

ANNUAL REPORT | 2017



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The cover photo is from the IPO in June 2017. The annual report also uses photos of local companies that took part in SpareBank 1 Østlandets Business Barometer in 2017.

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Successful merger and IPO, as well as solid results for 2017

2017 was a year in which the Bank achieved a number of major strategic ambitions. The former Sparebanken Hedmark and Bank 1 Oslo Akershus AS merged in April and together we have established a future-oriented bank, taken a new name and carried out a successful IPO.

The organisation has delivered its best result ever of NOK 1.263 million after tax and a return on equity of 10.2 per cent. The Bank saw good lending growth, very low losses and around 30 000 more customers. This is impressive in a year with such major changes.

In many ways, 2017 was a year of innovation. At the start of the new year we became the first bank in Norway to launch customer dividends. Given the very good group profit, the Bank can for the first time distribute customer dividends of NOK 204 million in total. We hope and believe that our customers will appreciate this and at the same time attract more new customers.

The merger between Bank 1 Oslo Akershus AS and Sparebanken Hedmark was one of the largest bank mergers ever completed in Norway. It has been a great success. Wide-ranging participation and good project work helped to ensure that the merger crossed the finished line on schedule and with synergy effects that exceeded the NOK 82 million target. Internal status surveys show high levels of motivation throughout the organisation and that both managers and communication scored well during the merger process.

As part of the merger process the Bank changed its name to SpareBank 1 Østlandet after thorough market surveys. Premises and digital surfaces were gradually updated during the year. The name chosen was well received and reflects the Bank's new market area, as well as the ambitions set out in the Bank's new strategy for 2018-2021.

The listing of the Bank's equity certificates on the Oslo Stock Exchange on 13 June was a major event. Local, national and international investors showed a great deal of interest in the IPO. The price of the equity certificate has risen since the IPO. The Bank will pay a dividend of NOK 3.96 per equity certificate, which amounts to 50 per cent of the owners' share of the Group's profit.

SpareBank 1 Østlandet increased its focus on innovation and business development in 2017 and established a dedicated corporate unit for this area. The Bank also confirmed its ability to develop customer-friendly solutions, for example customer dividends, voice-activated login for the mobile bank, and the establishment of

Askelab AS, an environment for innovation within mobility and digitalisation. The development and digitalisation work will continue unabated in 2018, while the Bank will maintain and strengthen its local profile.



Corporate social responsibility and sustainability are important, not only for the long-term operation of the Bank but also for global considerations. In 2017, sustainability was elevated to one of the six main goals in the Bank's new strategy. From and including the 2017 accounting year, the Bank will report in line with the Oslo Stock Exchange's recommended standard, GRI. The Bank has also signed up to the world's largest initiative for corporate social responsibility, the UN Global Compact. SpareBank 1 Østlandet recently launched its very first green home loan with 0 per cent interest rate on parts of the loan. Work on improving the Bank's sustainability will continue in 2018.

The year's events are building a bank for the future and are important for both employees and customers. At the end of the year, we are better equipped for faster reorganisation than before. SpareBank 1 Østlandet's Business Barometer indicates both private individuals and companies are optimistic and believe in the future. Given the current macro situation, it appears 2018 will be a good year for the Bank.

I would like to thank all of our employees for their great effort, positive attitude and excellent cooperation during the year. We are, without doubt, stronger together! I would also like to thank our customers for their good teamwork in the past year.

A handwritten signature in blue ink, which appears to read 'Richard Heiberg'.

Richard Heiberg
CEO

Main figures Group

Group Result summary (NOK mill and per cent of average total assets)	2017		2016	
	Amount	Per cent ¹⁾	Amount	Per cent
Net interest income	1 956	1.86 %	1 490	1.79 %
Net commissions and other (non-interest) income	1 263	1.20 %	939	1.13 %
Net income from financial investments	277	0.26 %	220	0.26 %
Total net income	3 496	3.32 %	2 649	3.19 %
Total operating expenses	1 898	1.81 %	1 203	1.45 %
Operating profit before losses on loans and guarantees	1 598	1.52 %	1 446	1.74 %
Losses on loans and guarantees	-20	-0.02 %	75	0.09 %
Pre-tax operating profit	1 618	1.54 %	1 371	1.65 %
Tax expense	356	0.34 %	271	0.33 %
Profit after tax	1 263	1.20 %	1 100	1.32 %
Profitability				
Return on equity capital ²⁾	10.2 %		10.5 %	
Cost-income-ratio ²⁾	54.3 %		45.4 %	
From the balance sheet				
Gross loans to customers	90 460		82 945	
Gross loans to customers including loans transferred to covered bond companies ²⁾	129 535		119 450	
Growth in loans during the last 12 months ²⁾	9.1 %		89.5 %	
Growth in loans including loans transferred to covered bond companies in the last 12 months ²⁾	8.4 %		95.4 %	
Deposits from customers	65 985		63 070	
Deposit-to-loan-ratio ²⁾	72.9 %		76.0 %	
Growth in deposits in the last 12 months ²⁾	4.6 %		88.5 %	
Average total assets	105 157		83 074	
Total assets	108 321		101 242	
Total assets including loans transferred to covered bond companies ²⁾	147 396		137 747	
Losses and commitments in default				
Losses on loans as a percentage of gross loans ²⁾	0.0 %		0.1 %	
Commitments in default, percentage of gross loans ²⁾	0.3 %		0.3 %	
Other doubtful commitments, percentage of gross loans ²⁾	0.3 %		0.3 %	
Net commitments in default and other doubtful commitments, percentage of gross loans ²⁾	0.4 %		0.4 %	
Financial strength				
Common equity Tier 1 capital ratio	16.8 %		16.9 %	
Tier 1 capital ratio	17.7 %		17.9 %	
Capital adequacy ratio	20.5 %		20.3 %	
Total eligible capital	14 138		12 656	
Equity ratio ²⁾	12.3 %		12.0 %	
Leverage Ratio	7.1 %		7.4 %	
LCR ³⁾	114.0 %		116.6 %	
Branches and staff				
Number of branches	38		38	
Number of fulltime equivalents	1 109		1 140	
Equit capital certificates				
Market price (NOK)	90.50			
Market capitalisation (NOK million)	9 700			
Book equity per EC ²⁾	81.14			
Earnings per EC, NOK ⁴⁾	7.92		6.95	
Price/Earnings per EC ²⁾	11.43			
Price/book equity ²⁾	1.12			

1) Calculated as a percentage of average total assets.

2) See attachment regarding Alternative performance measures.

3) Liquidity Coverage Ratio: Measures the size of banks' liquid assets relative to net liquidity output 30 days ahead of time given a stress situation.

4) Profit after tax for controlling interests. * Equity capital certificate ratio as at 31.12.17 / number of EC's as at 31.12.2017.



Major event. SpareBank 1 Østlandet and the bank's equity certificates were listed on the stock exchange on 13 June 2017. There was much prior interest in the equity certificates amongst all kinds of investors. After the listing, the bank gained a broad ownership base consisting of more than 200 professional investors, more than 3,000 small investors and around 630 employees.

About SpareBank 1 Østlandet

– *Digital and local bank*

SpareBank 1 Østlandet is one of Norway's most robust regional financial groups with an almost 175-year, tradition-rich history in central Eastern Norway. The Bank became the only listed company in Hedmark and Norway's fourth largest savings bank after Sparebanken Hedmark merged with Bank 1 Oslo Akershus AS in 2017.

SpareBank 1 Østlandet can trace its roots back to 1845 and has a unique competitive advantage thanks to its almost 175-year history and local knowledge. Funds from local granaries, forest commons, local authorities and private individuals were pooled to found the very first savings banks. The Bank came about through mergers with former independent savings banks in Hedmark, Oslo and Akershus, most recently with the merger of Sparebanken Hedmark and Bank 1 Oslo Akershus AS. The Bank also has branches in the cities along the shores of the Mjøsa lake, Gjøvik and Lillehammer, after the Bank expanded northwards into Oppland in 2011.

SpareBank 1 Østlandet has customers across the country but its main areas of activity are in Hedmark, Oppland, Oslo and Akershus. The Bank's head office and executive management team are based in Hamar in the county of Hedmark. The Group offers a wide range of products within loans, deposits, insurance, pensions, payment services, estate agency, accounting services, leasing and financing. The organisation includes the subsidiaries EiendomsMegler 1 Hedmark Eiendom AS, EiendomsMegler 1 Oslo og Akershus AS, SpareBank 1 Finans Østlandet AS and SpareBank 1 Regnskapshuset Østlandet AS.

A cornerstone of local communities

SpareBank 1 Østlandet is a cornerstone of many local communities with its numerous branches close to where people live. The Bank enjoys a high market share in Hedmark and is aiming to strengthen its position in the strongest growing market in Norway, Oslo and Akershus. The company takes responsibility for sustainable 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 in the various local communities outside the big cities as well.

Innovative bank

SpareBank 1 Østlandet is innovative and is constantly striving to develop customer-friendly solutions. The Bank was the first in Europe to launch an online bank in 1996 and has since then pioneered several services within mobile phone payment solutions. Today, it is a modern and digitalised bank that retains a local profile.

1.100 proficient employees work on development, dissemination and advice within products and services for its customers every day. Strong local roots mean that both people and companies are close to where decisions are taken. The Bank is experiencing good customer growth after other competitors have withdrawn from parts of its market area.

About the region

Hedmark and Oppland

With around 390 000 residents, the people of Hedmark and Oppland account for about 8 per cent of Norway's population and more than 6 per cent of national GDP. The counties' population centres are spread out and home to a variety of industries. The counties also make up Norway's largest agricultural and forestry region. Most people work in manufacturing, building and construction, and the public sector. 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 the cultural landscape.

Oslo and Akershus

About a quarter of Norway's population, around 1.26 million people, live in the capital region. The region delivers more than 33 per cent of national GDP. Population growth is high and increased densification is expected in the coming years. Norway's most important decision-making centres, including national authorities, are located here. Oslo and Akershus also has Europe's second highest level of education and is home to more than half of Norway's R&D environments, many of which are linked to companies and expert environments at the major hospitals and universities. Overall, knowledge-based industries and services are the most important industries in the capital region after public sector services. Akershus is called Oslo's green belt thanks to its fjord and forest, sea and land, small and medium-sized urban areas. The hills in and around Oslo are also covered in large tracts of forest.

You can read more on sparebank1.no.

Vision

Creating together – long-term value for society and our customers, owners and employees.

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

Business concept

SpareBank 1 Østlandet offers financial, estate agency and accounting services to private individuals, business and the public sector. We contribute to sustainable growth and development for society and our customers, owners and employees.

Values

- Proficient
- Nearby
- Engaged

What our values mean to us

Proficient

- We understand the expectations and needs of the market, customers and owners.
- We deliver solutions of the right quality at the right time.
- We stay up-to-date, prepare and are at the cutting edge of developments.
- We make it easy for customers to choose solutions that are good for their finances.
- We offer the Group's wide range of products and collaborate for the benefit of our customers, owners, employees and the society of which we are a part.

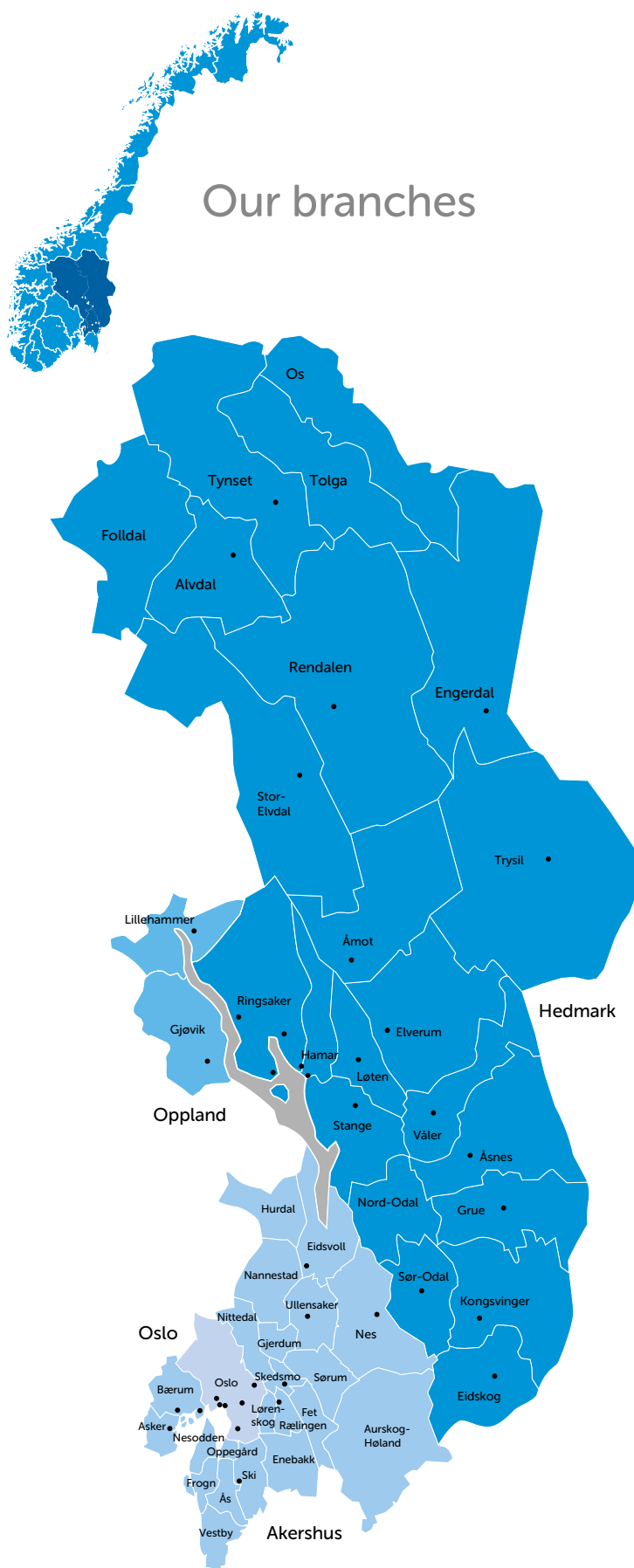
Nearby

- We create good customer experiences.
- We are accessible and offer relevant solutions via the customer's preferred channel.
- We understand and deliver in line with the customers' individual needs.
- We communicate simply, understandably and clearly.

Engaged

- We are visible and take the relevant measures for our customers, colleagues and partners.
- We produce commitment, good motivation and good results.
- We work together to achieve a good working environment, involve people and play on each other's strengths for the benefit of the customers and the Group.
- We fulfil our corporate social responsibility and contribute to sustainability, growth and development.

Our branches



Sustainability report for 2017

– a bank with a clear sustainability profile

In 2017, sustainability was elevated to one of the six main goals in SpareBank 1 Østlandet's main strategy for 2018–2021. A materiality assessment was also carried out to identify risks and opportunities associated with the Bank's corporate social responsibility. From and including the 2017, the Bank will report in line with the international standard GRI, as recommended by the Oslo Stock Exchange for listed companies.

Ever since the time of the small savings banks, SpareBank 1 Østlandet's purpose has been to take part in the development of the community as a committed and responsible contributor to society. Today, this is reflected in our vision **"Creating together"** – long-term value for society and our customers, owners and employees. With local knowledge and our proximity to customers, the Bank's management makes assessments that are based on a long-term environmental and social commitment as well as economics and risk. Good credit assessments are the foundation of the bank's corporate responsibility.

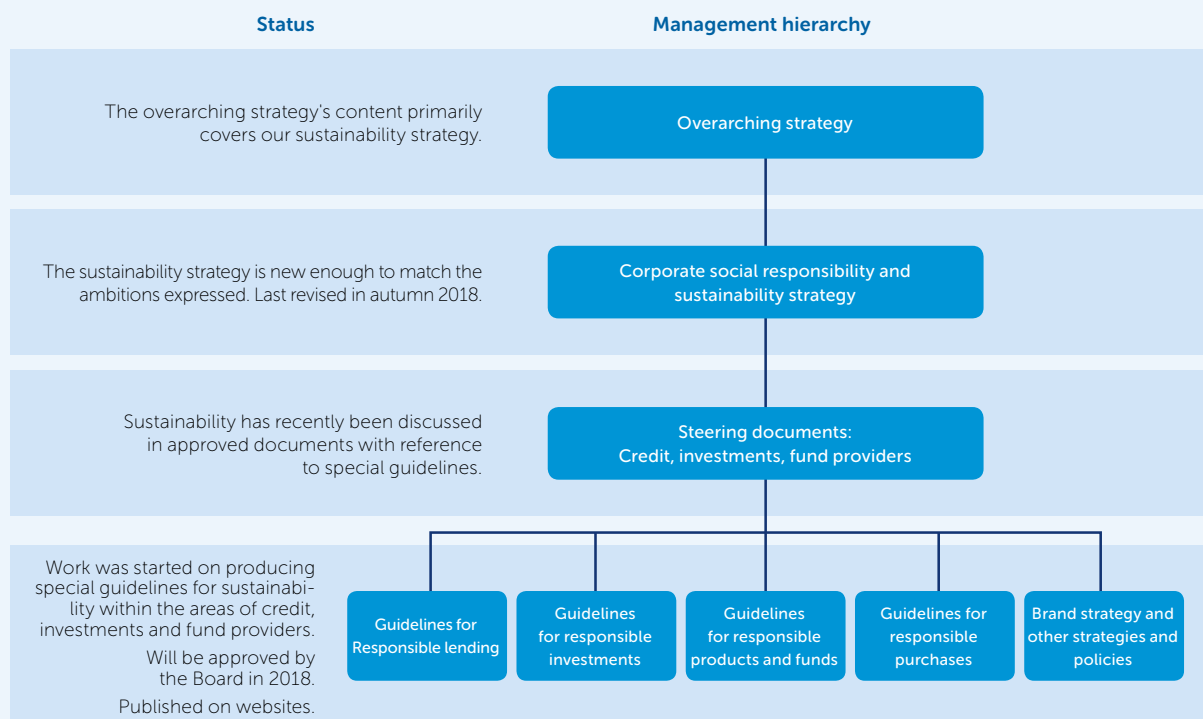
By increasing its focus on sustainability, the Bank wants to demonstrate its responsibility for how business operations impact the environment, people, jobs and asset management now and in the future. In addition to starting to report in line with the international standard GRI, the Bank has decided to sign the UN Global Compact, the world's largest initiative for corporate

social responsibility. The Bank supports the Global Compact's Ten Principles that cover human rights, labour standards, the environment and anti-corruption, and does its best to operate in line with these principles.

SUSTAINABILITY MANAGEMENT IN SPAREBANK 1 ØSTLANDET

Sustainability is an integral part of the Bank's operations and this is expressed through strategies, initiatives, products and activities. The merger and IPO affected SpareBank 1 Østlandet throughout 2017. The merger resulted in many changes in the organisation. As a listed company, the Bank gained new obligations. The steering documents, guidelines and procedures in various areas in the Bank were therefore reviewed and updated. In 2017, work started on incorporating sustainability more clearly into strategies, goals, guidelines and routines for the newly merged bank. This work will continue in 2018 based on the following basic assumption:

Sustainability in the SpareBank 1 Østlandet Group's steering documents



tions which are set out in the corporate social responsibility and sustainability strategy:

SpareBank 1 Østlandet will take account of the environment, climate, ethics and social factors in all of the Group's activities. The Bank will not contribute to violations of human and labour rights, corruption, serious environmental harm or other actions that may be perceived as grossly unethical, either internally or by society as a whole. This applies in relation to both customers and suppliers. This responsibility also covers products and services, advice and sales, investments and credit decisions, marketing, procurements and corporate governance. Corporate social responsibility also applies in the case of internal work on HSE, ethics and environmental efficiency.

The Bank's new main strategy has been approved by the Board and sustainability has now been incorporated as one of its six overarching goals, with its own secondary goals, for the strategy period 2018–2021:

By the end of 2021, we will have established ourselves as a bank with a clear sustainability profile.

The work on updating the Bank's sustainability work in steering documents has started (see the figure on page 8).

Sustainability will also be specifically mentioned in the Group's vision, values and business concept from and including 2018. The goals in the Group's strategy have now been broken down to an operational level in the individual departments and divisions. The executive management team monitors the strategic goals in regular business management meetings and reports on the goals and secondary goals. The communications department has been assigned responsibility for coordinating the overarch-

ing work on sustainability and will establish working groups in a number of areas in 2018. Sustainability will be incorporated into the Bank's corporate governance framework and the subsidiaries' strategies in 2018. All of SpareBank 1 Østlandet's subsidiaries are wholly owned by the Bank apart from one in which the Bank is the majority shareholder with a 95 per cent stake. The Bank's senior group general managers are represented on the subsidiaries' boards and responsible for following them up. The subsidiaries will also be involved in some projects linked to sustainability in the SpareBank 1 Østlandet Group.

The Board is involved in the Bank's work on sustainability and has played an active role in shaping the new group strategy. In spring 2017, the Board also approved a revised version of the corporate social responsibility and sustainability strategy. In 2018, the Board will consider guidelines for sustainability within various business areas in the Bank and revise the sustainability strategy.

MATERIALITY ANALYSIS AND GRI REPORTING

A good reputation and public trust and confidence is important to SpareBank 1 Østlandet. The Bank's stakeholders expect SpareBank 1 Østlandet to fulfil its role as a responsible social actor. Customers, the authorities, employees, owners, various special interest groups and society as a whole have expectations concerning the Bank's work on topics such as ethics and anti-corruption, ethical marketing, responsible credit and requirements for providers of financial services.

Investors and customers are looking for green alternatives and SpareBank 1 Østlandet also needs to do its bit here. On a global level, humanity faces a number of common challenges. Through its day-to-day work, the Bank can make a positive contribution within everything

Materiality matrix developed with various internal and external stakeholders				
IMPORTANCE TO EXTERNAL STAKEHOLDERS	Most important	Active ownership	Privacy protection Negative screening New products and green innovation Positive screening	Financial crime Requirements for providers of financial services Ethics and anti-corruption Responsible lending Ethical marketing of products and services
	More important	Energy consumption and conservation Stakeholder engagement	Local business development Responsible purchasing Diversity and equal opportunity Customer dialogue and satisfaction	Fair and responsible banking
	Important	Waste management Building an inclusive workforce Paper consumption Greenhouse gas emissions (CO ²) Water consumption	Innovation and digitalisation Employee development HSE Sponsorships and contributions to local communities	
		Important	More important	Most important
IMPORTANCE TO SPAREBANK 1 ØSTLANDET				

from purchasing, financing and diversity to environmental issues. This also provides business opportunities with respect to the operational, product and social aspects.

In autumn 2017, SpareBank 1 Østlandet carried out a major analysis of the material risks and opportunities associated with corporate social responsibility. Topics relevant to the Bank within the environment, ethics and communities were identified and assessed in cooperation with a group of stakeholders. The external stakeholders consisted of local and regional authorities, customers and various special interest groups, including the Fair Finance Guide and the Consumer Council of Norway. A wide-ranging survey was also conducted among employees and owners of the Bank in which they were asked to rank topics based on business considerations. The topics were then discussed and ranked in two workshops: one with the executive management team and one with key people from different disciplines in the Bank. This resulted in a materiality matrix. (See the figure on page 9)

The following were particularly important topics for SpareBank 1 Østlandet in the materiality analysis:

- Responsible lending
- Financial crime
- Requirements for providers of financial services
- Ethics and anti-corruption
- Ethical marketing of products and services

The materiality analysis helps to ensure that the Bank can establish relevant goals and measures for its sustainability work, as well as collect data that can be used as a basis for making decisions. When the Bank reports on its corporate social responsibility work in line with the international standard GRI (Global Reporting Initiative) it bases this on the materiality analysis's priority areas. SpareBank 1 Østlandet will carry out GRI reporting for the first time in the 2017 annual report. GRI data and information are an integral part of the annual report. (See GRI index note 45)

Stakeholder engagement in many arenas

Input from stakeholders is part of the work on securing long-term value creation for the Bank and the local communities of which we are a part. See the map of stakeholders on the next page.

Data on the views of customers and other respondents is regularly obtained through customer and market surveys. Based on these, the Bank can prioritise the right measures to improve services, products, and financial and non-financial results.

Surveys showed that customer satisfaction was stable throughout the year. A special position survey carried out in the SpareBank 1 Alliance confirmed SpareBank 1 Østlandet's strong position as a market leader in Hedmark. In the other counties in its market area, the Bank is a challenger aiming to grow.

It also maintained a dialogue with various stakeholders in connection with both the merger and IPO processes. Prior to the IPO in June, the Bank organised a 12-day roadshow involving 67 information meetings, both local and international, to inform people of their opportunity to invest in the Bank's equity certificates and answer any questions. There was a great deal of local and international interest. During the autumn, the Bank also had a dialogue with external and internal stakeholders in connection with the materiality analysis (described in the previous chapter).

See stakeholder engagement on page 12.

Corporate social responsibility in a broad sense

SpareBank 1 Østlandet is primarily a regional actor that operates in central Eastern Norway. Because of this, the Bank's main focus is on sustainability, growth and development in the local communities of which the Bank is a part. The Bank's 38 branches have authorised financial advisers with local knowledge about their communities. At the same time, the Bank is a digitalised bank with a committed presence in social media. The customers choose the channels they want to contact the Bank via: telephone, web meetings or via messages and chat in the online bank.

The Bank will act responsibly in every context. Value creation, decisions and business practices must be based on a long-term perspective. While SpareBank 1 Østlandet's focus is primarily regional, it also takes account of global consideration in its operations. Sustainability within credit for corporate customers, in the Bank's own investments, and at the Bank's fund providers was also reviewed in 2017.

Responsible credit for corporate customers

SpareBank 1 Østlandet primarily finances small and medium-sized Norwegian enterprises in the Bank's market area in Hedmark, Oppland, Oslo and Akershus. The goal is to be a positive contributor in the area of sustainability in order to improve companies' awareness and practices in relation to topics such as the environment, ethics, corporate social responsibility, business management and corporate governance. This also applies to small enterprises that perhaps do not think of themselves as part of a larger global value chain. Under the leadership of the corporate banking department, the Bank's goal is to use its regional position to encourage companies to do better. SpareBank 1 Østlandet also wants to help improve green competitiveness and sustainable value creation in the business sector in Eastern Norway.

Stakeholder chart for SpareBank 1 Østlandet

Data on how customers and other respondents view the Group is regularly obtained through various forms of stakeholder dialogue. Based on these, the Bank can give priority to the right measures to improve both financial and non-financial results. The Bank's various stakeholders are outlined below.



