	0,839 %
Fagforbundet	0	0	0	28 111	2 811 100	0,615 %
Norsk Tjenestemannslag	0	0	0	25 223	2 522 300	0,552 %
Norsk Sjømannsforbund	0	0	0	23 375	2 337 500	0,511 %
Norsk Transportarbeiderforbund	0	0	0	23 246	2 324 600	0,508 %
Forbundet for Ledelse og Teknikk	0	0	0	22 844	2 284 400	0,500 %
Norsk Post- og Kommunikasjonsforbund	0	0	0	21 659	2 165 900	0,474 %
Handel og Kontor i Norge	0	0	0	12 863	1 286 300	0,281 %
Norsk Arbeidsmandsforbund	0	0	0	6 310	631 000	0,138 %
Norsk Jernbaneforbund	0	0	0	3 214	321 400	0,070 %
Norges Offisersforbund	0	0	0	303	30 300	0,007 %
Norsk Fengels- og Friomsorgsforbund	0	0	0	185	18 500	0,004 %
Musikernes Fellesorganisasjon	0	0	0	62	6 200	0,001 %
Skolenes Landsforbund	0	0	0	44	4 400	0,001 %
Arbeiderbevegelsens Presseforbund	0	0	0	25	2 500	0,001 %
Sum	**4 573 339**	**457 333 900**	**100 %**	**4 573 339**	**457 333 900**	**100,000 %**

I desember 2015 avtalte Sparebanken Hedmark kjøp av aksjer fra LO (29,9 %) og de øvrige SpareBank 1-bankene (i sum 29,6 %) slik at Bank 1 Oslo Akershus ville bli et heleid datterselskap av Sparebanken Hedmark. 29. juni 2016 ble transaksjonen gjennomført. Myndighetene har gitt tillatelse til at Bank 1 Oslo Akershus i en periode på inntil tre år kan bli drevet som en datterbank av Sparebanken Hedmark. De to bankene har som mål å gjennomføre fusjonen 1. april 2017.

NOTE 45 - FORSLAG TIL UTBYTTE

Styret foreslår at det ikke utbetales utbytte for 2016.

NOTE 46 - HENDELSE ETTER BALANSEDAGEN

Det er ikke fremkommet informasjon om vesentlige hendelser etter balansedato 31.12.2016 som påvirker konsernregnskapet.

Siden Sparebanken Hedmarks kjøp av banken ble gjennomført 29. juni 2016 er et omfattende integrasjonsarbeid mellom bankene startet. Bank 1 Oslo Akershus AS vil bli drevet som en datterbank i Sparebanken Hedmark inntil juridisk fusjon er gjennomført. Fusjonen er planlagt gjennomført 1. april 2017.

Bank 1 Oslo Akershus har i januar 2017 utfisjonert eiendommen "Youngstorget 5" i eget selskap. Fisjonen ble ansett som en forenklet fisjon etter aksjelovens regler og foretatt med skattemessig kontinuitet.

13. februar 2017 ble det offentliggjort at DNB, bankene i SpareBank 1-alliansen, bankene i Eika-alliansen, Sparebanken Møre og 15 selvstendige sparebanker, som også er deleiere i Frende Forsikring, har inngått en intensjonsavtale som innebærer at partene sammen skal videreutvikle Vipps som hele Norges mobile lommebok. Vipps har hittil vært en del av DNB-konsernet, men legges nå inn i et frittstående selskap der DNB blir største eier med omtrent 52 prosent av aksjene. SpareBank 1-alliansen skal eie 25 prosent, de selvstendige sparebankene 12 prosent, Eika Alliansen 10 prosent og Sparebanken Møre 1 prosent. Samarbeidet forutsetter godkjennelse fra Konkurransetilsynet og Finanstilsynet.