- **Employees:** Parent Bank, subsidiaries, elected representatives, safety representatives, pensioner association.
- **Customers:** Retail customers, corporate customers, public sector customers, entrepreneurs.
- **Owners:** Sparebankstiftelsen Hedmark, equity certificate holders.
- **Subsidiaries:** EiendomsMegler 1 Hedmark Eiendom AS, EiendomsMegler 1 Oslo Akershus AS, SpareBank 1 Regnskapshuset Østlandet AS, Youngstorget 5 AS, Vato AS, SpareBank 1 Finans Østlandet (the latter is 95 per cent owned by SpareBank 1 Østlandet.)
- **Part-owned companies:** SpareBank 1 Gruppen AS, SpareBank 1 Banksamarbeidet DA, SpareBank 1 Kredittkort AS, Torggata 22 AS, SMB Lab AS, KOMM-IN AS, Proware AS, SpareBank 1 Betaling AS, SpareBank 1 Boligkreditt AS, SpareBank 1 Næringskreditt AS. The Bank also has investments in SpareBank 1 Markets AS and Totens Sparebank, among others.
- **Authorities:** Municipalities, regional boards, county councils, county governors, Norwegian government, courts system, Norwegian parliament, Financial Supervisory Authority of Norway, Norges Bank, Norwegian Competition Authority, Consumer Ombudsman.
- **Capital markets:** Equity certificate 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, organisations and clubs.
- **Partners:** SpareBank 1 Alliance, national and local actors.
- **Grant recipients:** Recipients of grants from the Art Fund, talent stipends and other donations for non-profit purposes.
- **Special 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 Inland Region, Vikinglauget.
- **Society, opinion, public actors:** Non-customers, potential customers, the Norwegian Financial Services Complaints Board (FinKN), opinion, politicians, university colleges, universities, emergency response: police/medical/fire.
- **Media:** Local free newspapers, local newspapers, regional media, national media, Norwegian Broadcasting Corporation, national and local, NTB.
- **Social media:** Social media opinions.
- **Rating agencies and analysts:** Moody's Analysts.
- **Oslo Stock Exchange**

Stakeholder dialogue 2017

The Bank has an established process for identifying and involving stakeholders and integrating their input into its operations. An overview of the Bank's stakeholder engagement in 2017 is provided below.

Stakeholders	Arena for dialogue	Most important topics for stakeholders	Measures associated with topics
Customers	<p>Customer and market surveys in the retail and corporate market.</p> <p>Customer needs and positioning surveys.</p> <p>Position surveys.</p> <p>Information meetings about the IPO and equity certificates.</p> <p>Beta testing in the online bank, private among around 5,000 customers.</p> <p>The direct bank (customer service centre for retail and corporate customers within everyday banking services, credit and insurance).</p> <p>The Bank's channels in social media.</p> <p>Customer communication in the online bank.</p>	<p>Merger and new name for merged bank.</p> <p>The customers want a warm, accommodating and secure bank.</p> <p>The Bank's position in the market.</p> <p>Testing of new functionality/pages in the online bank.</p> <ul style="list-style-type: none"> • Traffic insurance fee (TFA). • Electronic retrieval of tax return and pay information for online loan applications via Altinn. • Invoice – lack of explanatory text on invoices generates telephone calls. • Charges. • Share savings accounts. <p>Downtime in online and mobile bank.</p> <p>The Fair Finance Guide.</p>	<p>Surveys contributed to the choice of the name SpareBank 1 Østlandet.</p> <p>Adapting the brand to the target group's needs.</p> <p>Consolidating the Bank's position.</p> <p>Improvements were made following feedback from customers.</p> <p>Annual motor vehicle tax is collected by the insurance companies.</p> <p>The Bank provides information about the scheme.</p> <p>Updated service messages published via relevant surfaces.</p> <p>Regular communication with updated and relevant information.</p>
Employees	<p>Status surveys in connection with the merger.</p> <p>Survey on choice of name for merged bank.</p> <p>Cooperation and working environment committees.</p> <p>Regular dialogue with trade unions.</p>	<p>Information, leadership, working environment, business.</p> <p>New name for merged bank.</p> <p>The Norwegian Motor Insurers' Bureau (TFF).</p>	<p>The status surveys produced very positive results and helped boost confidence in the chosen change and communication processes related to the merger. Follow up measures were also implemented as needed.</p> <p>The name survey contributed to the choice of the name SpareBank 1 Østlandet.</p> <p>New routines for submitting and taking out guarantees for motor vehicles.</p>
Owners	<p>Information meetings and investor presentations in connection with the IPO.</p> <p>Supervisory Board.</p> <p>Stock exchange reports and quarterly reports.</p> <p>Press conferences, topic presentations.</p>	<p>Various questions associated with the Bank's equity certificate.</p> <p>Merger and IPO.</p>	<p>A number of information measures targeted directly at customers such that they would have an opportunity to own part of the Bank.</p>
Authorities	<p>Contact with the Ministry of Finance, Financial Supervisory Authority of Norway, Norges Bank, Norwegian Data Protection Authority.</p>	<p>IPO, merger and operation</p>	
Society in general	<p>Various arenas as a member of Finance Norway.</p> <p>Conversations with the Consumer Council of Norway and the Fair Finance Guide about the ethical bank guide.</p> <p>Teaching and dialogue about personal finances in lower and upper secondary schools.</p> <p>Talent day and talent party with the awarding of talent stipends to talented people within sports and culture.</p> <p>Information meetings with refugees who will be settled in the municipalities. Topic: Personal finances.</p>	<p>Responsible investments, responsible lending granting and relationship with fund providers.</p> <p>Gain more knowledge about personal finances.</p>	<p>Responding to Fair Finance Guide, updating of web pages, review of internal guidelines.</p> <p>Special, bespoke teaching programmes.</p> <p>Lectures on personal finances.</p>

The Bank is currently drawing up its own guidelines for ethics and sustainability in its credit activities for corporate customers which it will use as principles for situations that are not directly regulated by law. The guidelines must, among other things, help to ensure that the Bank encourages responsible and sustainable business operations, avoids negative attention, and assesses sustainability in high-risk cases. The Bank is also drawing up a list of industries that will require special attention and their own assessment criteria for sustainability in the area of credit. This will provide the Bank's corporate advisers with a framework for assessing how customers exercise their corporate social responsibility. The guidelines will be put to the Board in spring 2018. This will be followed by training in, and the implementation of, the framework.

Responsible investments

SpareBank 1 Østlandet holds a portfolio of bonds for liquidity purposes. As an investor, the Bank's exposure is primarily to state and state guaranteed papers within the OECD, as well as covered bonds in Norwegian and Swedish municipalities. The investments are managed by the finance department and the portfolio must satisfy the statutory requirements for liquidity and financial strength.

The Bank has started work on establishing its own guidelines for responsible investments that are intended to help ensure it does not breach the company's values and principles for, for example, the environment, climate, ethics, anti-corruption, human rights and social factors. The plan calls for the guidelines to be considered by the Board in spring 2018.

Responsible ownership

SpareBank 1 Østlandet owns stakes in jointly owned companies in the SpareBank 1 Alliance. The Bank is represented on the boards of the jointly owned companies together with other owner banks in the SpareBank 1 Alliance.

The Bank also has larger and smaller stakes in various companies based in the Bank's market area such as SMB Lab, KOMM-IN, Proaware and Totens Sparebank. Special guidelines will be prepared for the Bank's corporate governance framework in 2018.

Responsible management at fund providers

SpareBank 1 Østlandet distributes funds from external managers and has clear guidelines for the selection and follow-up of fund products and providers. The goal is to help ensure that they act in line with their own and internationally recognised principles for ethics, corporate social responsibility and sustainability. The fund providers have their own guidelines for responsible investments and the majority of them have committed to complying with the UN Principles for Responsible Investments (UN PRI).

Assessments and follow-up in general

SpareBank 1 Østlandet sits on a quality assurance committee, the Savings and Investments Committee, in the SpareBank 1 Alliance. The committee quality assures savings and investments products distributed by the SpareBank 1 banks. The product portfolio is revised annually and the screening with respect to sustainability criteria will be incorporated into the screening procedure from and including 2018.

The Bank's capital markets department is responsible for following up fund providers in SpareBank 1 Østlandet. The Bank also carries out a thorough selection process for the managers and products before they are approved for further distribution. External managers have to answer a comprehensive questionnaire which assesses the most important parameters relevant to industries. Furthermore, the Bank conducts periodic reviews with providers in which corporate social responsibility and sustainability are followed up. Because the Bank does not manage funds itself, it cannot directly control the ownership of individual companies. Fund managers are encouraged to monitor their stakes such that the companies make good choices. If the providers breach the Bank's and their own guidelines in the area, this is brought up. If the managers do not take responsibility or are unable to document monitoring activities, this can have consequences, for example with the Bank ceasing distribution of some funds.

New in 2017 and further follow-up in 2018

The Bank declined to approve some funds for further distribution in 2017 because the providers were unable to document good enough policies and guidelines within ethics and sustainability. There has been a close dialogue with fund providers and many questions were asked about exposure in specific companies. Experience shows that managers focus heavily on responsible investments. Of the cases that have been raised, most were already under consideration or being processed. There are also examples of managers having sold themselves out of companies due to enquiries from the Bank in its role as a distributor. In 2018, the Bank will continue to revise its range of funds and managers. Furthermore, the Bank will introduce more systematic fund screening so it can better identify any factors that breach stipulated policies within ethics, corporate social responsibility and sustainability.

ODIN Forvaltning

The Bank owns a stake in the fund manager ODIN Forvaltning through SpareBank 1 Gruppen. ODIN has a comprehensive sustainability policy that is integrated into its investment process. They have signed the UN Principles for Responsible Investments and entered into an agreement on continuous screening with a recognised rating company, Sustainalytics. In 2018, the Odin

funds, like other fund providers, will be screened as part of the annual product review conducted by the SpareBank 1 Alliance's quality assurance committee.

Green products and sustainable innovation

The Bank's sustainability profile should also be reflected in its products and services. Work on developing green products started in autumn 2017.

Green home loans were launched at the start of 2018. These are loans for energy saving measures in new and used homes. The loans are subject to more favourable interest rates than ordinary home loans. The Bank has also entered into a cooperation agreement with the environmentally-friendly Ydalir district project in Elverum, one of seven new districts in Zero Emission Neighbourhood (ZEN). The homes must satisfy strict requirements concerning environmental standards. SpareBank 1 Østlandet contributes by offering favourable green home loans at 0 per cent interest rate on parts of the loan.

The Bank's work on developing sustainable products and services will continue in 2018.

Consumer finances

"Jesper on the road"

The Bank's travelling teacher of personal finances, Jesper Foss, was awarded the national "Finansstafetten – en dag i skolen" prize in 2017. Foss won the prize for his tireless efforts to teach school pupils finances. In 2017, around 4.000 school pupils were visited by Foss who travels around teaching the "Boss of Your Life" programme to upper secondary school pupils and the "Economics and Career Choices" programme to lower secondary school pupils. "Jesper on the road" will keep on trucking in 2018 as well. In addition to classroom teaching, the Bank is now developing a digital version of the educational programme for lower secondary school pupils.

"Radio economist"

Financial Adviser Nina Beate Paulsen in SpareBank 1 Østlandet also provided good financial advice to consumers in 2017 in her own radio series on NRK. Paulsen debuted as a "radio economist" on NRK P1 i Hedmark and Oppland in April 2016. Since then there have been more than 60 radio pieces that are also broadcast nationally on P1+ and in district broadcasts on NRK P1 in several other counties. This means the Bank reaches many listeners with neutral, socially useful information about personal finances and consumer information.

Personal finances for refugees

The Bank has, for several years, worked with the refugee services in various municipalities on teaching refugees about personal finances. The refugees gain basic skills in financial management and learn to set up a budget. They also get an introduction to Norwegian day-to-day banking services. The Bank thus helps refugees integrate and

keep their finances healthy. Such teaching was provided in several places in the Bank's market area in 2017.

ETHICS AND ANTI-CORRUPTION

The Bank's employees must be known for their high ethical standards and be competent, trustworthy, honest and credible. The value creation must take place in accordance with best practice. Employees must not breach ethical guidelines to achieve financial targets.

The HR department bears overall responsibility for ethics in SpareBank 1 Østlandet and administers the Code of Conduct approved by the Board. Managers have a decisive effect on the ethical standards in their organisation and must put ethics on the agenda. Every employee is responsible for maintaining their integrity and complying with the Group's Code of Conduct.

SpareBank 1 Østlandet's guidelines are revised regularly, most recently in 2016, and are intended to ensure that the employees fulfil their duty of confidentiality, avoid conduct that could harm the Bank's reputation, remain impartial and deal with conflicts of interest. Furthermore, the Code of Conduct describes how employees should act in relation to gifts, customers and hospitality, as well as in other situations.

Code of Conduct reviewed in the annual Ethics Week

The Bank's employees must also confirm each year that they have reviewed and understood the contents of the Code of Conduct. This helps to ensure that ethics, impartiality, loyalty, anti-corruption and integrity are factors they consider as part of their work every day. Breaching the Code of Conduct may have consequences in relation to an employee's employment and working conditions. In 2017, 678 employees confirmed they had read and understood the Code of Conduct.

One week is set aside every year during which the Group specifically focuses on ethics. Ethics Week includes various training activities such as videoconferences, e-learning, focus via the intranet and discussing dilemmas in departmental meetings. The theme in 2017 was the new, common Code of Conduct approved by the Group as part of the merger between Sparebanken Hedmark and Bank 1 Oslo Akershus AS.

Ethics for new employees

Training is an important means of spreading understanding and awareness about ethical issues. All new employees have a bespoke training and development plan based on their role and are followed up by a personal mentor during their induction period. They take part in an induction day, meet the executive management team and are immersed in the strategy and the most important priorities and focus areas. They also review the Group's Code of Conduct and the Bank's whistle-blowing system and routines.

Whistle-blowing

The organisation has its own guidelines on whistle-blowing and facilitates whistle-blowing via a special reporting system. SpareBank 1 Østlandet expects employees to inform their immediate superior about events or activities that violate the law, regulations, or other official rules, breaches of internal guidelines, or other factors that could harm the organisation's reputation. The management needs to know about such situations so it can provide the necessary clarifications, remedy errors or harm as soon as possible, and to unwanted behaviour.

No reports or cases of corruption were registered in 2017.

Ethical marketing

The Bank risks losing both customers and its reputation if its marketing is misleading, if it does not keep its promises or if it offends general perceptions of ethics and morality.

The marketing department bears overall responsibility for ethical marketing. The Bank has internal routines that ensure the organisation stays within the constraints of the Norwegian Marketing Act. The Bank also focuses on the Code of Conduct in its marketing. It must not cause general offence, it must not incorrectly be targeted at children and young people, it must not offend minority groups or in some other manner be ethically offensive to society at large. The Bank's legal department acts as an adviser in disputes.

There were no reported breaches of the provisions and guidelines for market communications in 2017.

FINANCIAL CRIME

In today's digitalised world, financial crime often entails the misuse of a financial institution. SpareBank 1 Østlandet's security department works systemically to avoid that the Bank's products and services are used for criminal activities by its customers and external actors. Banks have a statutory duty to identify criminal acts pursuant to, for example, the Norwegian Money Laundering Act. The Bank also views combating financial crime as part of its corporate social responsibility. Focused work against financial crime helps to consolidate the Bank's reputation as a serious actor in the market.

The Bank's work on financial crime:

- Based on risk assessments within the area of anti-money laundering, the Bank implements the measures deemed necessary to reduce the risk of financial crime.
- The Bank reports suspicious transactions carried out by customers of the bank and conducts customer control.
- The Bank follows up cases of fraud in which customers either commit fraud or are defrauded. These are often

cases where the Bank is not a victim, but where it would be of great benefit to society to identify and stop the cases.

- The Bank works with public agencies such as the Tax Administration (Skatteetaten), police and Norwegian Labour and Welfare Administration (NAV) in cases of, for example, benefit fraud, tax evasion and labour market crime.
- The Bank follows up reports received by our customer service centre via our whistle-blowing channels. Suspicious transactions are also flagged by the IT systems.
- Based on own surveys and assessments, the Bank can initiate measures to reduce financial losses. Examples of cases include so-called Nigeria scams, Bitcoin scams and finn.no scams.
- A close collaboration has been established across the banks in Norway in order to identify and manage threats associated with computer crime. The banks in the SpareBank 1 Alliance have also established a joint incident response team (IRT).

A handful of customers were defrauded by Bitcoin scammers in 2017. The digital currency's rise in value has been widely covered by the media and many people have wanted to take part in the currency's value increase. Fraudsters have taken it upon themselves to exploit this by enticing people to purchase digital money. Four of the Bank's customers were defrauded of a total of NOK 2.9 million by Bitcoin scammers in 2017. These customers were followed up individually and the Bank managed to interrupt one of the scams.

Privacy protection

SpareBank 1 Østlandet administers personal and commercial customer data. The amount of information is increasing in line with the use of digital products and services. It is important to the Bank that the customers' personal data is protected in a secure and safe manner. This is vital in preventing information going astray and for maintaining the customers' trust in the Bank.

The Bank complies with current privacy protection legislation and its licence from the Norwegian Data Protection Authority. The Bank believes it is very important to inform customers how it handles personal data. This is done via, among other things, a privacy declaration that is available on its website and which forms part of the agreement with the customer. If deviations are detected by either customers or internal investigations, the situation is examined in more detail and reported to the Norwegian Data Protection Authority if necessary.

In 2017, the Bank focused on fulfilling the requirements of the new General Data Protection Regulation (GDPR)

that came into effect on 25 May 2018. The new GDPR sets even greater requirements concerning the management of customers' personal data. It gives customers greater ownership and control of the personal data they have given to the Bank. This includes the right to demand deletion of their personal data (the right to be "forgotten"), the right to transfer their data to another organisation (data portability), as well as strict regulation of any automated decisions the Bank might make.

In 2017, the Bank received one customer complaint concerning privacy protection, although the case elicited no reaction from the Norwegian Data Protection Authority.

THE SAVINGS BANK AND THE LOCAL COMMUNITY

Given its local presence, SpareBank 1 Østlandet is interested in the counties' development. The fact that the Bank has been financially strong over time is important to both retail and corporate customers. Having a solid source of capital in the region provides security and a close proximity to the decision-making process.

Business development

SpareBank 1 Østlandet contributes to business development through both its granting of credit to small and medium-sized enterprises and its active collaboration with research and educational environments. In 2017, the Bank helped to support the establishment of a global expert centre for virtualisation and augmented reality (VR and AR) in Hamar and Elverum. Behind the project are the technology company EON Reality, the Inland Norway University of Applied Sciences, local companies and public actors. The ambition is to develop 200 jobs in the next few years.

The Bank contributes through konjunkturbarmeter1.no with information and insight that can stimulate growth and development in the region. Business reports and analyses gain coverage in local media and highlight the region's collective resources. This means the Bank can be a source of socially useful information for both private and public actors. In 2017, the main topic in the Business Barometer was digitalisation of business in the region.

Another important contribution the Bank makes is arranging conferences and courses together with various actors:

- The Bank organizes an annual management conference that brings together 300 experts and business leaders.
- The Bank co-organises "Bonden som byggherre" in collaboration with Innovation Norway.

- Norges Bank seminar in collaboration with the Eastern Norway Research Institute.
- The "Opp og Fram" business seminars in Elverum and Kongsvinger.
- Board member courses together with KPMG.
- Agriculture is an important focus area for the Bank, which has many farming customers and hopes to welcome many more. In Nord-Østerdal, the Bank arranged a generation shift course in collaboration with the local farming association, the county governor's office and Vekstra.
- In autumn 2017, SpareBank 1 Østlandet took part in the Inland Region's food award in collaboration with the farming associations in Hedmark and Oppland. Candidates for the award were nominated and voted for via Facebook. The award was presented to Linda Suleng at the "Midt i matfatet" food and farming festival in the Vikingskipet sports arena in Hamar.

Giving back to the customers – customer dividends launched in 2017

The Bank wants to give back to local communities and became the first bank in Norway to share its profits by paying customer dividends. The qualification period started in 2017 and the dividends will be paid out in 2018 for the very first time after the financial statements for 2017 have been approved by the Supervisory Board. Both private individuals and companies will receive customer dividends. The customers will automatically receive an amount based on the Bank's annual profit and how much they have in savings and loans in the Bank. The Supervisory Board decides how much money will be shared out as customer dividends each year.

Donations to non-profit organisations

SpareBank 1 Østlandet has a long tradition of returning part of its profits to the local community. The Bank contributes funds directly through sponsoring recreational sports and programmes for children and young people. SpareBank 1 Østlandet has for many years also distributed millions of NOK million in grants to clubs, associations and projects within sports, culture, research, education, humanitarian work and other purposes. Examples of recipients of support last year include the Kirsten Flagstad Festival, the Nordic Poetry Festival and the lighting system at Kongsvinger Fortress. In 2017, the Sparebankstiftelsen Hedmark foundation took over the processing of all grant applications. The foundation receives significant funding every year in the form of dividends from SpareBank 1 Østlandet. The foundation continues to distribute grants. Support can be applied for via the foundation's website.

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 goal is to build pride, produce good role models and highlight potential ways of

developing talent. The talent stipend scheme is worth NOK 2 million, NOK 2 million, divided equally between arts and sports. In 2017, 70 recipients received stipends of either NOK 25 000 or NOK 50 000. In August, 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 old Sparebanken Hedmark's geographic area of operations, i.e. Hedmark, Oppland and the Municipality of Nes in Akershus. Sports stipends are awarded by a jury consisting of representatives of sports environments in Hedmark and Oppland, Olympiatoppen Inland Region and SpareBank 1 Østlandet. Art stipends are awarded by the board of Sparebanken Hedmark's Art Fund. The art stipends will be continued using the same template in 2018, while the sports stipend will cover Hedmark, Oppland, Oslo and Akershus.

Sparebanken Hedmark's Art Fund

The board of the Art Fund distributed NOK 1 million in talent stipends to 30 young artists within art and sculpture (as described above). Work continues on previously approved art projects in Eidskog, Tynset and Stor-Elvdal, as well as the replacement of art works in Strandgateparken in Hamar. Two works of art have been completed and donated as gifts to the municipalities of Engerdal and Trysil.

GETTING ONE'S OWN HOUSE IN ORDER

SpareBank 1 Østlandet wants to be an attractive and engaging employer with competent staff. The Bank tries to facilitate a good balance between work, home and leisure. The Bank should be an inclusive workplace for employees of all ages and in all phases of life. The Bank works on health-promoting measures and stimulates physical activity among its employees.

The Bank is an IW (Inclusive Working) enterprise and works systematically on preventing and following up sick leave. It facilitates special adaptations for employees who, because of illness, experience reduced capacity for work or who, for other reasons, require adaptation of work place and tasks. In collaboration with the Norwegian Labour and Welfare Service (NAV), the Bank welcomes employees who need training and work experience.

The merger process between Sparebanken Hedmark and Bank 1 Oslo Akershus AS involved substantial organisational changes. Management, corporate and support functions were affected by downsizing processes. Few key personnel were lost in the merger process and sick leave was stable at a very satisfactory level throughout the year. The total sick leave rate was 4.0 per cent in 2017.

The last status survey among the Bank's employees in November 2017 produced good results:

- 97 per cent were committed to their job.

- 95 per cent was satisfied with the communication during the merger process.
- 96 per cent felt that their manager actively supported the merger.

Training

The financial services industry has its own authorisation and certification schemes within the areas of savings and investments (AFR), personal and non-life insurance (GOS), and credit. The schemes are designed for advisers and other customer-oriented roles within the retail market. They require extensive training the first time they are taken with knowledge tests within subjects and ethics, as well as practical tests evaluated by examiners. The Bank's employees also have to document that they have updated their skills every year in order to retain their authorisation or certification. As of 31 December 2017, all of the Bank's investment advisers and financial advisers in the retail market were authorised financial advisers (AFR). The Bank also had 183 authorised advisers within GOS.

The Bank has videoconferencing equipment at all of the locations that are actively used in skills development work. General videoconferences are held on technical topics such as financing, payments, savings and pensions, non-life insurance and personal insurance, digitalisation and self-service. The Bank also has its own management academy in which all new managers take a 1-year introduction programme. In addition, the Bank has various courses and schemes for training and skills development.

Labour rights, equal opportunities and diversity

SpareBank 1 Østlandet's operations take into account labour and human rights, as well as employees' fundamental social needs. The Bank strives to avoid discrimination in all situations and wants to recruit a workforce that reflects the society of which we are a part of, irrespective of cultural background, ethnicity, religion and gender.

The Bank strives to achieve a good balance between genders at all levels of the organisation. The proportion of managerial positions with personnel responsibilities held by women was 39 per cent in 2017. Analyses of various categories of positions show that the average pay among female employees in the Bank is between 90 and 96 per cent of male employees' pay. Far greater pay differences have been reported in the Norwegian financial services industry as a whole. During autumn 2017, as part of the local pay settlement in SpareBank 1 Østlandet, a disparity pot was used to equalise unintentional pay differences between men and women.

Supplier requirements

SpareBank 1 Østlandet must take environmental, climate, ethics and social topics into account in relation to various suppliers. It is not uncommon in global

markets for suppliers and subcontractors to experience challenges in one or more of these areas. It is therefore important that the Bank has routines for assessing risks as well as guidelines for responsible procurement.

Corporate social responsibility is a topic when signing major supplier agreements. The Bank complies with the Alliance's purchasing policy in agreements that the SpareBank 1 Banksamarbeidet DA signs on behalf of the Alliance. All purchasing agreements 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) and anti-corruption measures.

Suppliers are obliged to act ethically in all circumstances in connection with all services delivered to SpareBank 1. The same requirements apply to the supplier's subcontractors and partners in connection with deliveries for the Bank.

Environment and climate

SpareBank 1 Østlandet takes account of the external environment by having Eco-Lighthouse certified offices and producing annual energy and greenhouse gas accounts based on the international Corporate Accounting and Reporting Standard developed by the Greenhouse Gas Protocol Initiative (the GHG Protocol).

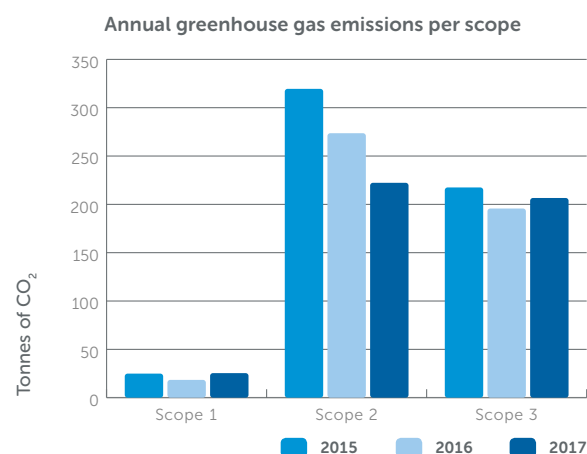
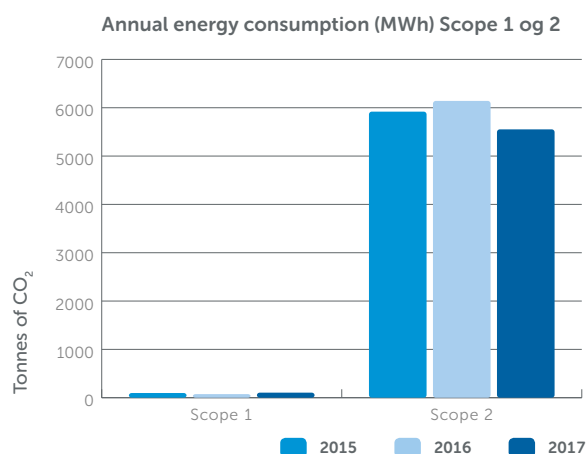
The greenhouse gas accounting cover greenhouse gas emissions from consumption due to, for example, travel, waste management, and energy use. This enables the Bank to identify the sources that impact the external environment and implement concrete measures to minimise this impact. The Bank has reduced its emissions significantly in recent years.

Because of the merger between Sparebanken Hedmark and Bank 1 Oslo Akershus, SpareBank 1 Østlandet's energy and greenhouse gas accounts for 2017 are not directly comparable with those of previous years. Only data for the "old" Sparebanken Hedmark was reported before the merger, while the figures for the remainder of the year cover SpareBank 1 Østlandet as a whole, unless otherwise specified. 2017 must therefore be regarded as a transitional year (see the greenhouse gas accounts on the next page) and it will take some time before the Bank can report separate emissions for the branches in Oslo and Akershus.

The Group is constantly developing new products that reduce its impact on the environment. Online home mortgages, mobile banking, Vipps, video meetings, text message services and sending letters and publications electronically are all measures that reduce our transport needs and paper consumption. News is now provided electronically via websites such as konjunkturbarmeter1.no, Mynewsdesk and the Bank's Nyhetssenter.

Greenhouse gas accounting 2017

ENERGY AND CLIMATE INDICATORS	2017	Change 17/16	2016	2015
Total kWh/m ²	168.3	-9.6%	186.1	175.2
Total energy consumption, Scope 1+2 (MWh)	5 657.1	-9.0%	6 215.6	6 016.3
Total emissions (S1+S2+S3) (tCO ₂ e)	454.3	-6.8%	487.7	562.0
Total (S1+S2+S3) (tCO ₂ e)/FTEs	0.6	-39.4%	1.1	1.2
Total (S1+S2+S3) (tCO ₂ e)/turnover	0.3	-6.8%	0.3	0.3
No. of FTEs	705	52.6%	462.0	468.0



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.

The greenhouse gas accounts cover SpareBank 1 Østlandet (Parent Bank). Because of the merger between Sparebanken Hedmark and Bank 1 Oslo Akershus AS in 2017 these greenhouse gas accounts are not directly comparable with those of previous years. Only data for the "old" Sparebanken Hedmark was reported before the merger, while the figures for the remainder of the year cover SpareBank 1 Østlandet as a whole. 2017 must therefore be regarded as a transitional year.

Some of the figures for 2015 and 2016 are not identical to the figures in last year's energy and greenhouse gas accounts. This is due to changes in the method for calculating emissions from air travel where the effect of radiative forcing has been added to the emissions factor. This is now included, as recommended by DEFRA (2017), and the emissions figures have been changed retrospectively to avoid a big jump in emission figures from one year to the next.

Social accounting 2017

		2017	2016
Strategy/finances	Group strategy	Strategy implemented according to plan.	Strategy implemented according to plan.
	Development of CSR strategy	Strategy revised and approved by the Board	Incorporation into steering documents completed and revision of strategy started.
	Consolidated profit before tax (NOK millions)	1 618	1 371
	Consolidated total assets (NOK millions)	108 321	101 240
	Consolidated return on equity after tax	10.2 per cent	10.5 per cent
	Consolidated common equity tier 1 capital ratio	16.8 per cent	16.9 per cent
	Annual review and confirmation of the Bank's Code of Conduct	Completed	Completed
Community/social affairs	No. of FTEs, incl. subsidiaries	1 109	1 140
SpareBank 1 Østlandet	No. of FTEs, Parent Bank	705	462
	Sick leave	4.0 per cent	4.27 per cent
	Percentage of women	53 per cent	56.3 per cent
	Percentage of women in managerial positions	39 per cent	44.4 per cent
	Average age	47.7	48
	Employee satisfaction, organisational survey	Status surveys concerning the merger process conducted with good results.	Status surveys concerning the merger process conducted with good results.
	Inclusive Workplace agreement	Continued	Continued
	Average period of service	16.4	17.3
	No. recruited, internally	15	10
	No. recruited, externally	15	9
	Turnover	2.0 per cent	3.1 per cent
Donations	Awarded to art and culture	1 997 665	2 370 625
	Awarded to sports	2 090 085	2 623 368
	Awarded to humanitarian work	331 400	491 800
	Other	782 600	1 154 400
Endowment Fund	Awarded to art and culture	5 606 000	5 022 042
	Awarded to sports and physical activity	4 900 012	8 900 029
	Awarded to education and research	1 575 000	2 203 000
	Awarded to humanitarian work/other	500 000	750 000
Sparebanken Hedmark's Art Fund	Awarded to art and culture	1 025 000	1 439 000
Business development	Awarded to innovative projects	0	In 2016, Sparebanken Hedmark focused on entrepreneurship and entrepreneurs via the "Ønsker meg 1 bedrift" competition.
	Business Barometer	The konjunkturbarometer1. no website was updated with analyses and news throughout the year. Publication issued in November.	Publication issued and the konjunkturbarometer1. no website was launched.
Environment*	* Also see separate greenhouse gas accounts		
	Total greenhouse gas emissions (tonnes CO ₂)	454	467
	Greenhouse gas emissions per full-time equivalent, Parent Bank (tonnes of CO ₂ /FTEs)	0.6	1
	No. of videoconferencing rooms	46 (All also has Skype and video access for personal PCs.)	42 (All also has Skype and video access for personal PCs.)
	No. of branches with Eco-Lighthouse certification	24	24 (19 branches and 5 satellite branches have been Eco-Lighthouse certified in line with the head office model.)

Corporate governance

Corporate governance in SpareBank 1 Østlandet includes those values, aims and overall principles that provide the basis for how the company is managed and governed, and creates the foundation for long-term value creation in the best interests of equity certificate holders, customers and other stakeholders.

On an annual basis, SpareBank 1 Østlandet evaluates the principles for corporate governance and how these are implemented in the company. SpareBank 1 Østlandet provides a comprehensive report on the principles and practice for corporate governance in accordance with the Accounting Act § 3-3b and the Norwegian Code of Practice for Corporate Governance.

NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE

The document below accounts for how SpareBank 1 Østlandet complies with the 15 topics in the Norwegian Code of Practice for Corporate Governance of 30 October 2014.

Report on corporate governance

There are no significant deviations between the Code of Practice and compliance with the Code of Practice at SpareBank 1 Østlandet.

SpareBank 1 Østlandet has adopted its own corporate governance policy, and will further develop this policy within the framework of applicable laws and in keeping with recommendations emanating from influential sources.

Through its corporate governance policy the company aims to assure sound management of its assets and to give added assurance that its stated goals and strategies will be attained and realised. Good corporate governance in SpareBank 1 Østlandet encompasses the values, goals and overarching policies by which the company is governed and controlled with a view to securing the interests of owners, customers and other stakeholder groups. The company adheres to the "Norwegian Code of Practice for Corporate Governance" to the extent appropriate to savings banks with equity certificates. Any deviations from the code are accounted for in the below text.

The company has given special emphasis to:

- a structure assuring targeted and independent management and control
- systems assuring monitoring and accountability
- effective risk management
- full information and effective communication
- equal treatment of EC holders and a balanced relationship with other stakeholders
- compliance with laws, rules and ethical standards

Staff in SpareBank 1 Østlandet shall have high ethical standards as a defining feature. To this end they must display a conduct that is perceived to be confidence inspiring, honest and trustworthy and in compliance with the norms, rules and statutes by which the society is governed in circumstances when employees are identified with the company. The ethical rules of SpareBank 1 Østlandet deal inter alia with legal (in)capacity; relationships to customers, suppliers and competitors, as well as relevant financial circumstances of the individual. This body of rules applies to members of the Board of Directors as well as all permanent and temporary employees. Securities trading and own trading in financial instruments are regulated by internal guidelines.

The company's ethical rules are available on the company's webpages.

SpareBank 1 Østlandet wishes to contribute to sustainable social development through responsible business operations. Among other things, this implies safeguarding ethics, environmental and social developments. Thus, SpareBank 1 Østlandet has developed its own strategy for social responsibility (CSR).

Corporate social responsibility is an integral aspect of the company's operations, and it is expressed through strategies, measures and activities that the company plans and implements, and through the way resources are managed and through dialogue with employees, owners, customers, local communities and other stakeholders.

The company has its own web pages on corporate social responsibility. Moreover, the annual report contains a dedicated chapter on corporate social responsibility.

Deviations from point 1 of the Code of Practice: None

Operations

SpareBank 1 Østlandet is an independent financial services group in the SpareBank 1 Alliance. «Creating together» is the vision of the company. According to the Articles of Association of SpareBank 1 Østlandet, the objective of the company 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. The company can perform regular banking operations and banking services in accordance with legislation in force at any and all times. The Articles of Association are available on the bank's website.

The company's business idea is to provide financial advice to personal customers, companies and the public sector in the primary market area, which includes the Inland counties, Oslo and Akershus counties, so that customers can realise their ambitions through investments, savings, payment and insurance of life and values. In addition, the company shall provide real estate brokerage, leasing and accountancy services. Based on positive customer experiences and competent employees, we will contribute to growth and development of the society of which we are a part.

The company's ambitions and main strategies shall be set out in the annual report.

Deviations from point 2 of the Code of Practice: None

EC capital and dividends

The Board of Directors (the "Board") continuously assesses the capital situation in light of the company's goals, strategy and desired risk profile. SpareBank 1 Østlandet has a long-term target for the CET-1 capital ratio of 16 per cent.

For detailed information on capital adequacy, see the relevant note in the annual report. For a further account of the rules governing capital adequacy and the principles on which SpareBank 1 Østlandet bases its assessment of its capital needs, see the company's Pillar 3 report, which is available on the company's webpages.

Dividends

At all times, the company shall have a clear and predictable dividend policy, determined by the Board. The dividend policy provides the basis for those dividend proposals that the Board puts forward to the Supervisory Board. The dividend policy is made publicly available on the company's webpages.

Each year, the Supervisory Board decides 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 company's equity. The share of profits belonging to the ownerless capital is normally paid to the company's customers as annual customer dividends. The customer dividend prevents a dilution of the ECC holders' ownership stake in the company. The share of the profits belonging to the ECC owners is split between dividends and the equalisation fund.

Deficits

In case of losses in the income statement, a proportional transfer of funds from the primary capital, including the endowment fund, and the equity share capital that exceeds the equity share capital, including the equalization fund, shall cover these. Losses not covered in this manner are covered by a proportional transfer of funds from the share premium reserve and the compensation fund, and thereafter by a reduction in the equity share capital as stipulated in the Articles of Association.

Purchases of own equity certificates

The Board has been granted authorisation to purchase the bank's own equity certificates for up to 10 per cent of the bank's equity certificate capital. Each equity certificate should be purchased for a price between NOK 50 and 150. The Board is free to decide how the acquisition, pledging, or disposal of equity certificate takes place. The authorisation can among other things be used for the acquisition of equity certificates that can then be acquired by the company's employees in connection with listing on the stock exchange. The authorisation is valid until the 2018 meeting of the Supervisory Board, although not after 30 June 2018.

Capital increases

The Board holds the authority to increase the equity certificate capital pursuant to section 10-10 (2) of the Norwegian Financial Institutions Act, see also the Financial Institutions Act section 10-14 (2).

The equity certificate capital can in one or more rounds be raised up to an amount equivalent to 10 per cent of the bank's equity certificate capital. The nominal value per equity certificate is NOK 50. The equity certificate holders' preferential rights can be waived. The authorisation can be used to strengthen the bank's equity if necessary, issue equity certificates as payment when acquiring businesses consistent with the purpose of the bank, or in connection with the sale of equity certificates to employees and/or employee representatives. The authorisation includes the increase of equity certificate capital against receipts of other assets than cash or the right to confer on the bank specific duties pursuant to section 10-2 of the Norwegian Financial Institutions Act, but not a decision to merge as outlined in section 13-5 of the Norwegian Financial Institutions Act. The authorisation replaces earlier authorisations to increase the equity certificate capital and is valid until the 2018 meeting of the Supervisory Board, although not after 30 June 2018.

Deviations from point 3 of the Code of Practice: None

Non-discrimination of shareholders and transactions with related parties

SpareBank 1 Østlandet has one class of ECs. Through the Articles of Association, and in the work of the Board

and the management team, emphasis is given to equal treatment of all EC holders and equal opportunity for them to exercise influence. All ECs confer an identical voting right. Owners who hold more than 10 per cent of issued equity certificates have the right to representation in the equity certificate holders' election committee. The company abides by provisions of the Financial Institutions Act 2015 regulating holdings and voting rights insofar as these provisions apply to savings banks with equity certificates.

In the event of an increase of capital, existing EC holders have pre-emptive rights unless special circumstances call for deviations from this rule. Any such deviation will be explained. SpareBank 1 Østlandet will at irregular intervals have the opportunity to launch private placements towards employees with the purpose of strengthening employees' ownership of the company and interest in the company's capital instrument. After the listing on Oslo Børs, any exercise of the Board's authorisation to acquire treasury certificates shall be by trading on the securities market via the Oslo Stock Exchange.

Transactions with related parties

Under instructions in force for the Board, a Board member is barred from participating in the consideration of, or decision in, any matter whose significance to him/herself or to any related party is such that the member is to be regarded as having, directly or indirectly, a particular personal or financial interest in that matter. The same follows from the company's ethical guidelines. Each Board member is obliged to personally verify that he or she is not disqualified from participating in the treatment of a matter.

In the beginning of each of its meetings, the Board considers whether or not any member is disqualified from participating in the treatment of a matter.

Any agreement between the company and a Board member or the company CEO must be approved by the Board, as must any agreement between the company and a third party in which a Board member, related parties or the group CEO has a particular interest. Board members are required to disclose on their own initiative any interest the individual or related party concerned may have. Unless the Board member itself opts to stay out of the consideration of or decision in a matter, the Board directors shall decide whether or not the Board member shall stay out. In the assessment, all forms of personal, financial or other interests of the Board member shall be considered as well as the need for public trust in the Board's decisions and the company's operations. The Board's assessments of legal (in)capacity must be duly recorded.

Deviations from point 4 of the Code of Practice: None

Free transferability

The company's equity certificate is quoted on the Oslo Stock Exchange under the SPOL ticker symbol and is freely transferable. The Articles of Association contain no restrictions on transferability.

Deviations from point 5 of the Code of Practice: None

General meeting

At the outset, a savings bank is a 'self-owned' institution. Its governance structure and the composition of its governing bodies differ from those of public limited liability companies; see the Financial Institutions Act 2015 chapter 8 about which governing bodies a savings bank is required to have.

Supervisory Board

The company's highest body is the Supervisory Board comprising EC holders, depositors, employees and representatives of the public authorities. The EC holders have 12 members in the Supervisory Board, while depositors, employees and public sector representatives have 14, 10 and 4 members.

The Supervisory Board shall see to it that the bank operates in line with its mission and in conformity with law, its Articles of Association and decisions of the Supervisory Board.

According to law, elected members shall in aggregate reflect the savings bank's customer structure and other interest groups as well as its social function. In a savings bank that has issued freely transferable equity capital certificates, at least one fifth and no more than two fifths of the members of the Supervisory Board can be elected by the EC holders.

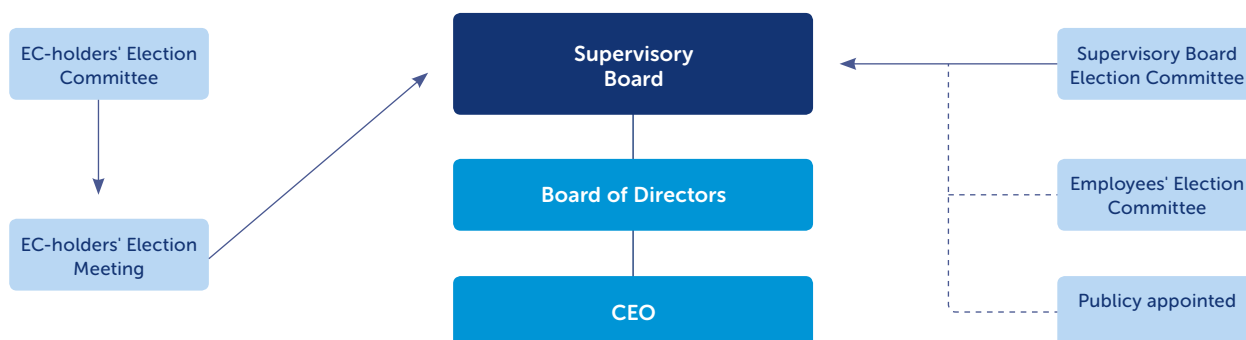
The Supervisory Board approves the company's annual accounts, gives authority to the Board for subordinated loan issues and equity capital increases, as well as electing members to the company's Board and the election committee. Moreover, the Supervisory Board determines the remuneration of these governing bodies.

The members of the Board, the company CEO and the auditor are also summoned to meetings of the Supervisory Board. They may participate in the proceedings but are not entitled to vote. The Supervisory Board chair or, in the latter's absence, the deputy chair presides over the meeting.

If a member of the Supervisory Board is not able to attend the meeting, a deputy member will be summoned. EC holders cannot be represented at meetings by proxy or counsel.

Notice of meetings of the Supervisory Board is sent to its members and is available on the bank's website at least

Governing bodies in SpareBank 1 Østlandet



21 days ahead of the meeting. The intention is that proposals for resolutions and case documents that are dispatched should be sufficiently detailed to enable the members of the Supervisory Board to take a position on the matters to be considered. Minutes of the meetings of the Supervisory Board are also made available on the bank's website.

A list of Supervisory Board members can be found on the company's web pages.

EC holders' election meeting

Annually, an election meeting for EC holders are held where representatives to the Supervisory Board are elected and information is provided about the company's financial situation. EC holders are invited to the election meeting at least 14 days prior to the meeting. The invitation includes the election committee's nomination for members to the Supervisory Board as well as other relevant material.

Those registered as owners of ECs in the VPS register is entitled to vote. Each EC gives the right to one vote. Whoever has a right to vote can be elected. All EC holders can participated in the meeting and voting by proxy is possible.

The election meeting is chaired by the chair of the Supervisory Board. Voting happens in writing unless all participants agree that voting can be conducted differently.

Deviations from point 6 of the Code of Practice: Where the composition of the company's bodies is concerned, SpareBank 1 Østlandet abides by laws and provisions that regulate financial institutions. These deviations are not deemed to entail any real difference in relation to the Code of Practice.

Election Committee

In accordance with the Articles of Association of SpareBank 1 Østlandet, election committees for depositors and for EC holders have been established. In addition, employees have an election board for their representatives.

Election committee for the Supervisory Board

The Supervisory Board elects an election committee among members of the Supervisory Board. This election committee shall consist of 5 members and 5 substitute members. The election committee consists of one representative from each of the EC holders, publicly appointed representatives, and the employees as well as two representatives from the depositors, as well as substitute members from each group. The representative of the EC holders in the election committee shall be a member of the election committee for the EC holders.

In its proposals, the election committee emphasises a composition based on competence and gender. The task of the committee is to prepare elections for the chair and deputy chair of the Supervisory Board, the chair, deputy chair, other members and substitute members of the Board of Directors as well as members and substitute members of the election committee for the Supervisory Board. The committee is also tasked with reviewing and suggesting changes where relevant in the fees for members of the respective bodies.

The election committee prepares the depositors' election of members and substitute members to the Supervisory Board. The election itself happens digitally by depositors. The proposal of the election committee shall be presented at the latest two weeks before the depositors' election takes place.

Election committee for EC holders

The election committee prepares the EC holders' elections of members and substitute members to the

Supervisory Board. Elections are held at the election meeting of the EC holders.

In addition, the committee shall prepare elections of members and substitute members to the election committee for the EC holders. Members to the committee are elected by and among the 12 members of the EC holders that are represented in the Supervisory Board. The election committee shall have four to six members and the same number of substitute members. Election committee for the employees

Elections of employees as members of the supervisory board are done by and among the employees of the company.

The Board appoints the election committee, consisting of four members. The committee is composed of three members proposed by the employees and one member proposed by the management of the company.

Deviations from point 7 of the Code of Practice: All members of the election committee for the Supervisory Board are elected from the groups represented on the Supervisory Board, in accordance with the Articles of Association. At this time expanding the committee by one member from outside the supervisory board has not been considered.

Supervisory board and Board of Directors, composition and independence

See point 6 for information about the Supervisory Board. The Board consists of eight regularly attending members and six substitute members, of which the substitute member of the Norwegian Confederation of Trade Unions (LO) attends regularly.

The Board is appointed by the Supervisory Board based on the nomination of the election committee with the exception of Board members and substitute members who are elected by employees. Moreover, one member and one substitute member shall represent LO. Four of the Board's eight members are women. The chief executive is not a member of the Board. A regularly attending substitute member of LO also attends Board meetings. None of the board members elected by the Supervisory Board have any employment or contractor relationship with the company beyond their position as an elected officer. The election committee has assessed the independence of Board members.

Board members are appointed for two years at a time. The chair and deputy chair are appointed by the Supervisory Board in special elections and for two years at a time. Substitute members are appointed for one year at a time.

The composition of the Board is based on expertise,

capacity and diversity. The individual Board member's background is also described in the annual report and on the company's website.

The election committee shall ensure that the composition of the Board is such that members' qualifications fulfil the criteria of the Financial Institutions Act 2015 on suitability.

The Board meets at least 11 times each year, and the members' attendance at meetings of the Board is described in the annual report.

Deviations from point 8 of the Code of Practice: None

Work of the Board of Directors

Board instructions regulate the Board's work and procedures, and annual plans are prepared for the work of the Board. The Board manages the company's operations in compliance with laws, Articles of Association and resolutions of the Supervisory Board.

The Board is responsible for ensuring that the assets at the company's disposal are managed in a safe and appropriate manner. The Board is also required to ensure that accounting and asset management are subject to satisfactory control. In addition, the Board adopts the company's strategy, budget and market and organisational objectives. The Board appoints and dismisses the company CEO.

Board members must not participate in discussions or decisions concerning cases of particular importance for the individual itself or related parties. Board members shall on their own initiative inform about any interests the individual itself or related parties have in decisions of the Board. The Board decides whether or not the individual board member needs to withdraw from proceedings in the case.

The Board receives regular reports on profit performance, market developments, management, personnel and organisational developments, as well as developments regarding the company's risk exposure. The Board conducts an annual evaluation of its work with respects to how it functions, case proceedings, meeting structure, and the prioritisation of tasks, giving a basis for changes and measures to be implemented. In addition, the competence of the Board is evaluated.

Audit and Risk committees

The Board has established an Audit Committee and a Risk Committee, consisting of three to four members from the Board. Members are appointed for a period of two years. The Audit and Risk committees are preparatory and advisory working committees to the Board, with the aim of making assessments of selected issues, thereby improving the considerations of the Board. The Board

establishes instructions for the committees.

The tasks of the Audit Committee are pursuant to the Financial Institutions Act (2015) section 8-19.

The Audit committee shall prepare the Board's follow-up of the financial reporting process, as well as expressing an opinion on the choice of auditor. The committee shall have continuous contact with the bank's appointed auditor concerning the auditing of the annual accounts, and evaluate and monitor the independence of the auditor, including the extent to which services other than auditing provided by the auditor or firm of public accountants pose a threat to their independence.

The Risk Committee's tasks are pursuant to the Financial Institutions Act (2015) section 13-6 (4).

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 company's relative risk level. The committee shall monitor the internal control systems, including the company's internal auditing and ethical guidelines.

Remuneration committee

The Board has established a Remuneration Committee which shall be a preparatory body to assist the Board in setting the terms and conditions of employment for the CEO of SpareBank 1 Østlandet as well as the main principles and strategy for compensation of the company's senior management.

The committee consists of three members from the Board, with each appointed for one-year terms. One of the members shall be an employee representative. The Board appoints the chair and establishes the mandate of the Remuneration Committee.

The committee shall be a preparatory body to the Board in matters relating to the design and practice of guidelines and framework for the company's compensation policy. The company's compensation policy is intended to promote sound management and control of the company's risk, discourage excessive risk taking, encourage a long-term perspective, contribute to avoidance of conflicts of interest and be in compliance with applicable law and regulations.

The tasks of the remuneration committee are pursuant to the Financial Institutions Act (2015) section 15-4 (2).

Deviations from point 9 of the Code of Practice: None.

Risk management and internal control

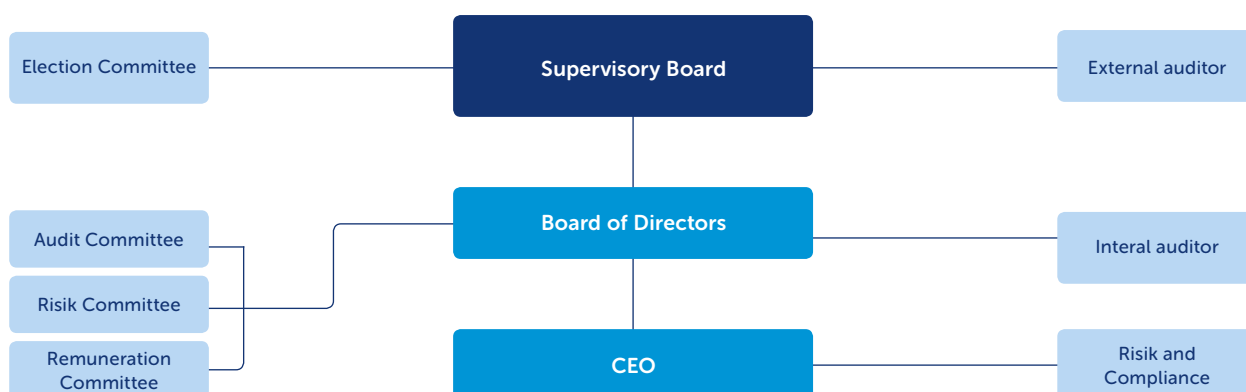
Sound risk and capital management are central to SpareBank 1 Østlandet in terms of long-term value creation. Internal control aims to ensure efficient operation and proper management of risks of significance for the attainment of business goals.