NOTE 47 - IFRS 9 FINANSIELLE INSTRUMENTER

IFRS 9 Finansielle instrumenter skal erstatte dagens IAS 39 Finansielle instrumenter –innregning og måling. IFRS 9 omhandler innregning, klassifisering, måling og fraregning av finansielle eiendeler og forpliktelser samt sikringsbokføring. IFRS 9 er gjeldende fra 1. januar 2018 og er godkjent av EU. Det er adgang til tidlig anvendelse av standarden. Det vil ikke Bank 1 Oslo Akershus benytte seg av. Bank 1 Oslo Akershus vil heller ikke vise sammenlignbare tall for tidligere perioder ved implementering av standarden 1.1.2018.

I 2015 satte SpareBank1 Alliansen sammen et tverrfaglig implementeringsteam med deltakere fra alle bankene som anvender IFRS, som forbereder gjennomføring og implementering av IFRS 9 (`Prosjektet`). Prosjektet har en styringsgruppe, og følgende undergrupper:

1. **Modeller og metodikk**
   Utvikling av beregningsløsning og modeller for å eta blere forventningsrette fremadskuende estimater forforventet tap.
2. **Strategi, organisering og prosesser**
   Definere opp hvordan organiseringen av det løpende arbeidet med regnskapsføring etter IFRS 9 skal organiseres mellom de samarbeidende bankene.
3. **Regnskap og rapportering**
   Konkretisere selve regnskapsføringen og noter inkl. prinsippnote og notemaler
4. **Klassifisering og måling**
   Kartlegge gruppens finansielle instrumenter og klassifisere instrumenter i ulike kategorier.

Samtidig har Bank 1 Oslo Akershus opprettet et lokalt prosjekt for å løse de tekniske tilpasningene av nytt regelverk samt å drøfte og beslutte tilpasninger og effekter av nytt regelverk.

En beskrivelse av nye krav i IFRS 9 og endringer fra tidligere standard følger under. Videre følger en beskrivelse av hvilke valg Bank 1 Oslo Akershus har tatt og status i implementeringsprosjektet.

Klassifisering og måling

Finansielle eiendeler

Etter IFRS 9 skal finansielle eiendeler klassifiseres i tre målekategorier: virkelig verdi med verdiendring over resultatet, virkelig verdi med verdiendring over andre inntekter og kostnader (OCI) og amortisert kost. Målekategori bestemmes ved førstegangsregnskapsføring av eiendelen. For finansielle eiendeler skilles det mellom gjeldsinstrumenter og egenkapitalinstrumenter. Klassifiseringen av finansielle eiendeler bestemmes ut fra kontraktsmessige vilkår for de finansielle eiendelene og hvilken forretningsmodell som brukes for styring av porteføljen som eiendelene inngår i.

Finansielle eiendeler som er gjeldsinstrumenter

Gjeldsinstrumenter med kontraktfestede kontantstrømmer som bare er betaling av rente og hovedstol på gitte datoer og som holdes i en forretningsmodell med formål å motta kontraktsmessige kontantstrømmer skal i utgangspunktet måles til amortisert kost. Instrumenter med kontraktfestede kontantstrømmer som bare er betaling av rente og hovedstol på gitte datoer og som holdes i en forretningsmodell med formål både å motta kontraktsmessige kontantstrømmer og salg, skal i utgangspunktet måles til virkelig verdi med verdiendringer over OCI, med renteinntekt, valutaomregningseffekter og eventuelle nedskrivninger presentert i det ordinære resultatet. Verdiendringer ført over OCI skal reklassifiseres til resultatet ved salg eller annen avhendelse av eiendelene.

Øvrige gjeldsinstrumenter skal måles til virkelig verdi med verdiendring over resultatet. Dette gjelder instrumenter med kontantstrømmer som ikke bare er betaling av normal rente (tidsverdi av penger, kredittmargin og andre normale marginer knyttet til utlån og fordringer) og hovedstol, og instrumenter som holdes i en forretningsmodell hvor formålet i hovedsak ikke er mottak av kontraktfestede kontantstrømmer.

Den foreløpige vurderingen er at utpeking av finansielle instrumenter til virkelig verdi vil være omtrent på samme nivå som i dag.