The company's report on capital requirements and risk management, the Pillar 3 Report, contains a description of risk management, capital management and capital calculation. The report is available on the company's webpages.

SpareBank 1 Østlandet aims to maintain a moderate to low risk profile and to apply risk monitoring of such high quality that no single event will seriously impair the company's financial position. The company's risk profile is established through policy documents for different risk areas and quantified through targets for inter alia rating, return on equity return, and regulatory capital adequacy.

The Board reviews the company's development in the main risk areas on a quarterly basis and reviews the internal control system on an annual basis. The Board has the main responsibility for setting limits to and

Risk management and internal control bodies in SpareBank 1 Østlandet



monitoring the company's risk exposure. The company's risks are measured and reported in accordance with the principles and policy adopted by the Board.

Risk management at SpareBank 1 Østlandet underpins the company's strategic development and goal attainment, and shall ensure financial stability and sound asset management.

The department for Risk management and compliance reports to the Board and the company management on a quarterly basis.

Internal control in relation to financial reporting

The department for Finance is headed by the finance director (CFO) and is organised independently of the business areas.

The unit attends to financial reporting at both parent-bank and group level, and sees to it that reports are made in accordance with applicable legislation, accounting standards and the company's accounting policies. The CFO reports directly to the group CEO. Each quarter the external auditor conducts a limited audit of the company's interim financial statements. A full audit is conducted of the company's annual financial statements.

Internal audit

The internal audit function is a tool used by the Board and the administration to oversee that the risk management process is targeted, effective and functions as intended. Internal audit services are delivered by EY and these services cover the parent bank and subsidiaries subject to risk management and internal control regulations.

The internal audit function reports semi-annually to the Board, which adopts annual plans and budgets for the internal audit function. The internal audit's reports and recommendations are reviewed and improvements implemented on a continuous basis.

Ethics and whistleblowing

Ethical guidelines have been drawn up for the company, and ethics is a standard topic at seminars for all new staff members. In addition, the company organises a week of ethics, where all employees participate in discussions focussed on relevant ethics topics. This helps to ensure that the company's values and ethical guidelines are properly communicated and made known throughout the organisation. Clear guidelines have been established for internal communication should an employee learn about matters that conflict with external or internal rules or other matters that could harm the company's reputation or financial situation. Ethical guidelines are available on the company's webpages.

Deviations from point 10 of the Code of Practice: None

Remuneration to the Board of Directors

The Board members' fees that are recommended by the election committee and adopted by the Supervisory Board are not performance-related and no options are issued to the Board members. The Board's chair is remunerated separately, and members participating in Board committees receive additional remuneration for doing so. None of the Board members appointed by the Supervisory Board perform tasks for the company beyond serving on the Board of Directors. Further information on compensation to the Board and Board committees is shown in note 23 in the annual report.

Deviations from point 11 of the Code of Practice: None

Remuneration to senior employees

The company has established a remuneration policy that is in accordance with the company's overarching objectives, risk tolerance and long-term interests. The policy has been adopted by the Board and presented to the Supervisory Board. The policy is designed to promote and incentivise good management and control of the company's risks, to counter excessive or undesired risk-taking, to pre-empt conflicts of interest and to be in accordance with applicable law and regulations. The company's remuneration policy has special rules for senior management, for other staff and elected officers with tasks of particular relevance to the company's risk exposure and for staff and elected officers with control tasks. See also the requirements in the Regulation on remuneration schemes at financial institutions, investment firms and fund management companies.

The Board has appointed a remuneration committee which acts as a preparatory body for the Board in cases relating to the compensation of the company CEO. The committee also recommends to the Board guidelines for remuneration to senior management. The Board establishes the mandate for the remuneration committee. See also the account of the Board's remuneration committee under point 9.

A description of the remuneration scheme and the remuneration of the CEO and other senior management is provided in note 23 to the annual report.

Deviations from point 12 of the Code of Practice: None

Information and communication

The company's information policy is based on an active dialogue with various stakeholders with a focus on openness, predictability and transparency. The open information practices shall conform to ethical guidelines and the Financial Institutions Act (2015) section 9-6 and 9-7, limited by the current non-disclosure rules at any given time

Correct, relevant and timely information about the company's development and results shall build trust towards investors. SpareBank 1 Østlandet has a website for investor relations. The financial calendar, annual and interim reports, presentation material and company announcements are all made available on the investor relations pages. All price-sensitive information shall be published in both Norwegian and English.

In addition to the investor relations webpages and company announcements, information will be provided to the market through regular presentations to partners, lenders, and investors. All reporting is based on openness and equal treatment of financial market participants. The Board has adopted an IR-policy which is available on the company's webpages.

Deviations from point 13 of the Code of Practice: None

Take-overs

SpareBank 1 Østlandet is a partly 'self-owned' institution which cannot be taken over by others through acquisition without consideration of the matter by the company's governing bodies. In addition, the Sparebanken Hedmark Sparebankstiftelse (the foundation) will at all times own at least 50 per cent of the ECs, as laid out in the foundation's articles of association. A savings bank's ownership structure is regulated by law, and approval from the Norwegian Financial Supervisory Authority must be granted for ownership stakes higher than 10 per cent of the equity certificate capital. An overview of the largest EC holders in SpareBank 1 Østlandet can be found on the company's web pages.

Deviations from point 14 of the Code of Practice: Statutory limit on equity holdings.

External auditor

An external auditor is appointed by the Supervisory Board upon the recommendation of the Audit committee and nomination by the Board. The auditor is identical for all companies in the group. The external auditor performs the statutory confirmation of the financial information provided by the companies in their public financial statements. Each year, the external auditor presents a plan for the audit work to the Audit committee. The external auditor attends meetings of the Board at which the annual accounts are reviewed as well as meetings of the Audit committee where the accounts are reviewed.

The Board holds at least one meeting each year with the external auditor without the company CEO or others from the company staff being present. Guidelines have been established for the day-to day management team's right to utilise the external auditor for non-audit services. Any such services from the external auditor must at all times be within the scope of the Auditors Act section 4-5. The Supervisory Board decides on the remuneration of the external auditor for the audit and any other services.

The external auditor provides the Audit committee with a description of the main elements of the audit for the previous accounting year, including whether any significant weaknesses have been identified in the bank's internal control related to financial reporting processes and including suggestions for improvement. In addition, the auditor confirms his independence and discloses whether any services other than statutory audit have been delivered to the company over the course of the accounting year.

Deviations from point 15 of the Code of Practice: None.

A look back at 2017



The third largest bank merger in Norway

The merger between Sparebanken Hedmark and Bank 1 Oslo Akershus AS was completed on schedule and with synergy effects that exceeded the target. The merged bank was named SpareBank 1 Østlandet.

The overarching goal of the merger was STRONGER TOGETHER. After Sparebanken Hedmark acquired Bank 1 Oslo Akershus AS in 2016, the planning of the merger was completed with broad participation from both banks. Around 20 sub-projects worked on areas such as organisation, staffing, product coordination, new websites and communication.

The legal merger became a reality on 1 April 2017. Since that date the Bank has had a new organisational structure and new executive management team.

Several alternative names for the Bank were considered. The recommendations from surveys and interviews of employees and customers were clear and unambiguous. SpareBank 1 Østlandet was the name liked by most and disliked by fewest in both of the banks' market areas. The Bank's supreme body, the Supervisory Board, therefore voted to change the Bank's name. However, the core values remain the same.

– The Bank's vision is *Creating together* and we choose to listen to the market. The customers should understand that although we have changed our name, we know where we come from. We are still a regional bank with a local presence. "As a regional bank that takes over and merges with a bank from the capital rather than vice versa, Sparebanken Hedmark is going against the flow," said the chief executive, Richard Heiberg. He underscored that the head office will remain in Hamar

as before. The Bank's ambition is to become a challenger in the capital region. The Bank's new name thus reflects its ambitions well.

Old signs were replaced on its bank buildings across its entire market area during the autumn. 300 people took part in the work on common banking solutions such as the online bank, mobile bank and web pages. The merger was completed with a successful technical merger on 15–16 October.

Building a corporate culture is important in a merger process. The goal of the project has been to take the best from both banks and achieve a broad group with participants from both organisations. A number of workshops for technical resources, seminars for managers, and general videoconferences were organised during the merger. A common intranet solution was also established. All of the employees were invited to a merger party in Hamar in June 2017. Four status surveys were also conducted among employees of the Bank, all with good results. The surveys showed that motivation was high and that both managers and communication scored well during the merger. This shows that the job was done well.

On 31 December, the Bank had achieved its goal with the merger and synergies amounting to NOK 82 million had been extracted with effect from 2018.



SpareBank 1 Østlandet conducted an IPO in June 2017

When the bell rang in the Oslo Stock Exchange on 13 June, SpareBank 1 Østlandet and the Bank's sought after equity certificates became listed.

An IPO is not an everyday event in Hedmark where SpareBank 1 Østlandet has its head office. The Bank is the only listed company in the county and the largest in the Inland Region. The IPO thus garnered a lot of attention from locals, the media and professional investors.

Customers and investors were able to order equity certificates from 29 May to 9 June prior to the IPO. The Bank wanted broad ownership and led by the chief executive, Richard Heiberg, it organised no fewer than 67 information meetings over 12 days both in Norway and abroad. The roadshow started in Oslo on 29 May. It visited London, Hamar, Elverum, Stockholm, Gjøvik, Lillehammer, Stavanger, Bergen, Tynset, Boston, New York, Kongsvinger and Helsinki.

Many people came to the local information meetings in the Bank's market area. The great interest shown by all types of investors resulted in buyers ordering far more equity certificates than were available. The orders were categorised into three groups: institutional and professional investors, smaller investors (private individuals and companies) and employees.

In order to ensure that all of the smaller investors received equity certificates, allocations had to be reduced. Everyone had the opportunity to purchase equity certificates for up to NOK 100 000.

Many local residents wanted to invest in their local bank. Following the IPO, the Bank gained a broad ownership base with more than 200 professional investors, more than 3 000 small investors and around 630 employees.

"The combination of employees, local owners and external investors from Norway and abroad ensures both broad ownership and that local interests will be a priority," said chief executive Richard Heiberg.

The IPO makes it easier for SpareBank 1 Østlandet to raise new equity when necessary, so it can grow further. The IPO will thus also enable the Bank to play an active role in the future structural development of the banking industry in Eastern Norway.

The equity certificates are listed on the Oslo Stock Exchange under the ticker SPOL and the equity certificate has developed well. Upon its listing on 13 June the price was NOK 78.00. At the end of the year this had risen to NOK 90.50.



Business Barometer 2017

Digitalisation and income growth in the business sector, house prices, jobs and employment have been some of the topics in this year's Business Barometer for the Inland Region.

The Business Barometer is a database of trends in the Inland Region that has been developed and is published by SpareBank 1 Østlandet. The barometer was published for the fifth year in a row in 2017. In autumn 2016, the Business Barometer got its own website and in 2017 konjunkturbarometer1.no was updated with reports and analyses throughout the year. The content is produced by the Bank in cooperation with the Eastern Norway Research Institute. In 2018, there are plans to expand the Business Barometer to include Oslo and Akershus as well.

of Norway. From 2015 to 2016, the income of ICT companies in the Inland Region rose by 14 per cent compared with a 7 per cent fall on a national basis.

- Digitalisation has made ICT development in the districts easier. Cloud based servers provide companies in the Inland Region with access to world-leading infrastructure on a par with companies in California or Oslo. Good digital solutions have helped some regions and industries to make their mark both nationally and internationally.

Main findings in 2017:

- The Norwegian economy is growing. Growth has improved thanks to low interest rates, a weak Norwegian krone exchange rate, higher oil prices and an expansive fiscal policy. The level of activity in the Inland Region's business sector rose moderately in 2017.
- Companies in the Inland Region have seen strong annual income growth of between 8 and 12 per cent in the last 5 years. Industry, the wholesale and retail trade, private services, building and construction are growing the most.
- The top 5 per cent of the largest companies in the region, a total of 349 companies, accounted for more than half of the income growth from 2012 to 2016. The big, established companies thus make an important contribution to boosting overall turnover in the business sector in the region.
- The ICT industry in the Inland Region is far ahead when it comes to developing and using new digital solutions. This has produced good results in the form of high income growth and value creation. As far as income growth is concerned, ICT companies in the Inland Region are actually doing better than the rest

The aim of the Business Barometer is to collect data on social trends and raise the awareness of public actors, business, residents and the Bank about where our strengths lie and where we must focus to create growth and development. The goal is for the barometer to help identify gaps and opportunities that can maintain and strengthen the Inland Region's attraction for future companies and generations.





The first bank in Norway with customer dividends

In 2016 SpareBank 1 Østlandet obtained approval from the Ministry of Finance to distribute annual customer dividends based on the bank's profits. Distribution of customer dividends is in line with our fundamental values as a savings bank. The earning year started on 1 January 2017, and customer dividends will be distributed for the first time in 2018.

Ski festival in the centre of Oslo

Former Bank 1 Oslo Akershus AS, together with the Norwegian Confederation of Trade Unions, P4 Radio Station and the Norwegian Cancer Society invited the capital's inhabitants to enjoy a winter day at Youngstorget, in spite of little snow. With purchased artificial snow, Eva Kolstads gate street in the heart of the capital was transformed into a very small sledging- and skiing arena. Children and adults enjoyed themselves with sledges, and some even dared to try out the mini skis on the ski club's mobile ski jumping hill. It was an eventful and entertaining March day with games, music and happy sounds, to the benefit of the cancer cause.



This year's Christmas present to Norwegian People's Aid

Each year SpareBank 1 Østlandet gives a Christmas present to a social or humanitarian cause. The gift for 2017 was 200,000 Norwegian kroner and this was presented to the Norwegian People's Aid rescue service. The money will be used in a scheme whereby local organizations in the four counties of Oslo, Akershus, Oppland and Hedmark can apply for support for rescue equipment such as defibrillators, lighting equipment and rescue stretchers. SpareBank 1 Østlandet traditionally gives a Christmas present to a social or humanitarian cause, rather than giving Christmas presents to employees and customers.

Smart Car Insurance

In March the news arrived that Spare Bank 1 is launching a new kind of smart auto insurance, based on new technology and the measurement of data on how the car is run. Data is collected via a SmartPlug in the car and is transmitted via Bluetooth to the Spinn mobile app. The solution has been developed by SpareBank 1 Forsikring and is intended to motivate and reward drivers who drive safely. Thus the risk is reduced of injuries and accidents on Norwegian roads.



More than 100 banks are investing in Vipps

SpareBank 1 Østlandet is one of the many banks that took out ownership in Vipps in February. Together, the banks will ensure that Vipps delivers the simplest and most innovative payment services for Norwegian individuals and businesses. Through this cooperation, banks are better equipped to meet the competition from international players.

We establish the Nordic region's leading payment- and identification operator

The banks in Norway, including Spare Bank 1 Østlandet, have signed a letter of intent to further develop the world's most customer-friendly and effective payment- and identification solutions. By merging Vipps, BankAxept and BankID Norway, the aim is to create even better customer experiences and be stronger in the competition against the global technology giants.

Main bank agreement signed with three municipalities

In the fourth quarter, SpareBank 1 Østlandet entered into new main bank agreements with the municipalities of Ringsaker, Hamar and Løten respectively. The three agreements fell into place after public tendering rounds on banking services. Approximately half of the municipalities in Hedmark are customers of SpareBank 1 Østlandet. There is a large market in Oslo, Akershus and Oppland in the municipal sector where the bank has no agreements today.

A
LOOK
20



Gives table computers to children suffering from cancer

Since 2009, former Bank 1 Oslo Akershus AS has given presents to children sick with cancer at the Norwegian Radium Hospital. Instead of scrapping the employees' old PCs, the

IT department has reset them to factory defaults and sold the old computer equipment. The money

from the sale was used to bring pleasure to others. In addition, in 2017 the marketing department sold some sales

promotion articles, the proceeds from which went to children suffering from cancer. The

result was that the bank was able to give away 33

computer tablets just before Easter to the children at the Norwegian Radium Hospital.

70 young talents shared two million Norwegian kroner

SpareBank 1 Østlandet's Talent Scholarship was awarded in August to talented young people from Hedmark, Oppland, and Nes in

Akershus. The purpose of the scholarship is to assist youth in individual sports, arts and culture in

developing their talents. It is the fourth

year in a row that the bank awards such scholarships. The bank organized its own motivation day

and talent festival in the Hamar Cultural Centre in August.

Business Seminar with the Central Bank of Norway

The Central Bank of Norway's seminar in 2017 for the Hedmark and Oppland region was held at SpareBank1 Østlandet's premises in Hamar. The Central Bank relies on knowledge from small and large companies throughout the country. In Hedmark and Oppland, 200 companies in the Central Bank's regional network report on employment, investments, costs and expectations. These partners are invited each year to a seminar in which the Central Bank presents its reflections around the Norwegian economy. Figures were also presented in the seminar that indicate that the prospects and economy are good for the Innlandet region.



The launch of voice-controlled money transfer

In June SpareBank 1 Østlandet launched a new service that allows Norwegian bank customers to transfer money using only their voice. This is the first voice-controlled banking service in Norway. In the first instance, the service will only handle transfers between customers' own accounts, but the long-term aim is to make the service available for all types of transfers and payments.

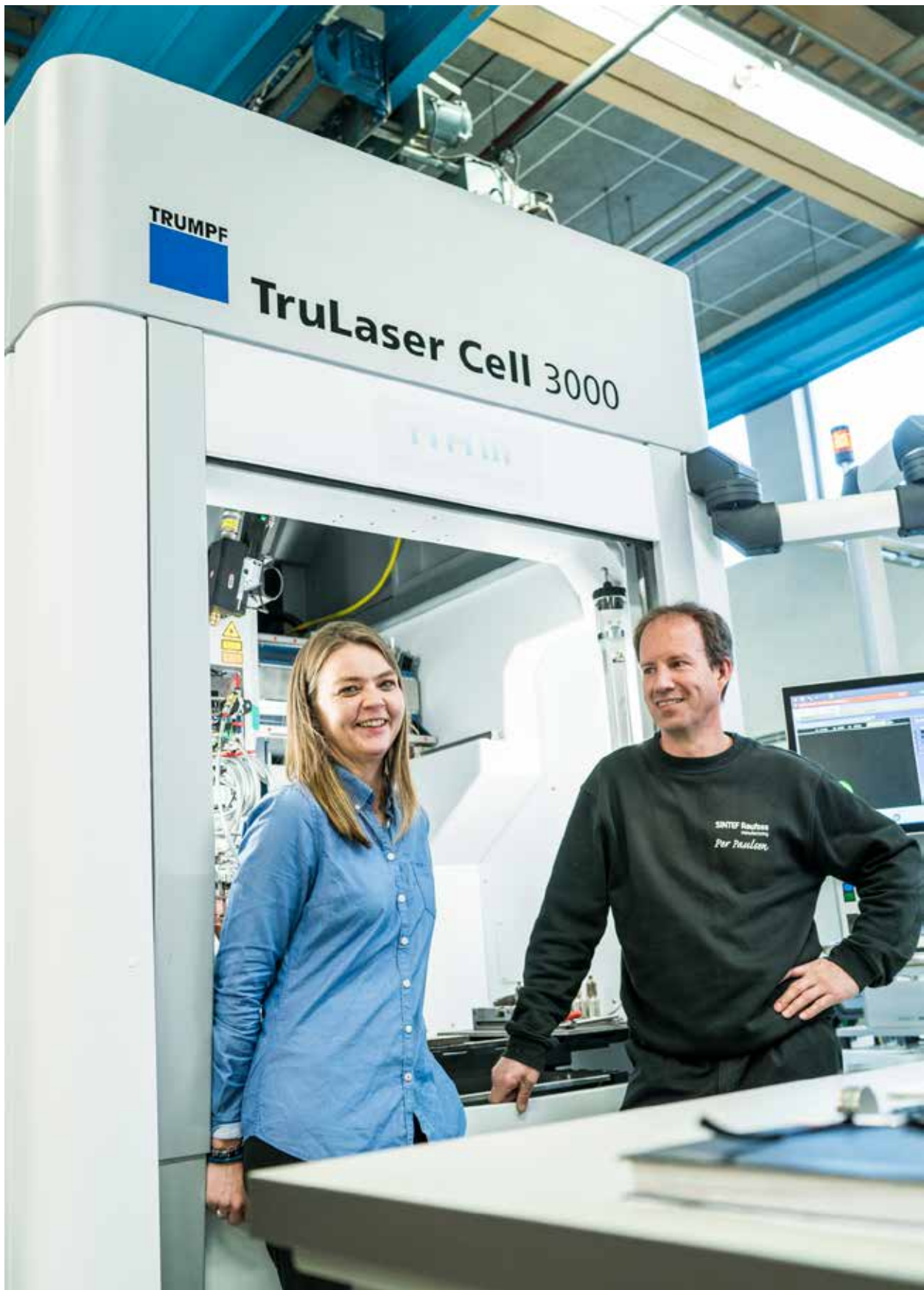
Stable interest year

In 2017, one interest change was carried out when the mortgage interest rate increased by 0.1 percentage points. The lowest mortgage interest rate was 2.35 for mortgages to young people. The best savings interest rate was 3.45 on housing savings for young people (BSU).



National award presented to "Jesper på hjul"

The national award "The financial relay – one day in school" was awarded on 7 September to SpareBank 1 Østlandet and youth coordinator Jesper Foss. It took place during Finance Norway's annual school conference. "This bank has seen a great need for courses in personal finances – and they have definitely done something about it!" He uses a language that young people understand, and he manages to create active involvement in the classrooms» stated the jury in its grounds for the award.



Innovative 3D printer. Nordic Additive Manufacturing in Raufoss has invested in a metal 3D-printer. This represents a new stage in an industrial revolution within digitalised product manufacture. The 3D printer can produce automated, bespoke products at prices close to mass production prices.

Report of the Board of Directors

SpareBank 1 Østlandet achieved a consolidated profit after tax of NOK 1.263 million in 2017, an increase from NOK 1.100 million in 2016. The return on equity after tax was 10.2 per cent and the Board is proposing a dividend payout rate of 50% of the consolidated profit for owners and customers. The Board is very satisfied with the profit for 2017.

SpareBank 1 Østlandet is Norway's fourth largest regional savings bank. It is the largest regional financial institution headquartered in the Inland Region.

A common equity tier 1 capital ratio of 16.8 per cent made SpareBank 1 Østlandet Norway's most robust regional savings bank at the end of the year.

Merger

Sparebanken Hedmark and Bank 1 Oslo Akershus AS (B1OA) merged operations with effect from 1 April 2017. At the same time, the merged bank changed its name to SpareBank 1 Østlandet. The acquisition and merger with B1OA gave SpareBank 1 Østlandet a substantial presence in the capital region.

In mid-October, SpareBank 1 Østlandet successfully completed the technical merger of all of the Bank's IT solutions. This means that the Bank now has a single common IT platform for all of its services.

SpareBank 1 Østlandet carried out a successful IPO in 2017 and on 13 June its equity certificates were listed for trade on the Oslo Stock Exchange. Its ownership structure represents a good mix of institutional, professional and private investors from Norway and abroad. Collectively, employees ended up as the eleventh largest owner of the Bank. The equity certificates trade under the ticker SPOL.

Customer dividends

Towards the end of 2016, the Bank became the first in Norway to launch customer dividends. SpareBank 1 Østlandet will distribute its profits and pay dividends to customers just as it does to its owners.

Customers will receive an annual amount based on the Bank's profit and their savings and loans balances over the year. The Board of SpareBank 1 Østlandet is proposing paying out NOK 204 million in customer dividends for 2017.

The Bank's largest owner, Sparebankstiftelsen Hedmark, will continue to make its usual donations in Hedmark.

THE GROUP AND ACCOUNTING MATTERS RELATING TO THE ACQUISITION OF BANK 1 OSLO AKERSHUS AS

The Group's composition and market area

The Group consists of SpareBank 1 Østlandet and the wholly owned subsidiaries EiendomsMegler 1 Hedmark Eiendom AS, EiendomsMegler 1 Oslo Akershus AS, EiendomsMegler 1 Oslo AS (second tier subsidiary), 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. The accounts of the above mentioned companies are fully consolidated into SpareBank 1 Østlandet's consolidated financial statements.

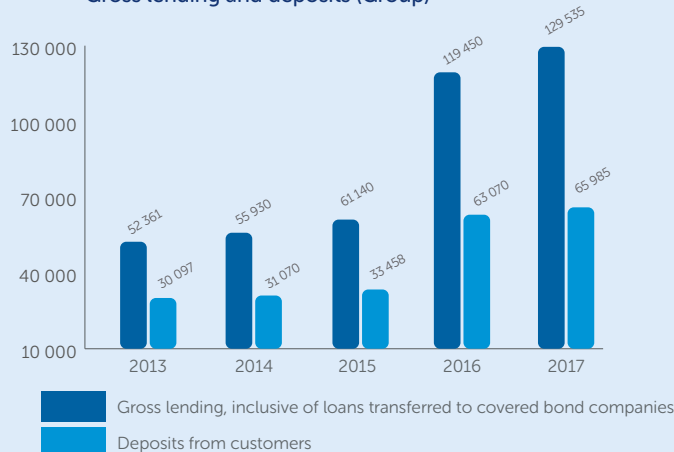
SpareBank 1 Østlandet owns 12.4 per cent of SpareBank 1 Gruppen AS, 18.0 per cent of SpareBank 1 Banksamarbeidet DA, 19.6 per cent of SpareBank 1 Kredittkort AS, 50.0 per cent of Torggata 22 AS, 20.0 per cent of SMB Lab AS, 23.7 per cent of KOMM-IN AS and 20.0 per cent of Proaware AS, plus 21.2 per cent of SpareBank 1 Betaling AS. The Bank also owns 21.1 per cent of SpareBank 1 Boligkreditt AS and 12.4 per cent of SpareBank 1 Næringskreditt AS (the covered bond companies). The profits from the above mentioned companies are recognised in the Bank's consolidated financial statements in proportion to the Bank's stake.