Derivater og investeringer i egenkapitalinstrumenter

Alle derivater skal måles til virkelig verdi med verdiendring i resultatet, men derivater som er utpekt som sikringsinstrumenter skal regnskapsføres i tråd med prinsippene for sikringsbokføring. Investeringer i egenkapitalinstrumenter skal måles i balansen til virkelig verdi. Verdiendringer skal som hovedregel føres i det ordinære resultatet, men et egenkapitalinstrument, som ikke er holdt for handelsformål og som ikke er et betinget vederlag etter en virksomhetsoverdragelse, kan utpekes som målt til virkelig verdi med verdiendringer over OCI. Når egenkapitalinstrumenter utpekes til virkelig verdi med verdiendringer ført mot OCI skal ordinære utbytter resultatføres, mens verdiendringer ikke skal til resultatet verken løpende eller ved avhendelse.

Finansielle forpliktelser

For finansielle forpliktelser er reglene i hovedsak de samme som i dagens IAS 39. Som hovedregel skal finansielle forpliktelser fortsatt måles til amortisert kost med unntak av finansielle derivater målt til virkelig verdi, finansielle instrumenter som inngår i en handelsportefølje og finansielle forpliktelser bestemt regnskapsført til virkelig verdi med verdiendringer innregnet over resultatet

Sikringsbokføring

IFRS 9 forenkler kravene til sikringsbokføring ved at sikringseffektiviteten knyttes nærmere ledelsens risikostyring og gir større rom for vurdering. Kravet om en sikringseffektivitet på 80–125 prosent er fjernet og erstattet med mer kvalitative krav, herunder at det skal være en økonomisk sammenheng mellom sikringsinstrument og sikringsobjekt, og at kredittrisiko ikke skal dominere verdiendringene til sikringsinstrumentet. Etter IFRS 9 er det tilstrekkelig med en prospektiv (fremadskuende) effektivitetstest, mens sikringseffektiviteten etter IAS 39 må vurderes både prospektivt og retrospektivt (tilbakeskuende). Sikringsdokumentasjon kreves fortsatt. Banken vurderer fortsatt omfanget av bruken av sikringsbokføring, men den foreløpige vurderingen er at sikringsbokføring vil bli videreført om lag i samme utstrekning som i dag.

Note 47 forts. neste side

NOTE 47 forts.

Øvrige forhold

Banken vil videre ferdigstille vurdering av følgende utvalgte problemstillinger med hensyn til klassifisering:

- P.t. lån
- Utlån med fast rente og rett til tidlig innløsning
- Salg av utlån til deleid kredittforetak
- Syndikerte lån
- Utlån med vesentlig forskjell mellom referanserente og hyppighet for rentefastsettelse

Den foreløpige vurderingen er at den regnskapsmessige klassifiseringen ikke vil medføre vesentlige balanse- eller resultatmessige konsekvenser. Grunnlaget for at det forventes liten effekt er at det basert på iboende risiko i balansepostene vil være liten forskjell i måling mellom amortisert kost og virkelig verdi.

Tapsnedskrivning utlån

Etter dagens regler under IAS 39 skal nedskrivninger for tap bare finne sted når det er objektive bevis for at en tapshendelse har inntruffet etter første gangs balanseføring. Etter IFRS 9 skal tapsavsetningene derimot innregnes basert på forventet kredittap (ECL). Målingen av avsetningen for forventet tap avhenger av om kredittrisikoen har økt vesentlig siden første gangs balanseføring. Ved førstegangs balanseføring og når kredittrisikoen ikke har økt vesentlig etter førstegangs balanseføring skal det avsettes for 12-måneders forventet tap. Hvis kredittrisikoen har økt vesentlig skal det avsettes for forventet tap over hele levetiden. Metodikken i IFRS 9-standarden innebærer noe større volatilitet i nedskrivningene, og det forventes at nedskrivninger kommer tidligere enn ved dagens praksis. Dette vil være spesielt merkbart ved inngangen til en nedgangskonjunktur.

Nærmere beskrivelse av bankens fremtidige nedskrivningsmodell

Tapsanslaget skal lages kvartalsvis, og vil bygge på data i datavarehuset som har historikk over konto- og kundedata for hele kredittporteføljen. Tapsestimatene vil bli beregnet basert på 12 måneders og livslang sannsynlighet for mislighold (probability of default – PD), tap ved mislighold (loss given default – LGD) og eksponering ved mislighold (exposure at default – EAD). Datavarehuset inneholder historikk for observert PD og observert LGD. Dette vil danne grunnlag for å lage gode estimater på fremtidige verdier for PD og LGD. I tråd med IFRS 9 grupperer banken sine utlån i tre trinn.

Trinn 1:

Dette er startpunkt for alle finansielle eiendeler omfattet av den generelle tapsmodellen. Alle eiendeler som ikke har vesentlig høyere kredittrisiko enn ved førstegangsinnregning får en avsetning for tap som tilsvarer 12 måneders forventet tap. I denne kategorien ligger alle eiendeler som ikke er overført til trinn 2 eller 3.

Trinn 2:

I trinn 2 i tapsmodellen er eiendeler som har hatt en vesentlig økning i kredittrisiko siden førstegangsinnregning, men hvor det ikke er objektive bevis på tap. For disse eiendelene skal det avsettes for forventet tap over levetiden. I denne gruppen finner vi kontoer med vesentlig grad av kredittforverring, men som på balansedato tilhører kunder som er klassifisert som friske. Når det gjelder avgrensning mot trinn 1, definerer banken vesentlig grad av kredittforverring ved å ta utgangspunkt i hvorvidt et engasjements beregnede misligholdssannsynlighet (PD) har økt vesentlig.

Trinn 3:

I trinn 3 i tapsmodellen er eiendeler som har hatt en vesentlig økning i kredittrisiko siden innvilgelse og hvor det er objektive bevis på tap på balansedato. For disse eiendelene skal det avsettes for forventet tap over levetiden. Dette er eiendeler som under gjeldende regelverk defineres som misligholdte og nedskrevne.

Videre utvikling av modellen

Modellen for nedskrivninger er fortsatt under utvikling. Banken vurderer fremtidsrettet informasjon som makroøkonomiske faktorer som for eksempel arbeidsledighet, BNP-vekst, renter og boligpriser, og økonomiske prognoser for å kunne gi fremtidsrettet informasjon som er så korrekt som mulig. Modellen vil beregne nedskrivninger basert på data ved månedslutt.

Effekt på regnskapsrapportering

Eventuelle implementeringseffekter vil føres mot egenkapitalen ved overgang til IFRS 9 1.1.2018. Foreløpig gjennomgang av fremtidige notekrav viser at det vil bli en del endringer i notekrav knyttet til tapsnedskrivninger, men liten effekt knyttet til noter relatert til finansielle instrumenter.

Kvantitative effekter ved implementering av IFRS 9

Basert på en foreløpig gjennomgang forventes det ikke vesentlige effekter knyttet til overgang til IFRS 9. Dette gjelder både eventuelle effekter knyttet til endring av klassifisering og måling samt endret metodikk knyttet til tapsnedskrivninger. Effekten på kapitaldekningen vil i følge våre foreløpige beregninger være begrenset som følge av fradragsbestemmelsene knyttet til regulatorisk forventet tap, da konsernets samlede nedskrivninger er lavere enn disse. Med bakgrunn i dette ser derfor ikke Bank 1 Oslo Akershus behov for en 5-årig implementeringsperiode slik kapitaldekningsregelverket åpner for.

Erklæring fra styret og administrerende direktør

Vi bekrefter at årsregnskapet for perioden 1. januar til 31. desember 2016, etter vår beste overbevisning, er utarbeidet i samsvar med internasjonale standarder for finansiell rapportering (IFRS) og at opplysningene i årsrapporten gir et rettvisende bilde av morbankens og konsernets eiendeler, gjeld, finansielle stilling og resultat som helhet og gir en rettvisende oversikt over opplysningene nevnt i verdipapirhandelloven § 5-5.