SpareBank 1 Østlandet's head office is in Hamar and it has 38 branches: 21 in Hedmark, two in Oppland, six in Oslo and nine in Akershus.

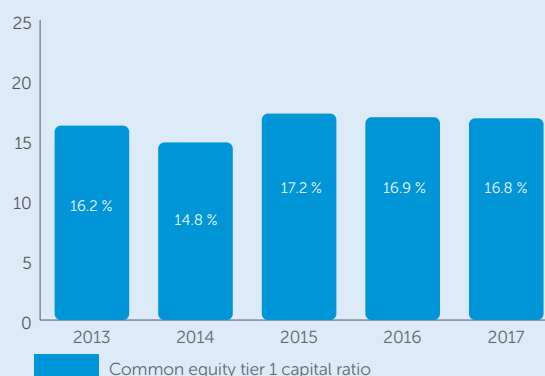
SpareBank 1 Østlandet's home market comprises the counties of Hedmark, Oppland, Oslo and Akershus. SpareBank 1 Østlandet is the leading financial institution in Hedmark where the Bank has a market share of around 50 per cent. In the other counties, the Bank is a challenger with market shares in the retail market of between four and eleven per cent and between two and eight per cent in the corporate market.

The goal of the Group is to be a full-service provider of financial products and services. Besides loans, deposits, leasing and money-transfer services, this means most savings and investment services, as well as life and non-life insurance, credit cards and various collection services through jointly owned companies in the SpareBank 1 Alliance. The Group also provides real estate brokerage and accounting services.

Gross lending and deposits (Group)



Common equity tier 1 capital ratio



The Group distributes its products and services via a number of channels. The Group has a clear local presence thanks to its substantial network of branches that offer personal advice. The Group offers a broad range of services in other channels too where customers have access to services via a direct bank on the telephone, chat and video, as well as an online bank and mobile phone solutions.

The Group's development

The Group's total lending to retail and corporate customers grew by 8.4 per cent in 2017. This includes loans transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. Retail lending grew by 8.7 per cent, while corporate lending grew by 7.7 per cent.

EiendomsMegler 1 Hedmark Eiendom AS's market share was 29 per cent in 2017, unchanged from 2016. EiendomsMegler 1 Oslo Akershus AS's market share was 8.4 per cent in 2017, compared with 8.9 per cent for 2016.

The Group's most important customer groups are the retail market, small and medium-sized enterprises, and the organisation market, in which the trade union movement is especially important.

Changes in customer behaviour and the increasing automation of work processes are creating both opportunities and an expectation that the Bank's products and services will be available in all channels. The Bank is therefore investing heavily, through the SpareBank 1 Alliance, in the development of future-oriented system solutions for self-service and efficient customer advice.

Acquisition of Bank 1 Oslo Akershus AS

SpareBank 1 Østlandet's acquisition of the remaining 59.5 per cent of the shares in B1OA was completed with accounting effect from 29 June 2016. In the first half of 2016, the profit from B1OA and its subsidiaries were

recognised in the consolidated accounts based on the equity method with a stake of 40.5 per cent. From the second half of 2016 until the banks were merged, B1OA's profit were fully consolidated into the consolidated accounts of SpareBank 1 Østlandet. From the date of the merger on 1 April 2017, the former B1OA has been reported as a part of the Parent Bank.

These changes in the Group's structure mean that SpareBank 1 Østlandet's consolidated financial statements for 31 December 2017 are not directly comparable with last year's figures. Please see note 44 for comparable figures for last year. This shows the adjusted consolidated profit at 31 December 2016 as it would have been with 100 per cent ownership of B1OA from 1 January 2016.

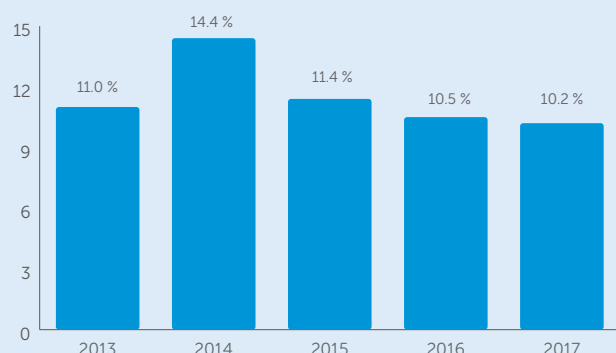
CONSOLIDATED PROFITS AS AT 31 DECEMBER 2017

The annual accounts are presented on the going-concern assumption, and the Board of Directors hereby confirms the basis for continued operation.

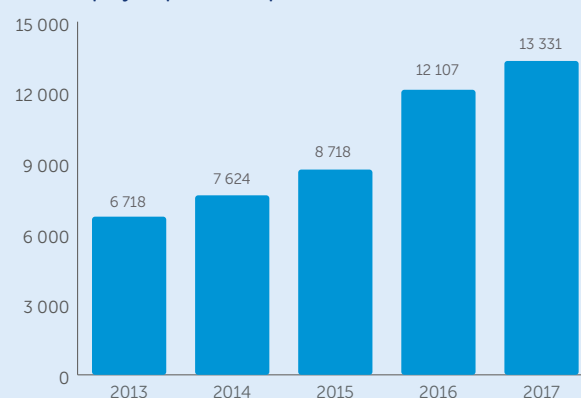
The figures below are consolidated figures. Figures in parentheses refer to the same period of 2016 unless otherwise stated.

The consolidated profit after tax for 2017 was NOK 1 263 (1 100) million. The return on equity was 10.2 (10.5) per cent. The changed stake in the former B1OA from 30 June 2016 means that last year's figures are not directly comparable with this year's.

Return on equity capital (Group)



Equity Capital (Group)

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

	2017	2016
Parent Bank's profit after tax	1 102	964
Dividends received from subsidiaries/ associated companies	-266	-389
Share of the profit from:		
SpareBank 1 Gruppen AS	222	192
Bank 1 Oslo Akershus AS (Q1-17)	119	250
SpareBank 1 Boligkreditt AS	-44	-25
SpareBank 1 Næringskreditt AS	1	2
EiendomsMegler 1 Hedmark Eiendom AS	10	14
EiendomsMegler 1 Oslo Akershus AS - Konsern	-12	2
SpareBank 1 Finans Østlandet AS	118	86
SpareBank 1 Regnskapshuset Østlandet AS	-3	2
SpareBank 1 Kredittkort AS	17	17
SpareBank 1 Betaling AS	-7	-25
Other associated companies/joint ventures	5	11
Consolidated profit after tax	1 263	1 100

Net interest income

Net interest income for 2017 was NOK 1 956 (1 490) million. Net interest income must be viewed in conjunction with commissions from mortgages transferred to the part-owned covered bond companies (recognised in the income statement as commissions) totalling NOK 377 (225) million. In total, net interest income and commissions amounted to NOK 2 333 (1 715) million. The increase is mainly due to growth in lending and a changed ownership stake in the former B1OA. Net interest income as a percentage of average total assets was 1.86 (1.79) per cent.

Net commissions and other operating income

Net commissions and other operating income amounted to NOK 1 263 (939) million. The increase is mainly due to a changed ownership stake in the former B1OA.

NOK million	2017	2016
Net money transfer fees	202	168
Commissions revenues from insurance and savings	197	140
Commissions revenues from covered bonds companies	377	225
Real estate broker commission	297	198
Accounting services	149	158
Other income	43	51
Net commissions and other (non interest) income	1 263	939

For more detailed information about the various profit centres in the Group, please see note 4 'Segment information'.

Net income from financial assets and liabilities

The net result from financial assets and liabilities was NOK 277 (220) million.

Dividends of NOK 11 (46) million consist mainly of dividends from Totens Sparebank of NOK 9 (7) million. Last year, the Bank received a dividend from Visa Norge of NOK 38 million.

The net profit from ownership interests amounted to NOK 194 (236) million.

Contribution from Associated companies and joint ventures	2017	2016	Change
SpareBank 1 Gruppen AS	222	192	30
Bank 1 Oslo Akershus AS	0	71	-71
SpareBank 1 Boligkreditt AS	-44	-25	-19
SpareBank 1 Næringskreditt AS	1	2	-1
SpareBank 1 Kredittkort AS	17	17	0
SpareBank 1 Betaling AS	-7	-25	18
Other associated companies/joint ventures	5	5	0
Net profit from ownership interests	194	236	-42

The reduction of NOK 42 million is mainly due to the fact that the share of profits from the former B1OA was included in income from ownership interests in the first half of 2016. The profits from SpareBank 1 Gruppen AS and SpareBank 1 Betaling AS have improved compared to last year, while the profits from SpareBank 1


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. Is currently the general manager of Tynset Bokhandel. She was elected to the Board in 2006. Chair of the Board since 2012.


Nina Cecilie Lier

(born 1972) board member, deputy chairman, 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.

Boligkreditt AS have been reduced. The result from SpareBank 1 Boligkreditt AS was negatively affected by a change in basis swap value adjustments linked to its own borrowing. The reasons for this are twofold: the market price for new basis swaps has decreased, while previously booked gains are reversed as the basis swaps matures.

The net result from other financial assets and liabilities was NOK 72 (-62) million. The Group's issued securities, 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. So far this year there has been a contraction in the credit spread for Norwegian senior unsecured bonds. For a five-year senior issue in a Norwegian regional savings bank, the market's credit spread was reduced from an estimated 85 basis points at the start of the year to around 65 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 value for own debt results in an unrealised loss, while the rise in value for purchased fixed-income securities results in an unrealised gain.

The net effect of price changes for all fixed-income securities, inclusive of hedging transactions, was NOK -13 (-91) million, almost all of which are unrealised losses. Over the maturity of the securities, the market value will move towards the par value, and unrealised gains and losses will approach zero as long as the securities are not redeemed. The change in value for securities issued, inclusive of hedging transactions, was NOK -58 (-146) million.

The net profit from other financial assets and liabilities also includes a gain of NOK 26 million from the sale of Nets Holding ASA in connection with the subsequent sale of Nets Holding's shares in VISA Europe Ltd.

Please also see note 22 'Net income from financial assets and liabilities'.

Operating costs

Total operating costs were NOK 1 898 (1 203) million and amounted to 54.3 (45.4) per cent of net income. The increase in costs is mainly due to the fact that, in the first half of 2016, the share of the profits from the former B1OA and subsidiaries was included in the group by the equity method with a 40.5 per cent share. From the second half of 2016, the results from B1OA were fully recognised into the group accounts. In 2017 the operating costs from former B1OA has had full year effect in the accounts on a fully owned basis.

The former Sparebanken Hedmark wound up its defined benefit pension scheme in the third quarter of 2016, reducing staff costs by NOK 271 million. The former B1OA closed its defined benefit pension scheme on 1 January 2017, and this resulted in a gain that reduced personnel costs in the former B1OA by NOK 53 million. Recalculated pension costs for 2016 resulted in a cost of NOK 29 million in 2017.

NOK 30 million was recognised as costs in connection with the IPO, NOK 14 million of which were personnel costs associated with the employee discount on purchases of equity certificates and managers' fees for the employee issue of new ECs.

NOK 81 million was recognised as costs in connection with the merger process, NOK 37 million of which was linked to severance pay. The remaining costs were primarily linked to IT and the use of external consultants.

At 31 December 2017, there were 1 109 (1 140) full-time equivalents in the Group.

Net loan losses

For 2017, the Group saw net reversals on losses of 20 million (cost of NOK 75 million). The net reversal on losses were primarily due to a reduction in collective impairment provisions of NOK 42 million (cost of NOK 22 million).

Net loan loss provisions are distributed as follows:

**Erik 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**

(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

Specification of total losses on loans and guarantees in the period, NOK million	Total	PM	BM	SB1FØ
Change in individual impairments in the period	-8	-2	-7	2
Change in collective impairments in the period	-42	3	-47	2
Realised losses on commitments for which earlier impairment provisions have been made	36	4	11	21
Realised losses on commitments for which no earlier impairment provisions has been made	12	4	4	4
-Recoveries on loans and guarantees previously impaired	19	1	15	3
Total losses on loans and guarantees in the period	-20	8	-54	26

74 per cent of the SpareBank 1 Østlandet Group's total lending, including loans transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, are loans for the retail market, primarily consisting of residential mortgages. The corporate market portfolio has no exposure to the oil and gas industry and is otherwise characterised by low risk.

Credit risk

At 31 December 2017, gross non-performing commitments totalled NOK 287 (233) million. This corresponded to 0.3 (0.3) per cent of gross lending. Gross other doubtful commitments amounted to NOK 254 (272) million. This corresponded to 0.3 (0.3) per cent of gross lending.

The loan loss impairment ratio, measured as total individual impairments as a percentage of gross commitments, respectively, were 15 (23) per cent for non-performing loans and 41 (37) per cent for other doubtful commitments. The loan loss impairment ratio will vary over time depending on the valuation of the underlying security and collateral for the commitments.

Individual impairment to cover losses were NOK 142 (146) million at the end of the fourth quarter. Collective impairment to cover losses amounted to NOK 221 (262) million and represented 0.24 (0.32) per cent of gross lending.

Credit quality, measured as total problem loans in relation to total lending, was unchanged from the corre-

sponding period last year. In total, the Group's problem loans amounted to 0.6 (0.6) per cent of gross lending and 0.4 (0.4) per cent if one includes mortgages transferred to the covered bond companies. Credit quality, measured by expected losses, has improved. The improvement is due both to the acquisition and consolidation of BIOA and to an otherwise positive change in the probability of default and loss given default parameters.

The Board's assessment is that the Group's credit risk is low.

Total assets

Total assets at 31 December 2017 were NOK 108.3 (101.2) billion. Adjusted total assets, defined as total assets including loans transferred to the covered bond companies, amounted to NOK 147.4 (137.7) billion.

Lending to customers

Gross lending to customers, including loans transferred to the covered bond companies, totalled NOK 129.5 (119.5) billion. At the end of the fourth quarter, loans totalling NOK 37.5 (35.2) billion had been transferred to SpareBank 1 Boligkreditt AS and loans totalling NOK 1.6 (1.3) billion had been transferred to SpareBank 1 Næringskreditt AS.

Lending growth over the past twelve months, inclusive of loans transferred to the covered bond companies, was NOK 10.1 (58.3) billion, equivalent to 8.4 (95.4) per cent. The retail lending grew by NOK 7.7 billion and the corporate lending by NOK 2.4 billion. The high figures for last year are due to the acquisition and consolidation of BIOA.

Deposits from customers

At 31 December 2017, deposits from customers totalled NOK 66.0 (63.1) billion. Deposits grew in the last 12 months by NOK 2.9 (29.6) billion, equivalent to 4.6 (88.5) per cent. The retail deposits grew by NOK 0.2 billion and the corporate deposits by NOK 2.7 billion. The high figures for last year are due to the acquisition and consolidation of BIOA.

The deposit-to-loan-ratio in the Group was 72.9 (76.0) per cent.


Guro Nina Vestvik

(born 1967), board member, lives in Hamar. Vestvik holds a bachelor's degree in Business and Administration and a bachelor's degree in organization and management. She has worked for Gjensidige and Moelven Industrier and as a project manager for the city region programme in ElverumRegionen Næringsutvikling. She is currently an urban developer with Hamar municipality. Board member since 2016.


Morten Herud

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

Liquidity

Deposits from and liabilities to credit institutions, liabilities arising from issuance of securities and subordinated loan capital totalled NOK 27.7 (24.8) billion. The average time to maturity of the Group's long-term funding was 4.1 (3.4) years. The average time to maturity for all borrowing was 3.6 (3.1) years. As of 31 December 2017, the Group had reserves to maintain normal operations without access to external financing from the market for over 18 (14) months. The liquidity coverage ratio (LCR) was 114.0 (116.6) per cent. In the opinion of the Board, the Group's liquidity risk is low.

Equity certificates

At 31 December 2017, the equity share capital consisted of 107 179 987 equity certificates.

The book value per equity certificate at the end of the fourth quarter was NOK 81.14 and earnings per equity certificate were NOK 7.92 (6.95). At the end of the fourth quarter, the market price per equity certificate was NOK 90.50.

Financial strength and capital adequacy

The Group's equity amounted to NOK 13.3 (12.1) billion, which is equivalent to 12.3 (12.0) per cent of total assets. The leverage ratio was 7.1 (7.4) per cent.

The Group's capital adequacy ratio and tier 1 capital ratio were 20.5 (20.3) per cent and 17.7 (17.9) per cent respectively. The common equity tier 1 capital ratio was 16.8 (16.9) per cent. Reduced capital adequacy levels are due to growth in lending as well as proportional consolidation of SpareBank 1 Næringskreditt AS.

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

Rating

SpareBank 1 Østlandet is rated A1 by Moody's Investor Service. This makes SpareBank 1 Østlandet one of the best rated savings banks in Norway.

In the latest credit statement from Moody's (15 December 2017), the earlier rating of A1 is maintained, and the rating outlook is still negative. The negative

outlook arose out of the proposed legislation presented by the Ministry of Finance on 21 June 2017, which is intended to transpose the EU's crisis management directives, the Banking Recovery and Resolution Directive (BRRD) and the Deposit Guarantee Directive, into Norwegian law. The rating outlook expresses Moody's assessment of the likelihood of public support being reduced as a result of the new regulation.

PARENT BANK

The Parent Bank's financial statements for 2017 include the former B1OA from the date of the merger, 1 April 2017. The figures for last year are therefore not directly comparable with this year's.

The Parent Bank's profit after tax for 2017 was NOK 1 102 (964) million.

The common equity tier 1 capital ratio was 22.4 (31.4) per cent. The reduction was mainly due to the inclusion of B1OA in the basis for calculation in the parent bank.

The Parent Bank's equity amounted to NOK 12.4 (10.4) billion, which was equivalent to 11.6 (16.9) per cent of total assets.

At 31 December 2017, the Parent Bank had 705 (462) full-time equivalents. The increase is mainly due to the merger with B1OA.

Underlying banking operations are defined as the operating profit before losses on loans, exclusive of net income from financial assets and liabilities. Costs related to the merger and IPO in 2017 have also been removed, and the costs have been adjusted for the effects of winding up the defined benefit pension scheme.

Underlying banking operations, MNOK	2017	2016	Change
Net interest income	1 508	1 003	50,4%
Net commission and other income	782	420	86,1%
Total operating cost	-1 289	-519	148,4%
Adjustment: Merger costs	70	0	
Adjustment: IPO costs	30	0	
Adjustment: Liquidation of defined benefit plans	0	-271	
Operating profit underlying banking operations	1 100	633	73,7%



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 President of the Norwegian Confederation of Trade Unions (LO). Member of the board 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 customer consultant with SpareBank 1 Østlandet. She became a board member in 2016 and is a Bank employee representative.

The operating profit from underlying banking operations amounted to NOK 1,100 (633) million in 2017.

Underlying banking operations were up NOK 467 million compared with last year, which is equivalent to 73.7 per cent. The increase was due to both higher net interest income and the merger with the former B1OA from 1 April 2017.

SUBSIDIARIES

The financing company SpareBank 1 Finans Østlandet AS (95 per cent ownership interest) posted a profit after tax of NOK 118 (86) million for 2017. The financing company's gross lending totalled NOK 7.1 (6.3) billion at 31 December 2017. Lending growth over the past twelve months was 12.7 (12.1) per cent.

SpareBank 1 Regnskapshuset Østlandet AS posted earnings of NOK 148 (160) million and achieved a net profit after tax of NOK -3 (+2) million.

The real estate broker EiendomsMegler 1 Hedmark Eiendom AS posted earnings of NOK 109 (99) million and achieved a profit after tax of NOK 10 (14) million.

The real estate broker EiendomsMegler 1 Oslo Akershus Group posted earnings of NOK 193 (216) million and achieved a profit after tax of NOK -12 (2) million.

ASSOCIATED COMPANIES AND JOINT VENTURES

SpareBank 1 Gruppen AS (12.4 per cent ownership interest) includes the SpareBank 1 Alliance's common product companies within insurance, fund management, claims management and enforcement. The company posted a profit after tax of NOK 1,789 (1,598) million for 2017. The return on equity was 22.3 (19.4) per cent.

SpareBank 1 Boligkreditt AS (21.1 per cent stake) is the SpareBank 1 Alliance's joint residential mortgage covered bond issuing company. The company posted a profit after tax of NOK -216 (-110) million. The profit for 2017 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 (12.4 per cent stake) is the SpareBank 1 Alliance's joint commercial real estate covered bond issuing company. The company posted a profit after tax of NOK 53 (84) million for 2017.

SpareBank 1 Kredittkort AS (19.6 per cent stake) is the SpareBank 1 Alliance's joint credit card company. The company posted a profit after tax of NOK 60 (129) million.

SpareBank 1 Betaling AS (21.2 per cent stake) is the SpareBank 1 Alliance's joint company for mobile phone payment solutions. The company posted a loss after tax of NOK -33 million for 2017.

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

PROPOSED DISTRIBUTION OF PROFITS

The Parent Bank's accounts form the basis for distributing the profit for the year.

NOK million	2017	2016
Profit after tax (Parent bank)	1 102	964
Changes in fund for unrealised gains	71	-7
Profit available for distribution	1 031	970
Dividend	424	148
Dividend equalisation fund	272	506
Customer dividend	204	0
Primary capital	131	316
Total distribution	1 031	970

The profit available for distribution is determined after changes in the funds for unrealised gains amounting to NOK 71 million. The total amount available for distribution is then NOK 1 031 million.

The profit has been distributed between primary capital and owners' equity in proportion to their relative share of the equity, so that dividends and provisions to the dividend equalisation funds account for 67.5 percent of the distributed profit.

The Board of Directors proposes to the Supervisory Board of the Bank a cash dividend of NOK 3.96 per equity certificate, totalling NOK 424 million. This equals a distribution to equity certificate holders of 50 per cent of the profit per equity certificate. The Board of Directors also proposes to the Supervisory Board a customer dividend of NOK 204 million. The dividend equalisation fund and primary capital are then allocated NOK 272 million and NOK 131 million respectively.

After distributing the profit for 2017, the equity certificate ratio has changed from 67.5 per cent to 67.6 per cent.

CORPORATE GOVERNANCE

Corporate governance in SpareBank 1 Østlandet encompasses the values, goals and general principles that provide the basis for its management, supervision and long-term value creation that benefits its equity certificate holders, customers and other stakeholders.

SpareBank 1 Østlandet reviews its corporate governance principles and how they are functioning in the company every year. SpareBank 1 Østlandet presents an account of the principles and practice of its corporate governance in accordance with section 3-3b of the Accounting Act and the Norwegian Code of Practice for Corporate Governance. A more detailed summary is provided in a separate chapter.

RISK MANAGEMENT

Risk management at SpareBank 1 Østlandet must ensure that the exposure to risk is known at all times and within the limits set by the Board. Risk management must 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 SpareBank 1 Østlandet". This document defines the general framework for risk management, including the management of the different types of risk. Each year, the Board adopts an overarching risk strategy and steering documents for credit risk, funding risk, market risk and operational risk. Risk exposure and development are regularly monitored and reported to the Bank's board and executive management team.

Credit risk

Credit risk is defined as the risk of loss due to customers or counterparties being 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 line with the credit strategy, credit policies, credit regulations, routines and guidelines for granting credit, as well as various reporting

and follow-up requirements. SpareBank 1 Østlandet 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 information, please refer to the Pillar 3 document, which is available from the Bank's website.

The Bank primarily finances retail 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.

Taking into consideration the merger and development of the credit portfolio, the risk profile of the corporate market portfolio improved throughout 2017. Expected losses have been reduced as a percentage of total lending. Defaults as a proportion of total lending in the corporate market rose slightly, although loan losses are still at a very low level.

The risk profile in the retail market portfolio improved throughout 2017 and the risk in the portfolio is regarded as low, with the majority secured by security in real estate. Expected losses have been reduced in relative terms, total defaults have been reduced and loan losses are low. As long as the collateral value is not reduced as a result of significantly lower house 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 is also exposed to credit risk due 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 overall lending operations has developed positively in 2017. The Group's credit risk is considered to be moderate to low.

Market risk

Market risk is the risk of loss due to changes in observable market variables such as interest rates (interest risk), foreign exchange rates (currency risk) and shares/equity certificates (equity risk). The risk associated with falls in value in the real estate market is also included in market risk (real estate risk). So is the risk of changes in the market value of bonds, certificates and funds due to general changes in credit spreads (spread risk).

A special market risk strategy and associated policy have been prepared and adopted by the Board. Risk exposure

and development are continuously monitored and reported to the Bank's board and executive management team.

The guidelines and frameworks for investments in fixed-income securities are tailored to the general risk strategy and regulatory requirements for liquidity management. At the end of the year, total investments in fixed-income securities (bonds and certificates) amounted to NOK 8.9 billion, which represents a reduction of NOK 0.8 billion compared with last year. The Bank's fixed-income portfolio is exclusively a bank portfolio and mainly consists of investments in issues with very high credit ratings (AA or better). Around 90% of the portfolio is invested in government-guaranteed securities and covered bonds, which results in limited spread risk.

Interest rate risk arises as a result of the Group's balance sheet items having different remaining interest rate commitment terms. The Bank's board has approved limits for the total interest risk with respect to parallel shifts in the yield curve and distortion in the yield curve (yield curve risk). Interest rate risk is steered towards the desired level by means of interest rate commitments for investments and funding loans and through the use of interest rate derivatives. 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 profit by NOK 6.6 million (after tax). Taking into account administrative interest risk, which is the effect of the fact that some time will pass from when an interest rate change occurs in the market and the Bank has adjusted the terms for variable rate deposits and loans, then a one percentage point rise in interest rates would reduce the consolidated result by NOK 12.2 million.

Currency risk is managed by means of the adopted exposure limits. The positions were low throughout 2017.

Equity risk is measured in terms of exposure to such instruments. The greatest part of the exposure concerns strategic investments in Alliance associated companies, but this is included as owner risk in the ICAAP assessment.

The Group's real estate investments (buildings and other real estate) amount in total to NOK 415.2 million and mainly consist of its own bank buildings.

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

Funding risk

Funding risk is the risk of being unable to fulfil obliga-

tions or finance assets, including undesired growth, without significant extra costs.