Styret i Bank 1 Oslo Akershus AS

Oslo, 17. mars 2017

Richard Heiberg
Leder

Roar Flåthen
Nestleder

Tore Anstein Dobloug

Jan-Egil Pedersen

Arve Bakke

Tone Bjørnov

Tor Morten Nygård

Dordi Formoe
Ansattes representant

Torbjørn Vik
Adm. direktør

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Til generalforsamlingen i Bank 1 Oslo Akershus AS

Uavhengig revisors beretning

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert Bank 1 Oslo Akershus AS sitt årsregnskap, som består av:

- selskapsregnskapet, som består av balanse per 31. desember 2016, resultatregnskap, oppstilling over endringer i egenkapital og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter, herunder et sammendrag av viktige regnskapsprinsipper, og
- konsernregnskapet, som består av balanse per 31. desember 2016, resultatregnskap, oppstilling over endringer i egenkapital og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening:

- er årsregnskapet avgitt i samsvar med lov og forskrifter
- gir selskapsregnskapet et rettvisende bilde av den finansielle stillingen til Bank 1 Oslo Akershus AS per 31. desember 2016 og av selskapets resultater og kontantstrømmer for regnskapsåret som ble avsluttet per denne datoen i samsvar med International Financial Reporting Standards som fastsatt av EU.
- gir konsernregnskapet et rettvisende bilde av den finansielle stillingen til konsernet Bank 1 Oslo Akershus AS per 31. desember 2016 og av konsernets resultater og kontantstrømmer for regnskapsåret som ble avsluttet per denne datoen i samsvar med International Financial Reporting Standards som fastsatt av EU.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet og konsernet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Ledelsen er ansvarlig for øvrig informasjon. Øvrig informasjon består av årsberetningen, redegjørelsene om foretaksstyring og samfunnsansvar, men inkluderer ikke årsregnskapet og revisjonsberetningen.

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo	Elverum	Mo i Rana	Stord
Alta	Finnsnes	Molde	Straume
Arendal	Hamar	Skien	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodø	Knarvik	Sandnessjøen	Tynset
Drammen	Kristiansand	Stavanger	Ålesund

Vår uttalelse om revisjonen av årsregnskapet dekker ikke øvrig informasjon, og vi attesterer ikke den øvrige informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese øvrig informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom øvrig informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon.

Dersom vi konkluderer med at den øvrige informasjonen inneholder vesentlig feilinformasjon er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

Styrets og daglig leders ansvar for årsregnskapet

Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde i samsvar med International Financial Reporting Standards som fastsatt av EU. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

Ved utarbeidelsen av årsregnskapet er ledelsen ansvarlig for å ta standpunkt til selskapets og konsernets evne til fortsatt drift, og på tilbørlig måte å opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet med mindre ledelsen enten har til hensikt å avvikle konsernet eller å legge ned virksomheten, eller ikke har noe realistisk alternativ til dette.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål med revisjonen er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av intern kontroll.

- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.

- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.

- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av regnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i regnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon om årsregnskapet og årsberetningen. Våre

konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke fortsetter driften.

- evaluerer vi den samlede presentasjonen, strukturen og innholdet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet representerer de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde.

- innhenter vi tilstrekkelig og hensiktsmessig revisjonsbevis vedrørende den finansielle informasjonen til enhetene eller forretningsområdene i konsernet for å kunne gi uttrykk for en mening om det konsoliderte regnskapet. Vi er ansvarlige for å lede, følge opp og gjennomføre konsernrevisjonen. Vi alene er ansvarlige for vår revisjonskonklusjon.

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

Uttalelse om øvrige lovmessige krav

Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen og i redegjørelsene om foretaksstyring og samfunnsansvar om årsregnskapet, forutsetningen om fortsatt drift og forslaget til anvendelse av overskuddet er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Oslo 17. mars 2017
KPMG AS

Svein Arthur Lyngroth
Statsautorisert revisor

Bankens organer

STYRET I BANK 1 OSLO AKERSHUS AS

Richard Heiberg (leder)
Roar Flåthen (nestleder)
Tor Morten Nygård (medlem)
Arve Bakke (medlem)
Tone Bjørnov (medlem)
Jan-Egil Pedersen (medlem)
Tore Anstein Dobloug (medlem)
Dordi Formoe (medlem)
Hans Olav Wedvik (vara)
Elin Veimo (vara)
Thore Myhrvold (vara)
Monica Derbakk (vara)
Marit Jørgenrud (vara)