The management of funding risk is based on the funding strategy and policy for funding risk adopted by the Board which stipulate requirements concerning the time horizons for which the Group must be independent of new external funding, the size and quality of the liquidity reserve, and the duration and diversification of funding.

Deposits from customers represent one of the Group's main sources of funding. SpareBank 1 Østlandet's goal is to maintain a broad base of deposits from both retail and corporate customers. At year end 2017, the Group had a deposit-to-loan-ratio of 72.9 per cent.

In addition to deposits, the Group is funded by loans in the Norwegian and international securities markets, loans from financial institutions and the sale of loans to the covered bond companies SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. At the end of the year, the average time to maturity of the Bank's funding was 3.6 years.

SpareBank 1 Østlandet maintains a portfolio of liquid securities as part of its funding management. 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.

At the end of the year, the Group had a liquidity coverage ratio (LCR) of 114 per cent, at the same time as the Group had enough liquid assets to survive for more than 18 months without the supply of external funding in an ordinary operating situation with budgeted 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.

Given the risk inherent in using information technology, this area is subject to continuous monitoring. The Internal Audit carries 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 2017 and operational losses are low.

Given 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

2017 was characterised by the far-reaching merger process between Sparebanken Hedmark and Bank 1 Oslo Akershus AS. 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 the principles of openness, predictability and wide-ranging involvement. A total of 19 secondary project groups composed of key professionals from both banks helped to ensure that all areas were thoroughly considered and that new, common solutions were properly embedded. The way it was decided to organise the work also contributed to the very positive development of a more uniform culture and acceptance of some differences that reflect a very complicated and dissimilar market.

Its employees are the Group's most important input factor. As one of the employees, the individual employee must actively relate to the strategy and business goals of the organisation and how these impact the need for learning and development in order to achieve the set goals.

In an organisation where changes are taking place more frequently and more extensively, several HR processes require attention. It is especially important to develop a good understanding of the business and interaction, active and change-oriented managers and employees, and develop digital skills at all levels.

One important focus area after the merger is developing a strong brand that is attractive in the competition for new resources with future-oriented expertise, and in order to retain competent employees.

Constantly updating skills and the reorganisation necessary to introduce and operationalise new technology are other important success criteria. Managers who understand the changes and who are always actively trying to ensure employees and the organisation develop well are very important in this context.

The Bank has established its own "Management Academy" that provides basic training for all new managers and various professional refresher and development courses. We are also collaborating on various management development projects within the SpareBank 1 Alliance.

The Bank has an HR strategy, as well as secondary strategies and steering documents such as its Code of Conduct, remuneration regime and recruitment strategy. In early 2018, new goals and measures will be developed in the area of HR based on the new business strategy adopted in December 2017.

HSE

The merger process involved considerable organisational changes, and many staff and support functions were affected by downsizing processes. In addition to offering redundancy pay to those being laid off, the Bank offered the option of educational leave in combination with a grant, "outplacement" with a salary guarantee, and access to external advisors. Four surveys were conducted as part of the merger process in order to monitor the working environment in various phases of the process. A special working group tasked with focusing on culture and the working environment played an active role in the assessment and follow-up of the surveys.

The merger process resulted in the loss of few key personnel and sick leave was stable and at a very satisfactory level throughout the year. The sick leave rate for the full year was 4.0 per cent in 2017. The short-term sick leave rate was less than 1 per cent and the long-term sick leave rate was primarily due to serious illnesses that were not workplace related.

SpareBank 1 Østlandet is an IW organisation and systematically strives to prevent and follow up sick leave. 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. Two courses in basic working environment training were held for managers and safety representatives.

One of the Bank's branches was robbed in 2017. All of the affected employees were systematically followed up in accordance with the Bank's routines. Besides this, one incident was reported to the Norwegian Labour Inspection Authority in 2017.

Four ordinary meetings were held in the Bank's cooperation and working environment committee.

A number of meetings were also held between the management and the employees' representatives in connection with the merger process.

The Bank has established collective agreements with the Finance Sector Union of Norway and LO Finans Østlandet. The cooperation between the management and the employee representatives is very good.

Diversity and gender equality

The Bank wants to recruit employees who reflect the community they are a part of – irrespective of cultural background, ethnicity, religion and gender. It facilitates the development of employees who are independent and are given an opportunity to take on responsibility within a framework that reflects the individual's skills. It strives to achieve gender balance at all levels of the organisation. The percentage of women in managerial positions with personnel responsibilities is 39 per cent.

The chief executive's executive management team consists of three women and seven men. The Bank's board has four women and four men.

Written assessments are always presented of candidates of both genders when recruiting for managerial positions.

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

The Bank uses external position assessment systems to classify position categories and analyse salary data. Classifying positions into twelve categories shows that women's average pay as a percentage of men's pay is – with two exceptions – between 90 and 96 per cent. The exceptions are position categories with very few employees where the figures are 82 and 111 per cent, respectively. Median pay based on the same classification shows levels of between 92 and 100 per cent. The analyses have not been corrected for any structural factors related to age, seniority, etc.

Overall, the financial industry has far larger reported pay differences and is focusing particularly heavily on this – both at an industry level and in the individual undertakings. In the local pay settlement in SpareBank 1 Østlandet in autumn 2017, a special inequality post was set aside which was primarily intended to be used to equalise any unintentional pay differences linked to gender. 70 per cent of this was distributed to women and 30 per cent to men.

Ethics and whistleblowing

SpareBank 1 Østlandet'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 a framework that does not require the individual employee to violate the Code of Conduct in order to meet 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 induction programme for new employees also focuses on the Code of Conduct and thereby familiarises them with the Bank's system and routines for whistleblowing. The whistleblowing channel is available via the Bank's intranet. The Board has approved guidelines for whistleblowing that are also intended to help protect any whistleblowers. Arrangements are in place that enable anonymous whistleblowing with an external recipient of the whistleblowing. Any reports received are quality assured and assessed before they are forwarded to the Group's whistleblowing group. The whistleblowing group consists of the Chief Risk Officer, the head of the Legal Department and the Head of HR and Legal.

SUSTAINABILITY

Sustainability is important for the long-term development of SpareBank 1 Østlandet. The Board is involved in the Bank's sustainability work and played an active role in shaping the new group strategy. The strategy was approved just before Christmas 2017 and sustainability is one of its six general goals for the period 2018-2021. The Board also approved a revised version of the strategy for corporate social responsibility and sustainability for the Group in 2017.

SpareBank 1 Østlandet will take account of the environment, climate, ethics and social factors in all of the Group's activities. The Bank will not contribute to violations of human or labour rights, corruption, serious harm to the environment, or other actions that may be perceived as unethical, either internally or by society in general. The Group's direct environmental impact largely involves its energy consumption and waste from office activities. Otherwise, the Group is not viewed as having activities that impact the external environment to any noticeable degree.

Section 3-3c of the Accounting Act stipulates require-

ments for reporting on human rights, labour rights and social factors, the external environment, and combating corruption in business strategies, day-to-day operations and in relation to stakeholders. From 2017, the Bank will report on its corporate social responsibility in line with the international Global Reporting Initiative (GRI). More information is provided in the sustainability report and social accounts, which are separate chapters.

In 2017, the Bank also committed itself to the world's largest initiative for corporate social responsibility, the UN Global Compact.

OUTLOOK

The macro situation in Norway is improving and the trends in a number of key economic indicators are positive. The Board regards this as favourable for the Group with respect to its operations, credit risk and the losses going forward.

SpareBank 1 Østlandet's home market comprises the counties of Hedmark, Oppland, Oslo and Akershus. The Inland Region, the counties of Hedmark and Oppland, has traditionally been less cyclically volatile than other regions, in part due to the businesses in the region not being particularly exposed to the oil and gas industries. In recent years, GDP growth in the Inland region has outpaced the 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 Norway's wealth creation.

The rise in housing prices slowed from the beginning of 2017, due in part to the government's new Mortgage Regulation of 1 January 2017. From April 2017, the growth in housing prices has been negative in the Oslo area, while the remainder of the Bank's market area shows a more nuanced picture. The decrease in prices in Oslo is most pronounced in the districts where the price increase last year was greatest. In central areas around Oslo, we are seeing housing prices rising again from the fourth quarter of 2017. The Board believes that the Bank's conservative lending practices reduce its vulnerability to falling housing prices. The loan to value ratio in the Bank's loan portfolio in the Oslo area has improved in the last year, despite falling housing prices. The Bank's prudent lending practices for housing purposes are also reflected in a low proportion of problem loans and the fact that the Bank is operating well within the limits of the 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 growth opportunities in the other parts of the banks expanded home market. Going forward the business will be based on continued prudent lending practice and providing relevant products and services to customers from all of the Group's business lines. Given its high capital adequacy, sound liquidity situation and the merged, effective organisation, the Board believes that the Group is well-prepared to take a stronger position in the Bank's market area.

The Board of Directors of SpareBank 1 Østlandet Hamar, 28. February 2018



Siri J. Strømmevold
Chair of the board



Nina C. Lier



Erik Garaas




Espen Bjørklund Larsen
Employee representative



Guro Nina Vestvik



Vibeke Hanvold Larsen
Employee representative



Morten Herud



Hans-Christen Gabrielsen



Richard Heiberg
CEO



The oil crisis made a splash. Following the economic downturn in connection with the oil crisis, hydraulics specialist Maskin Feral in Eidskog has realigned from oil industry supplier to hydroelectric power supplier. The company also has several other newly-developed and smaller market areas. Now growth and profitability are in the pipeline for 2018.



Upturn in Trysil. The municipality with its almost 7 000 residents is one of the leading winter sports resorts in Northern Europe. Locally, the tourism industry helps to boost turnover in the building and construction industry, wholesale and retail trade, and other services. In the last few years, Trysil Byggsystem (photo) has together with Arne Tøraasen AS built around 100 holiday homes and all-year residences.

Income Statement



Income statement

Parent bank				Group	
2016	2017	NOK million	Notes	2017	2016
1 692	2 642	Interest income	20	3 238	2 494
689	1 134	Interest expenses	20	1 282	1 004
1 003	1 508	Net interest income		1 956	1 490
427	807	Commission income	21	1 197	830
28	57	Commission expenses	21	102	71
21	31	Other operating income	21	168	180
420	782	Net commission and other operating income		1 263	939
45	11	Dividends from other than group companies	22	11	46
369	275	Net profit from ownership interests	22,41	194	236
-122	48	Net profit from other financial assets and liabilities	22	72	-62
293	334	Net income from financial assets and liabilities		277	220
1 714	2 624	Total income		3 496	2 649
162	684	Personnel expenses	23,24	1 010	573
38	57	Depreciation	33,35	84	65
320	548	Other operating expenses	25	804	565
519	1 289	Total operating expenses		1 898	1 203
1 195	1 335	Operating profit before losses on loans and guarantees		1 598	1 446
47	-39	Losses on loans and guarantees	11	-20	75
1 148	1 373	Pre-tax operating profit		1 618	1 371
186	272	Tax expense	26	356	271
964	1 102	Profit after tax		1 263	1 100
		Majority interest		1 257	1 095
		Minority interest		6	4
		Earnings per equity certificate (in NOK)		7,92	6,95
Statement of other comprehensive income					
964	1 102	Profit after tax		1 263	1 100
-71	-7	Actuarial gains/losses on pensions		-7	-52
18	2	Tax effect of actuarial gains/losses on pensions		2	12
		Share of other comprehensive income from associated companies and joint ventures		3	-7
-54	-6	Total items that will not be reclassified through profit or loss		-3	-46
5	75	Change in value of financial assets available for sale		77	4
0	-1	Financial assets available for sale transferred to profit and loss on write-down due to permanent impairment of value		-1	0
0	11	Financial assets available for sale transferred to profit and loss on realisation		11	0
0	0	Share of other comprehensive income from associates and joint ventures		2	7
5	86	Total items that will be reclassified through profit or loss		90	11
-48	80	Total profit and loss items recognised in equity		87	-35
915	1 182	Total profit/loss for the period		1 350	1 064
		Majority interest		1 344	1 060
		Minority interest		6	4

Balance sheet

Parent bank			Group		
2016	2017	NOK million	Notes	2017	2016
ASSETS					
354	672	Cash and deposits with central banks		673	761
7 191	7 669	Loans to and receivables from credit institutions	7	1 808	1 335
41 762	83 030	Loans to and receivables from customers	8	90 098	82 537
5 630	8 883	Certificates, bonds and fixed-income funds	30	8 883	9 776
349	582	Financial derivatives	14, 31	582	810
321	494	Shares, units and other equity interests	32	495	747
1 681	3 336	Investments in associates and joint ventures	41	3 929	3 618
3 842	1 370	Investments in subsidiaries	41	0	0
0	0	Assets held for sale		0	5
304	365	Property, plant and equipment	35	578	587
102	100	Goodwill and other intangible assets	33	366	371
0	3	Deferred tax asset	26	0	0
338	645	Other assets	36	910	695
61 873	107 149	Total assets		108 321	101 242
LIABILITIES					
1 666	2 288	Deposits from and liabilities to credit institutions	7	2 286	1 654
36 259	66 013	Deposits from and liabilities to customers	37	65 985	63 070
12 404	23 686	Liabilities arising from issuance of securities	38	23 686	21 937
233	307	Financial derivatives	14, 31	307	349
148	314	Current tax liabilities	26	358	247
10	0	Deferred tax liabilities	26	122	118
222	431	Other debt and liabilities recognised in the balance sheet	39	541	556
502	1 706	Subordinated loan capital	38	1 706	1 203
51 443	94 743	Total liabilities		94 990	89 135
EQUITY CAPITAL					
5 310	5 359	Equity capital certificates	40	5 359	5 310
520	547	Premium fund		547	520
974	1 584	Dividend equalisation fund	40	1 584	974
148	424	Dividend		424	148
3 313	3 432	Primary capital	40	3 432	3 313
0	165	Other paid-up equity		165	0
33	20	Provision for gifts	40	20	33
134	279	Fund for unrealised gains		281	134
0	204	Dividend customers return	40	204	0
0	400	Hybrid capital		400	400
0	-8	Interest cost for hybrid capital	40	-30	0
0	0	Other equity		883	1 229
0	0	Minority interests		62	47
10 430	12 406	Total equity capital		13 331	12 107
61 873	107 149	Total equity capital and liabilities		108 321	101 242

The Board of Directors of SpareBank 1 Østlandet
Hamar, 28. February 2018



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CEO

Statement of change in equity

Parent bank

(NOK million)	Paid-up equity			Earned equity capital							Total equity capital
	Equity certificates	Premium fund	Other paid-up equity	Primary capital ¹⁾	Dividend equalisation funds ²⁾	Provision for gifts	Fund for unrealised gains	Other equity	Dividends	Hybrid-capital	
Equity capital as of 01.01.16	3 987	0	0	3 019	503	50	135	0	0	0	7 695
ECs transferred Foundation	1 323	520	0	0	0	0	0	0	0	0	1 843
Profit after tax	0	0	0	316	506	0	-7	0	148	0	964
Actuarial gains after tax on pensions	0	0	0	-17	-35	0	0	0	0	0	-53
Change revaluation reserve	0	0	0	0	0	0	5	0	0	0	5
Donations distributed from profit 2015	0	0	0	-6	0	0	0	0	0	0	-6
Grants from provision for gifts in 2016	0	0	0	0	0	-18	0	0	0	0	-18
Equity capital as of 31.12.16	5 310	520	0	3 313	974	33	134	0	148	0	10 430
Equity capital as of 01.01.17	5 310	520	0	3 313	974	33	134	0	148	0	10 430
ECs transferred Foundation and owners	49	27	0	0	0	0	0	0	0	0	76
Equity inflated by merger with B1OA	0	0	165	0	338	0	0	0	0	0	503
Hybrid capital	0	0	0	0	0	0	0	0	0	400	400
Interest hybrid capital	0	0	0	0	0	0	0	-8	0	0	-8
Profit after tax	0	0	0	335	696	0	70	0	0	0	1 102
Actuarial gains after tax on pensions	0	0	0	-6	0	0	0	0	0	0	-6
Change revaluation reserve	0	0	0	0	0	0	75	0	0	0	75
Dividend paid	0	0	0	0	0	0	0	0	-148	0	-148
Donations distributed from profit 2016	0	0	0	-6	0	0	0	0	0	0	-6
Grants from provision for gifts in 2017	0	0	0	0	0	-13	0	0	0	0	-13
Equity capital as of 31.12.17	5 359	547	165	3 636	2 008	20	279	-8	0	400	12 406

Group	Paid-up equity			Earned equity capital								Total equity capital
	Equity capital certificates	Premium fund	Other paid-up equity	Primary capital ¹⁾	Dividend equalisation funds ²⁾	Provision for gifts	Fund for unrealised gains	Other equity	Dividends	Hybrid capital	Minority intersets	
(NOK million)												
Equity capital as of 01.01.16	3 987	0	0	3 019	503	50	135	1 023	0	0	0	8 718
OB Correction: Correction of previous years's errors in associated companies and joint ventures ³⁾	0	0	0	0	0	0	0	73	0	0	0	73
Adjusted equity capital at 01.01.16	3 987	0	0	3 019	503	50	135	1 096	0	0	0	8 791
ECs issued	1 323	520	0	0	0	0	0	0	0	0	0	1 843
Profit after tax	0	0	0	316	506	0	-7	130	148	0	4	1 100
Actuarial gains after tax on pensions	0	0	0	-17	-35	0	0	13	0	0	0	-39
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss	0	0	0	0	0	0	0	-7	0	0	0	-7
Change revaluation reserve	0	0	0	0	0	0	5	0	0	0	0	5
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss	0	0	0	0	0	0	0	11	0	0	0	11
Interest cost for hybrid capital in subsidiary	0	0	0	0	0	0	0	-13	0	0	0	-13
Hybrid capital in subsidiary	0	0	0	0	0	0	0	0	0	400	0	400
Change in shareholding in Group companies	0	0	0	0	0	0	0	0	0	0	43	43
Donations distributed from profit 2015	0	0	0	-6	0	0	0	0	0	0	0	-6
Grants from provision for gifts in 2016	0	0	0	0	0	-18	0	0	0	0	0	-18
Equity capital as of 31.12.16	5 310	520	0	3 313	974	33	134	1 229	148	400	47	12 107
Equity capital as of 01.01.17	5 310	520	0	3 313	974	33	134	1 229	148	400	47	12 107
OB Correction: Correction of previous years's errors in associated companies and joint ventures ³⁾	0	0	0	0	0	0	0	-8	0	0	0	-8
Adjusted equity capital at 01.01.17	5 310	520	0	3 313	974	33	134	1 220	148	400	47	12 099
ECs transferred Foundation	49	27	0	0	0	0	0	0	0	0	13	89
Equity inflated by merger with B1OA	0	0	165	0	338	0	0	-503	0	0	0	0
Profit after tax	0	0	0	335	696	0	70	155	0	0	6	1 263
Actuarial gains after tax on pensions	0	0	0	-6	0	0	0	0	0	0	0	-6
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss	0	0	0	0	0	0	0	3	0	0	0	3
Change revaluation reserve	0	0	0	0	0	0	77	0	0	0	0	77
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss	0	0	0	0	0	0	0	11	0	0	0	11
Interest cost for hybrid capital	0	0	0	0	0	0	0	-17	0	0	0	-17
Change in Group companies ⁴⁾	0	0	0	0	0	0	0	-16	0	0	0	-16
Dividend paid	0	0	0	0	0	0	0	0	-148	0	-4	-152
Donations distributed from profit 2016	0	0	0	-6	0	0	0	0	0	0	0	-6
Grants from provision for gifts in 2017	0	0	0	0	0	-13	0	0	0	0	0	-13
Equity capital as of 31.12.17	5 359	547	165	3 636	2 008	20	281	853	0	400	62	13 331

1) Amounts transferred to primary capital includes dividends to customers return.

2) Amounts transferred to dividend equalization funds include dividend payments.

3) OB Corrections is connected to changes from preliminary accounts to final accounts in SpareBank 1 Gruppen.

4) Changes in Group companies are mainly due the fact that SpareBank 1 Gruppen over years has allocated to little to fund for self-sustaining schemes. The error was addressed directly to equity. SpareBank 1 Østlandet's share was -14 MNOK.

Cash flow statement

Parent bank		(NOK million)	Notes	Group	
2016	2017			2017	2016
-3 901	-5 965	Change in gross lending to customers		-7 486	-5 814
1 338	2 256	Interest receipts from lending to customers		2 916	2 210
2 750	2 825	Change in deposits from customers		2 915	3 701
-377	-503	Interest payments on deposits from customers		-577	-534
-502	-399	Change in receivables and debt from credit institutions		-101	801
149	101	Interest on receivables and debt to financial institutions		9	22
645	910	Change in certificates and bonds		1 517	769
169	246	Interest receipts from commercial papers and bonds		277	204
420	782	Net commission receipts		1 271	939
40	25	Capital gains from sale on trading		27	59
-499	-1 269	Payments for operations		-1 862	-1 155
-177	-189	Taxes paid		-245	-181
-509	-864	Other accruals		-589	-465
-453	-2 043	Net cash flow from operations (A)		-1 927	556
-27	-49	Investments in tangible fixed assets		-65	-43
0	13	Receipts from sale of tangible fixed assets		13	0
-108	-401	Change in long-term investments in equities		-392	-256
435	276	Dividends from long-term investments in equities		182	282
299	-161	Net cash flow from investments (B)		-263	-17
3 329	5 043	Debt raised by issuance of securities	38	5 113	3 889
0	500	Debt raised by issuance of subordinated loan	38	500	0
-2 550	-2 603	Repayments of issued securities	38	-3 203	-3 845
0	63	Payments arising from issuance of equity capital certificates		63	0
-238	-523	Interest payments on securities issued		-592	-378
-14	-32	Interest payments on subordinated loans		-38	-25
-17	-13	Grants from provision for gifts		-13	-17
510	2 435	Net cash flow from financing (C)		1 831	-376
-225	0	Liquidity effect from acquisition of remaining shares in B1OA (D)		0	-225
0	458	Cash and cash equivalents taken over from B1OA (E)		0	843
38	0	Liquidity effect of acquisition and sale of other subsidiaries (F)		0	-13
-95	-247	Payments arising from placements in subsidiaries (G)		13	5
73	441	CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C+D+E+F+G)		-346	773
309	382	Cash and cash equivalents at 1 January		1 082	309
382	824	Cash and cash equivalents at the end of the period		736	1 082
		Cash and cash equivalents at comprise:			
354	672	Cash and deposits with central banks		673	759
28	152	Deposits etc. at call with banks		63	323
382	824	Cash and cash equivalents at the end of the period		736	1 082



Groundbreaking study. In 2017, SpareBank 1 Østlandet supported the establishment of a new study into VR and AR at the Inland Norway University of Applied Sciences in Hamar. While virtual reality (VR) provides experiences in a computer-generated world through VR glasses, augmented reality (AR) places a layer on top of reality with the help of, for example, a mobile phone. Mixed reality (MR) is a combination of VR and AR and allows physical and computer-generated objects to interact with each other.

Notes



Greater activity. Activity within the building and construction industry in the Inland Region rose in 2017. Swinging the hammer at Trysil Byggsystem.

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Note 1 General information

The SpareBank 1 Østlandet Group

The Group consists of SpareBank 1 Østlandet and the wholly owned subsidiaries EiendomsMegler 1 Hedmark Eiendom AS, EiendomsMegler 1 Oslo Akershus AS, EiendomsMegler 1 Oslo AS (second tier subsidiary), 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.

SpareBank 1 Østlandet is domiciled in Norway and its head office is in Hamar. The Group has a total of 38 branches in four counties. The network of branches covers Hedmark, Oppland, Oslo and Akershus. The head offices of Youngstorget 5 AS, EiendomsMegler 1 Oslo Akershus AS and the second tier subsidiary EiendomsMegler 1 Oslo AS are in Oslo. The other subsidiaries have a head office in County of Hedmark.

The Group's core operations include deposits, lending, money-transfer services, leasing, sales of other financial products and services, as well as real estate brokering and accounting services.

Joint ventures

SpareBank 1 Østlandet owns 12.4 per cent of SpareBank 1 Gruppen AS. This stake is classified as an investment in a joint venture. 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, and the Norwegian Federation of Trade Unions (LO), which owns a 9.6 per cent stake. The Alliance's management structure is regulated by an agreement between the owners.

The Group also owns 50 per cent of Torggata 22 AS and 18 per cent of SpareBank 1 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

SpareBank 1 Østlandet owns 19.6 per cent of SpareBank 1 Kredittkort AS, 21.2 per cent of SpareBank 1 Betaling AS and 23.7 per cent of KOMM-IN AS. The Bank also owns 20 per cent of the newly acquired companies SMB Lab AS and Proaware AS. The Bank also owns stakes in the covered bond companies SpareBank 1 Boligkreditt AS (21.1 per cent) and SpareBank 1 Næringskreditt AS (12.4 per cent). The above companies are classified as associated companies.

Some alliance companies are classified as associated companies in spite of the fact that the stake owned is less than 20 per cent. This is because the ownership structure and the strategic cooperation between the owning banks of the SpareBank 1 Group AS gives SpareBank 1 Østlandet significant influence over these companies.

Changes in corporate composition and strategic investments

2017

SpareBank 1 Østlandet has acquired 20 per cent of the shares in Proaware AS and 20 per cent of the shares in SMB Lab AS.

In the third quarter, SpareBank 1 Østlandet acquired 21.2 per cent of the shares in SpareBank 1 Betaling AS and classified it as an associated company. SpareBank 1 Betaling AS owns 25 per cent of the shares in Vipps AS.

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 AS merged operations with effect from 1 April 2017. The new merged bank was named SpareBank 1 Østlandet.

2016

On 29 June 2016, Sparebanken Hedmark acquired the remaining 59.5 per cent of the shares in Bank 1 Oslo Akershus AS (B1OA). This meant Sparebanken Hedmark owned 100 per cent of the shares in the company. B1OA was until 29 June 2016 classified as an associated company but was reclassified as a wholly owned subsidiary from this date. The merger with B1OA increased the Group's stakes in SpareBank 1 Gruppen AS, SpareBank 1 Banksamarbeidet DA, SpareBank 1 Kredittkort AS, SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS from the same date.

On 1 January 2016, 5 per cent of the shares in SpareBank 1 Finans Østlandet AS were sold to SpareBank 1 Ringerike Hadeland. The company was previously a wholly owned subsidiary of Sparebanken Hedmark. During the year, reallocation in line with shareholder agreements in the alliance companies SpareBank 1 Kredittkort AS, SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS resulted in minor adjustments to the stakes in these companies.

Note 2 Accounting principles

Basis for preparation of the consolidated financial statements

The company and the consolidated financial statements for SpareBank 1 Østlandet have been prepared in accordance with the International Financial Reporting Standards (IFRS), which the EU has ruled shall be used as of 31 December 2017. These include interpretations from the International Financial Reporting

Interpretations Committee (IFRIC) and the preceding interpretations committee, the Standing Interpretations Committee (SIC). SpareBank 1 Østlandet 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. New standards were not applied in the 2017 annual accounts.

Heading	Note	IFRS-Standard
Subsidiaries	Note 41 Investments in subsidiaries, associates and joint ventures	IFRS 10
Consolidation	Note 34 Business combinations, Note 41 Investments in subsidiaries, associates and joint ventures	IFRS 3, IFRS 10
Associated companies	Note 41 Investments in subsidiaries, associates and joint ventures	IAS 28
Joint ventures	Note 41 Investments in subsidiaries, associates and joint ventures	IFRS 11
Loans to and receivables from customers	Note 8 Loans to and receivables from customers, Note 28 Classification of financial instruments, Note 29 Information about fair value, Note 39 Other debt and liabilities	IAS 39, IAS 37
Assessment of loan impairment	Note 11 Losses on loans and guarantees, Note 28 Classification of financial instruments	IAS 39, IFRS 7
Assets held for sale	Not applicable	IFRS 5
Goodwill and other intangible assets	Note 33 Goodwill and other intangible assets	IAS 38, IAS 36
Property, plant and equipment	Note 35 Property, plant and equipment	IAS 16, IAS 36
Pensions	Note 24 Pensions	IAS 19
Issued securities	Note 27 Determination of fair value of financial instruments, Note 28 Classification of financial instruments, Note 29 Information about fair value, Note 38 Liabilities arising from issuance of securities	IAS 39, IFRS 7
Certificates and bonds	Note 27 Determination of fair value of financial instruments, Note 28 Classification of financial instruments, Note 29 Information about fair value, Note 30 Certificates and bonds	IAS 39, IFRS 7
Shares, units and other equity interests	Note 28 Classification of financial instruments, Note 32 Shares, units and other equity instruments	IAS 39, IFRS 7
Derivatives	Note 14 Financial instruments and offsetting, Note 27 Determination of fair value of financial instruments, Note 28 Classification of financial instruments, Note 29 Information about fair value, Note 31 Financial derivatives	IAS 39, IFRS 7, IFRS 13
Commission income and commission expenses	Note 21 Net commission and other operating income	IAS 18, IAS 39
Taxes	Note 26 Taxes	IAS 12
Segment reporting	Note 4 Segment information	IFRS 8
Events occurring after the balance sheet date	Note 46 Events occurring after the balance sheet date	IAS 10
Equity	Note 40 Equity capital certificates and ownership structure	IAS 1

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

Ownership 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 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.

SpareBank 1 Østlandet 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 is likely 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 established various pension schemes for its employees. These pension schemes satisfy the mandatory occupational pension requirements.

Defined benefit schemes

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 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. Changes in pension schemes are recognised in profit and loss 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 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 defined benefit pension schemes guarantee most members a pension of approximately 70 per cent of their final salary for retirement at age 67, up to a maximum of 12 G. The defined benefit

schemes are closed to new members and were partially wound up as at 1 July 2016. Further winding up was carried out 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 a cost. The Group has offered a defined contribution pension scheme to its employees since 1 July 2008.

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 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 1 G and 7.1 G.

Issued securities

Issued securities are recognised in the accounts at their borrowing cost, which is the fair value of the amount received after deductions for transaction costs. Issued securities 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).

The Bank has applied IAS 7, section 44A, since 1 January 2017.

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 issued securities 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

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. 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 using 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 SpareBank 1 Østlandet this means that wealth tax is first recognised in full in the fourth quarter and not in the earlier interim financial statements.

Segment reporting

SpareBank 1 Østlandet 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. SpareBank 1 Østlandet 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.

New or revised accounting standards approved but not implemented

A number of new standards, amendments to standards, and interpretations will be mandatory for future annual financial statements. Among those the Group has chosen not to apply early are the most important standards, IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases.

IFRS 9 Financial Instruments will replace IAS 39 from 1 January 2018. SpareBank 1 Østlandet, in cooperation with other SpareBank 1 banks, been working on models, as well as clarifications concerning valuation, classification, etc., for the last couple of years. The Group has worked on preparing for, and impact assessments concerning, the effects of implementation. Total loss provisions for the Group pursuant to IFRS 9 have been calculated at NOK 389 million. This is NOK 23 million higher than individual and collective loss provisions as at 31 December 2017. Seen in isolation, the introduction of a new loss model has no material impact on capital adequacy. Issued variable rate securities at fair value through profit or loss will be reclassified to amortised cost. This entails the reversal of an unrealised loss of NOK 49 million against equity. At the same time, a corresponding positive adjustment of core equity tier 1 capital will be eliminated for the unrealised change in value due to the increased value of debt. Consequently, the changed classification and measurement of issued securities has no material effect on capital adequacy. The total effect on the core equity tier 1 ratio for the Group has been calculated as a 0.03-percentage points lower core equity tier 1 ratio. In addition to this, the total calculated effects include implementation effects for group companies recognised according to the equity method, as well as changed value adjustments due to the requirements concerning proper valuation (AVA). Please see note 43 for further information.

The group has assessed the effects of IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases and does not believe these will have significant consequences.

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

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

Financial assets and liabilities

Financial assets and liabilities are 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 rate 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 rate from Reuters' pricing service.

DEBT SECURITIES ISSUED

Issued certificates and bonds are valued against the interest rate curve adjusted for indicative credit spreads for SpareBank 1 Østlandet, assessed by Nordic Bond Pricing and reputable brokerage.

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.

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 further discussion of different valuation methods.

Note 4 Segment information

This segment information is linked to the way the Group is governed through reporting on performance and capital, authorisations and routines. Reporting on segments is divided into following areas:

- Retail banking, corporate banking, real estate brokerage, leasing, accounting and other activities.
- Real estate brokerage, leasing, financing and accounting are organised as independent companies.
- Group eliminations arise together with other operations in a separate column.
- Tax is calculated at 25 per cent for retail banking and corporate banking.

2017	Retail banking	Corporate banking	SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	Eiendoms-Megler 1 Oslo Akershus Group	SpareBank 1 Regnskapshuset Østlandet	Other operations/eliminations	Total
Income statement								
Net interest income	938	751	312	0	2	-2	-46	1 956
Net commission and other income	767	216	-39	108	192	148	-130	1 263
Net income from financial assets and liabilities	0	0	0	0	0	0	277	277
Total operating expenses	929	399	89	95	206	150	30	1 898
Profit before losses by segment	777	569	184	14	-12	-3	71	1 598
Losses on loans and guarantees	7	-54	26	0	0	0	0	-20
Profit / loss per segment before tax	769	622	158	14	-12	-3	71	1 618
Tax	192	156	39	3	0	-1	-34	356
Profit / loss per segment after tax	577	467	118	10	-12	-3	105	1 263
Balance sheet								
Gross lending to customers	56 208	27 046	7 131	0	0	0	75	90 460
Individual impairments to cover losses on loans	-31	-95	-16	0	0	0	0	-142
Collective impairments to cover losses on loans	-75	-124	-22	0	0	0	0	-221
Other assets	1 538	448	154	61	84	130	15 808	18 224
Total assets per segment	57 641	27 275	7 247	61	84	130	15 883	108 321
Deposits from and liabilities to customers	39 260	26 645	0	0	0	0	81	65 985
Other liabilities and equity	18 382	629	7 247	61	84	130	15 802	42 336
Total equity capital and liabilities per segment	57 641	27 275	7 247	61	84	130	15 883	108 321
2016								
	Retail banking	Corporate banking	Bank 1 Oslo Akershus	SpareBank 1 Finans Østlandet	Eiendoms-Megler 1 Hedmark Eiendom	SpareBank 1 Regnskapshuset Østlandet	Other operations/eliminations	Total
Income statement								
Net interest income	552	457	262	238	0	-1	-19	1 490
Net commission and other income	340	87	280	-29	99	158	4	939
Net income from financial assets and liabilities	2	0	53	0	0	0	165	220
Total 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
Balance sheet								
Gross lending to customers	24 053	17 169	34 659	6 327	0	0	737	82 945
Individual impairments to cover losses on loans	-28	-90	-13	-14	0	0	0	-145
Collective impairments to cover losses on loans	-36	-87	-120	-20	0	0	0	-262
Other assets	102	1	8 324	165	55	144	9 913	18 705
Total assets per segment	24 091	16 994	42 850	6 458	55	144	10 648	101 242
Deposits from and liabilities to customers	21 985	13 614	26 838	0	0	0	634	63 070
Other liabilities and equity	2 106	3 380	16 012	6 458	55	144	10 014	38 171
Total equity capital and liabilities per segment	24 091	16 994	42 850	6 458	55	144	10 648	101 242

Note 5 Capital Adequacy

The Bank's capital adequacy is calculated on the basis of the applicable rules and rates at any given time. The rules are based on the three pillars that are intended to ensure that financial undertakings have capital commensurate with their risks:

Pillar 1: Minimum regulatory capital requirements

Pillar 2: Evaluation of the overall capital requirements and supervisory follow-up

Pillar 3: Disclosure Requirements

Capital adequacy is calculated on the basis of risk-weighted assets. The Bank has permission to use the AIRB approach for calculating risk weights in the lending portfolio. As a transitional arrangement, a floor of 80 per cent of the Basel I rules has been set for the risk-weighted assets. This limit applies to SpareBank 1 Østlandet at both the Parent Bank and consolidated levels.

Capital adequacy is calculated at three levels based on different definitions of capital:

- Common equity tier 1 ratio
- Common capital ratio (including hybrid tier 1 capital)
- Total capital adequacy ratio (including subordinated loans)

The current requirement for common equity tier 1 (CET1) capital consists of a minimum requirement of 4.5 per cent and a buffer requirement totaling 7.5 per cent, of which the Bank's countercyclical capital buffer requirement was 2 per cent at 31. December 2017. SpareBank 1 Østlandet is also subject to a Pillar II requirement of 1.7 per cent as at 31.12.2017 which is set to increase to 1.8 per cent as of 31.03.2018. The total capital requirement for common equity tier 1 capital was thus 13.7 per cent at 30 September 2017. In addition to this, a further 2 per cent is to be covered by additional Tier 1 capital and 1.5 per cent to be covered by Tier 2 capital.

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

Parent bank			Group	
Basel III 2016	Basel III 2017		Basel III 2017	Basel III 2016
5 830	6 078	Paid-up equity	6 078	5 830
4 600	5 928	Earned equity capital	6 791	5 830
0	400	Hybrid capital	400	400
0	0	Minority interests	63	47
10 430	12 406	Total equity carried	13 332	12 107
		Common equity tier 1 capital		
-148	-629	Results for the accounting year not included	-629	-148
0	-400	Share of equity not included in core capital	-463	-447
0	0	Minority interests that can be included in core capital	42	36
43	93	Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	93	43
0	0	Cash flow hedge reserve	8	0
-102	-103	Goodwill and other intangible assets	-380	-371
-117	-189	Positive value of expected losses under the IRB approach	-231	-205
0	0	CET 1 instruments of financial sector entities where the institution does have a significant investment	-154	-452
-10	-28	Value adjustments due to the requirements for prudent valuation (AVA)	-35	-33
10 095	11 150	Common equity tier 1 capital	11 583	10 530
		Additional Tier 1 capital		
0	400	Hybrid capital	616	619
0	400	Tier 1 capital	616	619
		Supplementary capital in excess of Tier 1 capital		
500	1 700	Subordinated loan capital	2 068	1 524
0	-130	T2 instruments of financial sector where the institution does have a significant investment	-130	-17
500	1 570	Total supplementary capital	1 939	1 507
10 595	13 120	Total eligible capital	14 138	12 656
3 624	5 154	Corporates - SME	5 154	4 546
6 791	9 776	Corporates - Specialised Lending	9 776	10 628
532	633	Corporates - Other	633	768
847	1 020	SME exposure	1 203	1 104
5 997	14 507	Retail mortgage exposure	21 840	18 393
1 392	1 701	Other retail exposure	1 723	1 834
19 183	32 792	Risk-weighted assets credit risk IRB	40 330	37 273
10 505	11 004	Exposures calculated using the standardised approach	15 438	14 495
0	0	Market risk	0	0
162	72	CVA	765	452
2 253	3 343	Operational risk	4 503	3 702
0	2 577	Basel I	7 884	6 279
32 104	49 787	Risk-weighted assets	68 920	62 201
2 568	3 983	Capital requirements (8%)	5 514	4 976
546	846	Pillar 2 (1,7%)	1 172	1 057

Parent bank			Group	
Basel III 2016	Basel III 2017		Basel III 2017	Basel III 2016
		Buffer requirements		
803	1 245	Capital conservation buffer (2.5%)	1 723	1 555
482	996	Countercyclical capital buffer (2 %, 1,5 % in previous period)	1 378	933
963	1 494	Systemic risk buffer (3%)	2 068	1 866
2 247	3 743	Total buffer requirements for common equity (7.5%, 7% in previous period)	5 169	4 354
5 857	4 329	Available common equity (13,7%, 13,2% in previous period)x	2 141	2 320
		Capital ratios		
31.4%	22.4%	CET 1 capital ratio	16.8%	16.9%
31.4%	23.6%	CET 1 capital ratio (excluding Basel 1-floor)	19.0%	18.8%
31.4%	23.2%	Tier 1 Capital ratio	17.7%	17.9%
33.0%	26.4%	Capital adequacy ratio	20.5%	20.3%
15.7%	10.6%	Leverage Ratio	7.1%	7.4%

Note 6 Financial risk management

Overall responsibility and supervision

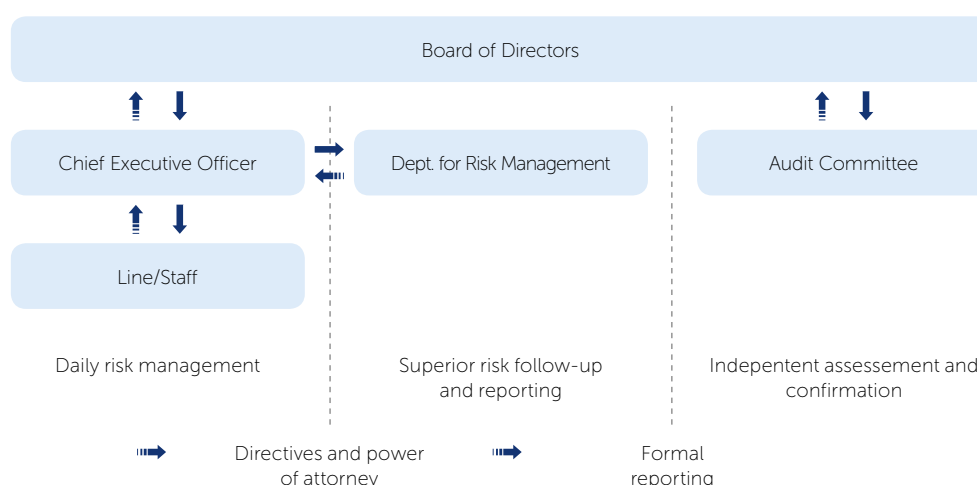
SpareBank 1 Østlandet's risk management shall support the Bank's strategic development and the attainment of its goals. Risk management shall also ensure financial stability and satisfactory asset management. This should be achieved by:

- 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 SpareBank 1 Østlandet is managed by the Board and executive management team:

- 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 prepare matters concerning the economy, finance and risk management for consideration by the Board. The committees do not have the authority to make decisions.

SpareBank 1 Østlandet aims to have a moderate to low risk profile. The risk profile is defined by determining the Group's risk appetite and capacity in key risk areas.

The Board is responsible for making sure that SpareBank 1 Østlandet has an appropriate level of subordinated capital in relation to the desired risk profile and regulatory requirements stipulated by the authorities. The Board 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 departments are responsible for ensuring that decision-making processes and the basis on which decisions are made in relation to applications for credit comply with the Bank's steering documents and routines. The departments must prepare proposals for revised targets and management principles within the area of credit. 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 and is primarily the Board's, 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.

SpareBank 1 Østlandet's risk is quantified by calculating expected losses and risk-adjusted capital. SpareBank 1 Østlandet 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

The greatest financial risk exposure in SpareBank 1 Østlandet 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 SpareBank 1 Østlandet. Each year, the Board reviews the Bank's steering documents and credit regulations. The steering 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. The Bank's credit regulations authorise the CEO to grant credit within certain limits and also allow the CEO to delegate such authorisations. The delegated authorisations are related to the size and risk of individual commitments.

SpareBank 1 Østlandet 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 reviews the Bank's financial strategy and sets limits for its maximum exposure to interest-bearing securities.

Market risk

Market risk is the risk of loss due to changes in observable market variables such as interest rates, foreign exchange rates and shares/equity certificates. The risk associated with falls in value in the real estate market is also included in market risk. So is the risk of changes in the market value of bonds, certificates and funds due to general changes in credit spreads.

Market risk generally arises as a result of activities which underpin the Group's other operations, such as borrowing, liquidity management and interest rate and currency trading.

Market risk is managed by board-approved limits that are established in the annual revision of the market risk strategy and associated policies. Risk exposure and development are continuously monitored and reported to the Bank's board and executive management team.

The Bank's board has, among other things, approved limits for the total interest risk with respect to parallel shifts in the yield curve and distortion in the yield curve. Currency risk is managed by means of the adopted exposure limits.

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. SpareBank 1 Østlandet seeks to manage 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.

Funding risk

Funding risk is the risk of being unable to fulfil obligations when they fall due or finance assets, including undesired growth, without significant extra costs. The management of the Group's funding risk is based on risk-based steering documents for the area of liquidity. The steering documents set the framework for funding risk through limits for survival for various time horizons, the size and quality of the liquidity reserve, and the funding's duration and diversification. The steering documents are adopted by the Board and apply for the strategy period, although they are revised as required and at least once a year. In connection with the steering documents, a separate contingency plan has been established for managing the funding situation during periods of turbulence in the financial markets, and the funding situation is also a key theme in the Group's recovery plan.

In addition to funding forecasts, stress tests are used that analyse the Group's liquidity vulnerability during periods without access to external funding.

Treasury is responsible for managing liquidity, while the Risk Management Department is responsible for monitoring and reporting in accordance with the limits of the finance strategy.

For further information, see notes 18 and 19.

Other

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

Note 7 Credit institutions – assets and liabilities

Parent bank			Group	
2016	2017	Loans to and receivables from credit institutions	2017	2016
35	154	Loans and receivables at call	63	329
7 156	7 515	Loans and receivables with agreed maturities or notice	1 744	1 006
7 191	7 669	Total	1 808	1 335
Loans and receivables specified by major currencies				
7 170	7 531	NOK	1 670	1 228
9	94	EUR	94	56
0	7	USD	7	12
1	6	CHF	6	9
1	12	JPY	12	9
10	19	Other	19	21
7 191	7 669	Total	1 808	1 335

Parent bank			Group	
2016	2017	Deposits from and liabilities to credit institutions	2017	2016
32	349	Loans and deposits at call	349	422
1 634	1 939	Loans and deposits with agreed maturities or notice	1 937	1 232
1 666	2 288	Total	2 286	1 654
Deposits and liabilities specified by major currencies				
1 656	2 263	NOK	2 261	1 640
2	8	EUR	8	6
0	13	SEK	13	0
8	4	Other	4	8
1 666	2 288	Total	2 286	1 654
1.4%	1.3%	Average interest rate	1.5%	1.7%

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	
2016	2017		2017	2016
		Loans by type of receivable		
0	0	Financial leasing	3 365	2 854
9 884	11 069	Overdraft facilities and operating credits	11 057	13 417
1 153	1 827	Building loans	1 824	1 491
30 885	70 458	Repayment loans	74 215	65 017
81	0	Accrued interest	0	165
42 003	83 355	Gross loans to and receivables from customers	90 460	82 945
241	325	Loan impairments to cover losses on loans	363	408
41 762	83 030	Loans to and receivables from customers	90 098	82 537
		Loans by type of market		
24 653	55 782	Private customers	58 872	53 421
17 346	27 569	Corporate	31 293	29 331
4	4	Public sector	295	193
42 003	83 355	Gross loans to and receivables from customers	90 460	82 945
241	325	Loan impairments to cover losses on loans	363	408
41 762	83 030	Loans to and receivables from customers	90 098	82 537
		<i>Of repayment loans, loans stated at fair value through profit and loss (FVO):</i>		
3 301	5 254	- Fixed-rate loans to customers, book value	5 254	5 913
3 291	5 190	- Fixed-rate loans to customers, face value	5 190	5 861
		In addition		
17 517	37 451	Loans transferred to SpareBank 1 Boligkreditt AS	37 451	35 197
706	1 624	Loans transferred to SpareBank 1 Næringskreditt AS	1 624	1 308

Parent bank			Group	
2016	2017		2017	2016
34 780	73 141	Low risk	75 735	70 784
11 201	16 892	Medium risk	20 835	17 785
1 802	2 472	High risk	3 403	3 309
398	510	Defaults	582	560
48 181	93 016	Total commitments by risk group	100 554	92 437

Commitment means the customer's total commitment including guarantee and unutilised credit lines.

Parent bank			Group	
2016	2017		2017	2016
177	639	Private customers	768	667
542	918	Corporate	1 027	1 033
719	1 557	Loans approved not disbursed (Loans not been paid and are therefore not included in total commitments)	1 795	1 699

Parent bank			Group	
2016	2017		2017	2016
29 866	65 547	Low risk	67 707	63 046
10 079	15 045	Medium risk	18 988	16 282
1 666	2 266	High risk	3 197	3 068
392	497	Defaults	569	549
42 003	83 355	Gross loans by risk group	90 460	82 945

Parent bank			Group	
2016	2017		2017	2016
118	126	Individual loan loss impairments by risk group	142	146
		Defaults (internal definition)		

In the Bank's internal risk classification system, all commitments with individual loan loss impairments 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	
2016	2017	Expected annual average net loss by risk Group	2017	2016
18	31	Low risk	31	36
58	73	Medium risk	78	80
49	64	High risk	76	78
15	24	Defaults	29	30
140	192	Total expected annual average net loss by risk Group	215	224

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	
2016	2017	Total commitments by sector and industry	2017	2016
27 033	59 028	Private customers	62 118	57 269
166	63	Public sector	358	407
4 776	4 324	Primary industries	4 661	5 102
202	998	Paper and pulp industries	1 023	218
938	1 255	Other industry	1 503	1 236
2 447	4 669	Building and construction	5 823	3 429
237	261	Power and water supply	438	435
1 013	1 580	Wholesale and retail trade	1 901	1 660
325	634	Hotel and restaurants	650	627
8 805	13 433	Real estate	13 427	15 007
1 819	5 835	Commercial services	6 530	5 275
364	896	Transport and communications	2 083	1 518
57	39	Other	39	255
48 181	93 016	Total commitments by sector and industry	100 554	92 437

Parent bank			Group	
2016	2017	Gross loans by sector and industry	2017	2016
24 653	55 782	Private customers	58 872	53 421
4	4	Public sector	295	193
4 102	3 850	Primary industries	4 179	4 428
202	926	Paper and pulp industries	946	218
542	795	Other industry	1 030	801
831	2 936	Building and construction	3 923	1 684
214	250	Power and water supply	427	407
791	1 053	Wholesale and retail trade	1 316	1 332
188	489	Hotel and restaurants	505	476
8 283	12 767	Real estate	12 860	14 157
1 917	3 823	Commercial services	4 368	4 356
220	681	Transport and communications	1 730	1 287
56	0	Other	8	187
42 003	83 355	Total gross loans by sector and industry	90 460	82 945

Parent bank			Group	
2016	2017	Individual loan loss impairments by sector and industry	2017	2016
29	32	Private customers	42	41
14	10	Primary industries	10	14
1	0	Paper and pulp industries	0	1
16	18	Other industry	19	21
8	13	Building and construction	13	9
1	1	Power and water supply	1	1
16	12	Wholesale and retail trade	12	21
0	1	Hotel and restaurants	1	0
14	13	Real estate	13	14
20	25	Commercial services	26	20
0	2	Transport and communications	5	4
118	126	Total individual loan loss impairments by sector and industry	142	146

Parent bank		Expected annual average net loss by sector and industry	Group	
2016	2017		2017	2016
35	51	Private customers	65	72
6	9	Primary industries	9	6
4	5	Paper and pulp industries	5	4
0	1	Other industry	2	3
13	11	Building and construction	11	15
1	0	Power and water supply	0	1
9	12	Wholesale and retail trade	12	12
2	2	Hotel and restaurants	2	3
55	78	Real estate	78	80
13	18	Commercial services	20	17
2	4	Transport and communications	9	6
0	1	Other industries	1	5
140	192	Total expected annual average net loss by sector and industry	215	224

Parent bank		Gross loans by geographic area	Group	
2016	2017		2017	2016
28 379	30 878	Hedmark County	32 705	30 167
4 204	24 215	Oslo	25 247	25 982
3 459	18 093	Akershus County	19 364	16 867
3 828	5 120	Oppland County	5 751	4 980
1 991	4 731	Rest of Norway	7 068	4 709
61	317	Abroad	317	159
81	0	Accrued interest, undistributed	8	81
42 003	83 355	Total gross loans by geographic area	90 460	82 945

Parent bank		Loans to employees	Group	
2016	2017		2017	2016
812	1 263	Loans to employees	2 058	1 103
301	369	-Of which loans transferred to SpareBank 1 Boligkreditt AS	573	411

Loans with employee benefits are limited up to NOK 3.5 million per employee. The interest rate on loans with employee benefits is set 0.5 percentage points below the interest rate prescribed by The Norwegian Tax Administration for discounted loans from employers to employees.

Loans to and receivables from customers linked financial leasing agreements (Group only)		Group	
		2017	2016
Gross receivables linked to financial leasing agreements			
- Up to 1 year		278	284
- 1 to 5 years		2 400	2 006
- More than 5 years		686	564
Total gross receivables		3 365	2 854
Not accrued income linked to financial leasing agreements		154	7
Net investments linked to financial leasing agreements		3 211	2 847
Net investments in financial leasing agreements can be analysed thus:			
- Up to 1 year		266	283
- 1 to 5 years		2 289	2 002
- More than 5 years		656	562
Total net receivables		3 211	2 847

Note 9 Classification of financial assets

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 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 21.08 per cent stake as at 31 December 2017 (20.25 per cent as at 31 December 2016). 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 for repayment loans and 60 per cent of their valuation for flexi loans. 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.