GODTGJØRELSESUTVALGET I BANK 1 OSLO AKERSHUS AS

Richard Heiberg (leder)
Arve Bakke (medlem)
Tone Bjørnov (medlem)

REVISJONSUTVALGET I BANK 1 OSLO AKERSHUS AS

Tone Bjørnov
Arve Bakke
Tore Anstein Dobloug

RISIKOUTVALGET I BANK 1 OSLO AKERSHUS AS

Tone Bjørnov
Arve Bakke
Tore Anstein Dobloug

REPRESENTANTSKAPET I BANK 1 OSLO AKERSHUS AS

Medlemmer

Siri Strømmevold (leder)
Tor-Arne Solbakken (nestleder)
Petter Høiseth (medlem)
Ingvald Løyning (medlem)
Steinar Haugli (medlem)
Hans Christian Gabrielsen (medlem)
Kjell Bjordal (medlem)
Rolf Dammann (medlem)
Hilde Skjeie (medlem)
Marit Hansen-Tangen (medlem)
Geir Brumoen (medlem)
Øystein Ruud (medlem)
Thore Myhrvold (medlem)
Karina Brenden (medlem)
Tor-Emil Norheim (medlem)

Varamedlemmer

Bjørnar Håkensmoen (vara)
Trine-Lise Sundnes (vara)
Pål Pedersen (vara)
Birthe Lepsøe (vara)
Egil Meland (vara)
Odd Hallgeir Larsen (vara)
Bård Benum (vara)
Arne Ruud (vara)
Thomas Johannessen (vara)
Martin Strømmen (vara)
Terje Heggedal (vara)
Cathrine Norland (vara)
Roshna Westad (vara)

SpareBank 1-alliansen

SpareBank 1 Banksamarbeidet DA ("**Banksamarbeidet**") inngår i SpareBank 1-alliansen ("**Alliansen**"). SpareBank 1-alliansen ble grunnlagt i 1996. Alliansen er et bank- og produktsamarbeid der SpareBank 1-bankene i Norge samarbeider gjennom de fellesseide holdingselskapene SpareBank 1 Banksamarbeidet DA og SpareBank 1 Gruppen AS (sammen kalt "**Alliansesamarbeide**t"). I tillegg eier SpareBank 1-bankene to forretningsbanker, samt enkelte andre selskaper.

Et overordnet mål for SpareBank 1-alliansen er å sikre den enkelte banks selvstendighet og regionale forankring gjennom sterk konkurranseevne, lønnsomhet og soliditet. Samtidig representerer SpareBank 1-alliansen et konkurransemessig fullverdig bankalternativ på nasjonalt nivå.

SpareBank 1-alliansen er samlet sett en av de største tilbydere av finansielle produkter og tjenester i det norske markedet. Alliansen har etablert en nasjonal markedsprofil og utviklet en felles strategi for merkevarebygging og kommunikasjon. Den markedsstrategiske plattformen danner også basis for felles produkt- og konseptutvikling. Markedsinnsatsen er i hovedsak rettet mot personmarkedet, små og mellomstore bedrifter og forbund tilknyttet LO. Både bankene og produktområdene hevder seg godt i konkurransebildet, og resultatutviklingen er god.

Bankene som inngår i SpareBank 1-alliansen per 31.12.2016 utgjør 15 selvstendige sparebanker og en felleseid forretningsbank.

De 15 selvstendige bankene i alliansen er:

- SpareBank 1 SR-Bank ASA
- SpareBank 1 SMN
- SpareBank 1 Nord-Norge
- Sparebanken Hedmark
- Samarbeidende Sparebanker (SamSpar) som består av følgende lokale sparebanker:
  - SpareBank 1 BV
  - SpareBank 1 Gudbrandsdal
  - SpareBank 1 Hallingdal Valdres
  - SpareBank 1 Lom og Skjåk
  - SpareBank 1 Modum
  - SpareBank 1 Nordvest
  - SpareBank 1 Nøtterøy-Tønsberg
  - SpareBank 1 Ringerike Hadeland
  - SpareBank 1 Søre Sunnmøre
  - SpareBank 1 Telemark
  - SpareBank 1 Østfold Akershus

Den felleseid forretningsbanken er BN Bank ASA.

I SpareBank 1-alliansen inngår også SpareBank 1 Gruppen AS som er morselskapet i et felleseid konsern bestående av følgende produktselskaper:

- SpareBank 1 Skadeforsikring AS (100 %)
- SpareBank 1 Forsikring AS (100 %)
- ODIN Forvaltning AS (100 %)
- SpareBank 1 Medlemskort AS (51 %)
- SpareBank 1 Gruppen Finans AS (100 %)
- Conecto AS (100 %)

Andre sentrale selskaper innen SpareBank 1-alliansen, er SpareBank 1 Boligkreditt AS, SpareBank 1 Næringskreditt AS, SpareBank 1 Kredittkort AS, SpareBank 1 Markets AS og SpareBank 1 Mobilbetaling AS.

Bankene i SpareBank 1-alliansen distribuerer SpareBank 1 Gruppens produkter og samarbeider gjennom SpareBank 1 Banksamarbeidet DA på sentrale områder som merkevare, arbeidsprosesser, kompetansebygging, IT-drift, systemutvikling og innkjøp. SpareBank 1 Banksamarbeidet DA har også utviklet en felles teknologiplattform for foretakene i Alliansen.

SpareBank 1-alliansen har inngått strategiske samarbeidsavtaler med LO og LOs fagforbund, og leverer finansielle produkter og tjenester til LOs medlemmer gjennom fordelsprogrammet LOfavør.

Erfaringsutveksling og overføring av kompetanse innenfor Alliansen, basert på beste praksis, er et viktig element for å utvikle Alliansen videre. Som et ledd i denne satsingen er det etablert kompetansesentra for henholdsvis Kredittstyring i Stavanger og Betaling i Trondheim.

SpareBank 1 Banksamarbeidet DA - virksomhet og aktiviteter

Om virksomheten
SpareBank 1 Banksamarbeidet DA er et innovasjons- og utviklingsselskap for tjenester og løsninger i SpareBank 1-alliansen. Selskapet har rundt 250 ansatte med oppgaver innen IT, markeds- og forretningsutvikling. Selskapet er en proaktiv og innovativ samarbeidspartner og fasilitator for SpareBank 1-bankene. SpareBank 1 Banksamarbeidet DA er ansvarlig for å utvikle og levere felles IT- og mobilløsninger, merkevare og markedsføringskonsepter, forretningskonsepter, produkter og tjenester, kompetanse, analyse, prosesser, beste praksisløsninger og innkjøp.

I 2016 har Alliansen vektlagt ytterligere digitalisering og forenkling for både kunder og rådgivere.
SpareBank 1 Banksamarbeidet DA har kontoradresse i Oslo.

SpareBank 1 Banksamarbeidet DA har følgende heleide datterselskaper:
SpareBank 1 Kundesenter AS
SpareBank 1 Verdipapirservice AS
EiendomsMegler 1 Norge AS
SpareBank 1 Axept AS
SpareBank 1 ID AS

SpareBank 1 Banksamarbeidet DA hadde følgende eierstruktur per 31.12.16

	Eierandel
SpareBank 1 SR-Bank ASA	17,74 %
SpareBank 1 SMN	17,74 %
SpareBank 1 Nord-Norge	17,74 %
Samarbeidende Sparebanker Utvikling DA	17,74 %
Sparebanken Hedmark	11,3 %
SpareBank 1 Gruppen AS	10,0 %
Bank 1 Oslo Akershus AS	7,74 %

Finanskalender 2017

Endelig årsregnskap 2016	17. mars 2017
1. kvartal 2017	4. mai 2017

Datoene ovenfor er styremøtedatoer.
Publisering av delårsrapport skjer normalt senest dagen etter.

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