A total of NOK 37.5 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	NOK 361 million

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 according to NFRS, ie 100 per cent for the amount due in the next 6 months and 50 per cent for the amount due in the next 6-12 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, if satisfactory capital adequacy cannot be achieved in some other way, supply sufficient core capital within 3 months of receiving a written request for this. The shareholders' obligation to supply such core capital is primarily pro rata (and not joint and several) and must correspond to each shareholder's pro rata proportion of the shares in SpareBank 1 Boligkreditt AS; alternatively, joint and several limited by a ceiling of double what the Bank's proportion of the shares would otherwise indicate.

SpareBank 1 Næringskreditt AS

SpareBank 1 Næringskreditt AS is owned by the banks that make up the SpareBank 1 Alliance. The Bank owned a 12.4 per cent stake as at 31 December 2017 (9.24 per cent as at 31 December 2016). 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. 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.

A total of NOK 1.6 billion was derecognised in loans to SpareBank 1 Næringskreditt 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	NOK 15 million

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 and according to NSFR, ie 100 per cent for the amount due in the next 6 months and 50 per cent for the amount due in the next 6-12 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 11 per cent at any given time. The shareholders must, if satisfactory capital adequacy cannot be achieved in some other way, supply sufficient core capital within 3 months of receiving a written request for this. The shareholders' obligation to supply such core capital is primarily pro rata (and not joint and several) and must correspond to each shareholder's pro rata proportion of the shares in SpareBank 1 Næringskreditt AS; alternatively, joint and several limited by a ceiling of double what the Bank's proportion of the shares would otherwise indicate.

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					
2017	Under 30 days	30–60 days	61–90 days	More than 90 days	Total
Loans to and receivables from customers					
- Retail market	15	4	7	87	113
- Corporate market	7	28	5	53	93
Total	22	32	12	140	206
Group					
2017	Under 30 days	30–60 days	61–90 days	More than 90 days	Total
Loans to and receivables from customers					
- Retail market	18	4	7	87	116
- Corporate market	11	28	5	53	97
Total	29	32	12	140	213
Parent bank					
2016	Under 30 days	30–60 days	61–90 days	More than 90 days	Total
Loans to and receivables from customers					
- Retail market	2	0	0	5	7
- Corporate market	57	1	0	35	93
Total	59	1	0	40	100
Group					
2016	Under 30 days	30–60 days	61–90 days	More than 90 days	Total
Loans to and receivables from customers					
- Retail market	4	1	1	42	48
- Corporate market	97	1	0	38	136
Total	101	2	1	80	184

Note 11 Losses on loans and guarantees

Parent bank						Group					
2016			2017			2017			2016		
RM	CM	Total	RM	CM	Total	RM	CM	Total	RM	CM	Total
-2	3	1	-1	-8	-9	0	-7	-8	-1	8	7
9	10	19	3	-47	-44	4	-46	-42	10	11	22
6	11	16	3	11	14	15	21	36	18	22	40
23	11	34	4	4	8	6	6	12	26	12	38
21	3	24	1	7	8	2	16	19	-28	-5	-33
15	31	47	7	-46	-39	22	-42	-20	27	48	75
Total losses on loans and guarantees											

Parent bank							Group					
2016			2017				2017			2016		
RM	CM	Total	RM	CM	Total	Individual impairments to cover losses on loans and guarantees at 1 January	RM	CM	Total	RM	CM	Total
31	102	134	28	101	128	Individual impairments to cover losses on loans and guarantees at 1 January	43	112	156	39	107	147
0	0	0	5	8	13	Individual impairments to cover losses on loans and guarantees transferred from B1OA at 1 April when SH and B1OA merged operations in the parent bank	0	0	0	0	0	0
0	0	0	0	0	0	Individual impairments to cover losses on loans and guarantees transferred from B1OA at 30 June 2016 when consolidating B1OA into the group	0	0	0	6	7	13
6	14	20	4	9	14	Realised losses in the period on loans and guarantees with previous individual impairments	15	21	36	15	24	39
6	13	19	4	21	25	Reversal of impairment provisions from previous years	6	27	33	8	19	28
2	4	6	0	4	4	Increase in impairments on commitments with previous individual impairments	5	6	11	3	6	9
7	21	28	7	17	23	Impairment provisions on commitments for which no earlier individual impairment provision has been made	14	33	48	19	35	53
28	101	128	31	99	130	Individual impairments to cover losses on loans and guarantees at the end of period ¹⁾	42	103	146	43	112	156

1) Guarantee provisions are included under "Other liabilities" in the balance sheet and at 31 December amounted to NOK 3.7 million. The corresponding figures in 2016 are NOK 10.0 million.

2016			2017			Collective loan loss impairments	2017			2016		
RM	CM	Total	RM	CM	Total		RM	CM	Total	RM	CM	Total
27	76	103	36	86	122	Collective impairments to cover losses on loans and guarantees at 1 January	80	182	262	34	86	120
0	0	0	36	84	120	Collective impairments to cover losses on loans and guarantees transferred from B1OA at 1 April when SH and B1OA merged operations in the parent bank	0	0	0	0	0	0
0	0	0	0	0	0	Collective impairments to cover losses on loans and guarantees transferred from B1OA at 30 June 2016 when consolidating B1OA into the group	0	0	0	36	84	120
9	10	19	3	-47	-44	Collective impairment provisions to cover losses on loans and guarantees in the period	5	-47	-42	10	11	22
36	86	122	75	123	198	Collective impairments to cover losses on loans and guarantees at the end of the period	85	135	221	80	182	262

Parent bank			Group		
2016	2017	Losses on loans and guarantees by sector and industry	2017	2016	
6	2	Private customers	18	20	
0	0	Public sector	0	0	
9	2	Primary industries	3	9	
0	0	Paper and pulp industries	0	0	
13	-7	Other industry	-6	13	
0	7	Building and construction	0	2	
0	0	Power and water supply	0	0	
2	-5	Wholesale and retail trade	-5	5	
0	1	Hotel and restaurants	1	0	
1	-1	Real estate	-1	2	
-3	6	Commercial services	8	-2	
0	0	Transport and communications	5	3	
0	0	Collective write-downs	0	0	
19	-44	Other	-42	22	
47	-39	Losses on loans and guarantees to customers	-20	75	

Parent bank						Group			
2014	2015	2016	2017		2017	2016	2015	2014	
263	180	137	242	Gross defaulted commitments for more than 90 days ²⁾	287	233	234	339	
44	32	40	31	Individual impairments on defaulted commitments	42	54	41	52	
219	148	97	211	Net defaulted commitments	244	179	193	287	
17%	18%	29%	13%	Loan loss impairment ratio on defaulted commitments	15%	23%	18%	15%	
205	234	230	242	Gross doubtful commitments (not in default)	254	272	257	209	
90	102	88	99	Individual impairments on doubtful commitments	104	101	107	91	
115	132	142	142	Net doubtful commitments	151	171	150	118	
44%	44%	38%	41%	Loan loss impairment ratio on doubtful commitments	41%	37%	42%	44%	
29%	32%	35%	27%	Total loan loss impairment ratio on defaulted and doubtful commitments	27%	31%	30%	26%	
25	20	18	13	Interest on loans with individual loan loss impairments recognised as income	13	18	20	25	

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

Note 12 Credit risk exposure for each internal risk rating

SpareBank 1 Østlandet 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. The customer is scored monthly in the bank's portfolio system.

Parent bank	Average unsecured exposure (%)	Total commitment	Average unsecured exposure (%)	Total commitment
	2017	2017	2016	2016
Low risk	3.8%	73 141	2.0%	34 780
Medium risk	5.0%	16 892	6.1%	11 201
High risk	4.5%	2 472	4.3%	1 802
Defaulted and written down	13.0%	510	16.5%	398
Total	4.1%	93 016	3.1%	48 181

Group	Average unsecured exposure (%)	Total commitment	Average unsecured exposure (%)	Total commitment
	2017	2017	2016	2016
Low risk	3.8%	75 735	3.0%	70 475
Medium risk	5.5%	20 835	4.7%	18 141
High risk	7.0%	3 403	4.9%	3 265
Defaulted and written down	12.2%	582	14.8%	556
Total	4.3%	100 554	3.5%	92 437

Unsecured exposure is total deduction less the market value of the security of the respective commitments.

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

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

Parent bank			Group	
2016	2017		2017	2016
		Assets		
268	579	Deposits with central banks	579	657
7 191	7 669	Loans to and receivables from credit institutions	1 808	1 335
42 003	83 355	Gross loans to and receivables from customers	90 460	82 945
-118	-126	- Individual loan impairments to cover losses on loans	-142	-145
-122	-198	- Collective loan impairments to cover losses on loans	-221	-262
41 762	83 030	Net loans to and receivables from customers	90 098	82 537
5 630	8 883	Certificates and bonds	8 883	9 776
349	582	Financial derivatives	582	810
55 199	100 743	Credit risk exposure, balance sheet	101 950	95 115
		Liabilities		
1 044	1 160	Contingent liabilities (guarantees provided)	1 068	1 179
5 616	9 176	Unutilised credit lines	8 477	8 274
719	1 557	Loans approved not disbursed	1 795	1 699
7 379	11 894	Total financial guarantees, off balance sheet items	11 341	11 151
62 578	112 637	Total credit risk exposure	113 290	106 266

Credit risk exposure on financial assets distributed by geographic area

Parent bank			Group	
2016	2017		2017	2016
		Banking activities		
39 022	42 157	Hedmark	37 255	36 456
4 465	5 726	Oppland	6 837	5 615
4 035	19 795	Akershus	21 162	18 701
5 654	29 269	Oslo	29 834	25 944
3 564	6 120	Rest of Norway	8 634	9 056
100	430	Abroad	430	309
-240	-325	Provisions for losses, undistributed	-325	-408
0	0	Accrued interest, undistributed	0	7
56 599	103 172	Total banking activities	103 827	95 680
		Financial market activities		
4 348	6 499	Norway	6 499	7 587
1 586	2 966	Europe	2 966	2 954
45	0	USA	0	45
5 979	9 465	Total financial market activities	9 465	10 586
62 578	112 637	Total distributed by geographic area	113 290	106 266

Note 14 Financial instruments and offsetting

In accordance with IFRS 7 it should be disclosed which financial instruments the Bank considers to fulfill the requirements for offsetting and which financial instruments have entered into a settlement agreement.

In the financial setup, the bank has no financial instruments recorded net.

SpareBank 1 Østlandet 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 Bank has two GMRA agreements.

The assets and liabilities below may be offset.

Parent bank				Amounts not presented on the balance sheet on a net basis		
	Gross financial assets/(liabilities)	Recognised on a net basis	Net financial assets/(liabilities on the balance sheet)	Financial instruments	Cash collateral given/ (received)	Net amount
2017						
Derivatives as assets	582	0	582	-212	-218	152
Derivatives as liabilities	-307	0	-307	212	73	-22

	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
2016						
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					Net amount
	Gross financial assets/(liabilities)	Recognised on a net basis	Net financial assets/(liabilities on the balance sheet)	Financial instruments	Cash collateral given/ (received)	
2017						
Derivater som eiendeler	582	0	582	-212	-218	152
Derivater som forpliktelser	-307	0	-307	212	73	-22
2016						
Derivatives as assets	810	0	810	-126	-201	483
Derivatives as liabilities	-349	0	-349	126	168	-54

Note 15 Credit quality per class of financial assets

Parent bank		Neither defaulted nor with impairments				Defaulted or with individual loan loss impairments	Total
2017	Notes	Low risk	Medium risk	High risk			
Loans to and receivables from credit institutions	7	7 669	0	0		0	7 669
Gross loans to and receivables from customers measured to amortised cost							
Retail market	8	46 289	3 763	681		198	50 931
Corporate market	8	14 616	10 774	1 521		299	27 210
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	4 346	360	55		0	4 761
Corporate market	8	296	148	9		0	453
Total gross lending		73 216	15 045	2 266		497	91 024
Financial investments							
Certificates and bonds	30	8 881	0	2		0	8 883
Total financial investments		8 881	0	2		0	8 883
Total lending-related assets		82 097	15 045	2 268		497	99 907

Group		Neither defaulted nor with impairments				Defaulted or with individual loan loss impairments	Total
2017	Notes	Low risk	Medium risk	High risk			
Loans to and receivables from credit institutions	7	1 808	0	0		0	1 808
Gross loans to and receivables from customers measured to amortised cost							
Retail market	8	47 310	5 600	921		231	54 062
Corporate market	8	15 770	12 806	2 273		336	31 184
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	4 346	360	55		0	4 761
Corporate market	8	296	148	9		0	453
Total gross lending		69 529	18 914	3 257		567	92 268
Financial investments							
Certificates and bonds	30	8 881	0	2		0	8 883
Total financial investments		8 881	0	2		0	8 883
Total lending-related assets		78 411	18 914	3 260		567	101 151

Parent bank

		Neither defaulted nor with impairments			Defaulted or with individual loan loss impairments	Total
		Low risk	Medium risk	High risk		
2016	Notes					
Loans to and receivables from credit institutions	7	7 191	0	0	0	7 191
Gross loans to and receivables from customers measured to amortisert cost						
Retail market	8	18 733	2 464	429	153	21 779
Corporate market	8	8 363	7 155	1 190	238	16 946
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value through profit and loss on initial recognition						
Retail market	8	2 514	314	45	1	2 874
Corporate market	8	256	146	2	0	404
Total gross lending		37 057	10 079	1 666	392	49 194
Financial investments						
Certificates and bonds	30	5 620	8	3	0	5 630
Total financial investments		5 620	8	3	0	5 630
Total lending-related assets		42 676	10 087	1 669	392	54 824

Group

		Neither defaulted nor with impairments			Defaulted or with individual loan loss impairments	Total
		Low risk	Medium risk	High risk		
2016	Notes					
Loans to and receivables from credit institutions	7	1 335	0	0	0	1 335
Gross loans to and receivables from customers measured to amortisert cost						
Retail market	8	41 292	9 532	814	233	51 870
Corporate market	8	14 115	9 355	1 511	252	25 233
Gross loans to and receivables from customers and credit institutions classified as financial assets at fair value through profit and loss on initial recognition						
Retail market	8	4 890	389	60	1	5 339
Corporate market	8	352	148	2	0	502
Total gross lending		61 983	19 424	2 386	487	84 279
Financial investments						
Certificates and bonds	30	9 757	17	3	0	9 776
Total financial investments		9 757	17	3	0	9 776
Total lending-related assets		71 740	19 441	2 389	487	94 056

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. These amount to NOK 623 million for 2017 and mainly consist of certificates in Norwegian local authorities and county councils (NOK 472 million) and a subordinated loan in SpareBank 1 Forsikring AS (NOK 130 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 rate risk arises because interest bearing assets and liabilities have different remaining fixed rate terms.

The Board has set limits for the total interest rate risk, both with regard to parallel shifts 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	
2016	2017	Basis risk	2017	2016
-31	-41	Certificates and bonds	-41	-44
-60	-97	Fixed-rate loans to customers	-97	-115
3	13	Fixed-rate deposits to customers	13	18
0	3	Loan and receivables from credit institutions	3	0
147	447	Bond loans	447	293
2	3	Other fixed-rate funding and investments	3	3
-73	-340	Derivatives	-340	-145
-13	-13	Total interest rate risk, effect on profit after tax	-13	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.

Parent bank Interest rate risk, 1 per cent change			Group Interest rate risk, 1 per cent change	
2016	2017	Yield curve risk	2017	2016
1	1	0–1 month	1	1
4	13	1–3 months	13	9
0	5	3–6 months	5	0
3	11	6–12 months	11	8
-12	-11	1–3 years	-11	0
-3	6	3–5 years	6	-3
-5	-41	5–10 years	-41	-4
0	3	More than 10 years	3	0
-13	-13	Total interest rate risk, effect on profit after tax	-13	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 net position in a single currency must not exceed NOK 25 million overnight.
- The absolute total of each net position in any single currency must not exceed NOK 75 million overnight.
- The net position in a single currency must not exceed NOK 100 million intraday.
- The absolute total of each net position in any single currency must not exceed NOK 150 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	
2016	2017	Net Currency exposure NOK	2017	2016
1	-1	GBP	-1	2
-1	0	USD	0	0
0	0	DKK	0	1
0	-1	JPY	-1	0
0	0	PLN	0	0
2	0	SEK	0	6
-1	3	EUR	3	5
4	-2	CHF	-2	5
-2	2	Others	2	3
4	0	Sum	0	22
0	0	Effect on after-tax profit/loss and equity of a 3 per cent change in FX-rates	0	1
0	0	Effect on after-tax profit/loss and equity of a 10 per cent change in FX-rates	0	2

Note 18 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations and finance its assets, without an increase in funding cost.

The banks's framework for managing liquidity risk shall reflect the bank's conservative risk profile. The board has approved internal limits to achieve as balanced maturity structure for its borrowing as possible. Stress testing is conducted for the various terms of maturities for bank-specific crises, system crises and a combination of these. A contingency plan has also been put in place to manage liquidity crises. The average remaining time to maturity in the portfolio of the banks borrowing was 3.6 years at the end of 2017.

Parent bank

2017	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	0	-8	-23	-710	-1 334	-2 074
Deposits from and liabilities to customers	-60 870	-1 372	-2 084	-1 687	0	-66 013
Liabilities arising from issuance of securities	0	-717	-3 020	-16 783	-4 348	-24 868
Subordinated loan capital	0	-211	-818	-747	0	-1 776
Derivatives related to liabilities	0	37	100	239	49	425
Current tax liabilities	0	0	-314	0	0	-314
Other liabilities	0	-1 557	0	0	0	-1 557
Total cash flows related to liabilities	-60 870	-3 828	-6 159	-19 687	-5 633	-96 177

Group

2017	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	0	-8	-23	-710	-1 334	-2 074
Deposits from and liabilities to customers	-60 843	-1 372	-2 084	-1 687	0	-65 985
Liabilities arising from issuance of securities	0	-717	-3 020	-16 783	-4 348	-24 868
Subordinated loan capital	0	-211	-818	-747	0	-1 776
Derivatives related to liabilities	0	37	100	239	49	425
Current tax liabilities	0	0	-358	0	0	-358
Deferred tax asset	0	0	0	-122	0	-122
Other liabilities	0	-1 795	0	0	0	-1 795
Total cash flows related to liabilities	-60 843	-4 066	-6 203	-19 809	-5 633	-96 554

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	-1 796
Deposits from and liabilities to customers	-32 821	0	-3 437	0	0	-36 258
Liabilities arising from issuance of securities	0	-252	-1 684	-9 962	-1 045	-12 943
Subordinated loan capital	0	-4	-11	-506	0	-521
Derivatives related to liabilities	0	13	28	64	18	124
Current tax liabilities	0	0	-148	0	0	-148
Other liabilities	0	-718	0	0	0	-718
Total cash flows related to liabilities	-32 848	-1 430	-5 287	-11 082	-1 612	-52 259

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	0	0	-63 070
Liabilities arising from issuance of securities	0	-440	-2 712	-17 258	-3 444	-23 854
Subordinated loan capital	0	-4	-11	-1 735	0	-1 750
Derivatives related to liabilities	0	9	19	-185	-194	-352
Current tax liabilities	0	-96	-151	0	0	-247
Deferred tax asset	0	0	0	-118	0	-118
Other liabilities	0	-1 699	0	0	0	-1 699
Total cash flows related to liabilities	-57 676	-4 332	-6 674	-19 974	-4 223	-92 879

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

2017	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	672	0	0	0	0	672
Loans to and receivables from credit institutions	0	7 669	0	0	0	7 669
Gross loans to and receivables from customers	14 534	759	3 242	11 818	53 001	83 355
- Individual loan impairments to cover losses on loans	0	0	0	-126	0	-126
- Collective loan impairments to cover losses on loans	0	0	0	-198	0	-198
Net loans to and receivables from customers	14 534	759	3 242	11 494	53 001	83 030
Certificates and bonds	0	594	241	6 766	1 282	8 883
Financial derivatives	0	8	174	276	123	582
Shares, units and other equity interests	0	0	0	494	0	494
Investments in associates and joint ventures	0	0	0	0	3 336	3 336
Investments in subsidiaries	0	0	0	0	1 370	1 370
Property, plant and equipment	0	0	0	130	235	365
Goodwill and other intangible assets	0	0	14	35	51	100
Deferred tax asset	3	0	0	0	0	3
Other assets	0	85	218	2	339	645
Total assets	15 209	9 116	3 890	19 197	59 737	107 149
Liabilities						
Deposits from and liabilities to credit institutions	0	390	0	600	1 299	2 288
Deposits from and liabilities to customers	60 870	1 372	2 084	1 687	0	66 013
Liabilities arising from issuance of securities	0	778	2 864	15 933	4 111	23 686
Financial derivatives	0	39	33	139	95	307
Current tax liabilities	0	0	0	314	0	314
Deferred tax liabilities	0	0	0	0	0	0
Other debt and liabilities recognised in the balance sheet	0	97	215	35	84	431
Subordinated loan capital	0	0	6	0	1 700	1 706
Total liabilities	60 870	2 676	5 202	18 707	7 289	94 743

Group 2017	At call	Less than 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets						
Cash and deposits with central banks	673	0	0	0	0	673
Loans to and receivables from credit institutions	12	1 797	0	0	0	1 808
Gross loans to and receivables from customers	14 405	867	3 534	15 942	55 711	90 460
- Individual loan impairments to cover losses on loans	0	-1	0	-142	0	-142
- Collective loan impairments to cover losses on loans	0	0	0	-221	0	-221
Net loans to and receivables from customers	14 405	866	3 534	15 580	55 711	90 098
Certificates and bonds	0	594	241	6 766	1 282	8 883
Financial derivatives	0	8	174	276	123	582
Shares, units and other equity interests	0	0	0	495	0	495
Investments in associates and joint ventures	0	0	0	0	3 929	3 929
Property, plant and equipment	0	0	0	0	0	0
Goodwill and other intangible assets	0	0	0	157	421	578
Deferred tax asset	0	0	39	34	293	366
Other assets	13	193	362	2	339	910
Total assets	15 102	3 459	4 351	23 309	62 099	108 321
Liabilities						
Deposits from and liabilities to credit institutions	0	388	0	600	1 299	2 286
Deposits from and liabilities to customers	60 843	1 372	2 084	1 687	0	65 986
Liabilities arising from issuance of securities	0	778	2 864	15 933	4 111	23 686
Financial derivatives	0	39	33	139	95	307
Current tax liabilities	0	0	0	358	0	358
Deferred tax liabilities	122	0	0	0	0	122
Other debt and liabilities recognised in the balance sheet	0	122	278	55	87	541
Subordinated loan capital	0	0	6	0	1 700	1 706
Total liabilities	60 965	2 699	5 265	18 771	7 292	94 990

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	0	0	0	0	354
Loans to and receivables from credit institutions	5 467	106	190	1 428	0	7 191
Gross loans to and receivables from customers	13 245	434	1 498	6 109	20 716	42 003
- Individual loan impairments to cover losses on loans	-44	-6	-6	-27	-36	-118
- Collective loan impairments to cover losses on loans	0	0	0	-122	0	-122
Net loans to and receivables from customers	13 201	428	1 492	5 960	20 680	41 762
Certificates and bonds	0	1 134	252	3 442	802	5 630
Financial derivatives	0	8	34	166	140	349
Shares, units and other equity interests	0	0	0	0	321	321
Investments in associates and joint ventures	0	0	0	0	1 681	1 681
Investments in subsidiaries	0	0	0	0	3 842	3 842
Property, plant and equipment	0	0	0	74	229	304
Goodwill and other intangible assets	0	0	15	30	57	102
Deferred tax asset	0	0	0	0	0	0
Other assets	0	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	0	3 437	0	0	36 259
Liabilities arising from issuance of securities	0	175	1 525	9 640	1 064	12 404
Financial derivatives	0	55	5	90	82	233
Current tax liabilities	0	0	148	0	0	148
Deferred tax asset	0	0	0	10	0	10
Other debt and liabilities recognised in the balance sheet	0	43	129	10	40	222
Subordinated loan capital	0	0	0	502	0	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	761	0	0	0	0	761
Loans to and receivables from credit institutions	66	402	190	678	0	1 335
Gross loans to and receivables from customers	18 244	840	2 919	13 669	47 274	82 945
- Individual loan impairments to cover losses on loans	-44	-7	-19	-40	-36	-145
- Collective loan impairments to cover losses on loans	0	0	0	-262	0	-262
Net loans to and receivables from customers	18 200	833	2 900	13 367	47 238	82 537
Certificates and bonds	0	1 433	331	6 562	1 450	9 776
Financial derivatives	0	15	138	439	217	810
Shares, units and other equity interests	0	0	0	426	321	747
Assets held for sale	0	0	0	0	3 618	3 618
Investments in associates and joint ventures	0	0	5	0	0	5
Property, plant and equipment	0	0	0	85	501	587
Goodwill and other intangible assets	0	0	42	32	297	371
Other assets	0	28	413	151	103	695
Total assets	19 027	2 710	4 019	21 740	53 745	101 242
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	0	0	63 070
Liabilities arising from issuance of securities	0	388	2 214	17 584	1 752	21 937
Financial derivatives	0	61	30	135	122	349
Current tax liabilities	0	96	151	0	0	247
Deffered tax liabilities	0	0	0	118	0	118
Other debt and liabilities recognised in the balance sheet	0	114	294	29	119	556
Subordinated loan capital	0	0	0	502	700	1 203
Total liabilities	57 675	2 758	6 491	18 967	3 243	89 135

Note 20 Net interest income

Parent bank		Group	
2016	2017	2017	2016
Interest income			
186	140	44	65
1 400	2 340	2 916	2 287
89	146	164	124
18	16	114	18
1 692	2 642	3 238	2 494
Interest expenses			
37	39	36	43
377	503	577	526
238	494	562	379
14	32	38	25
24	36	36	31
0	29	34	1
689	1 134	1 282	1 004
1 003	1 508	1 956	1 490

Note 21 Net commission income and other operating income

Parent bank			Group	
2016	2017		2017	2016
		Commission income		
18	19	Guarantee commissions	17	18
8	17	Securities trading	20	11
148	262	Payment transmission	295	238
88	157	Insurance services	177	129
154	339	Commission from loans transferred to cover bond companies	377	225
0	0	Commission from real estate brokerage	297	198
10	14	Other commission income	15	12
427	807	Total commission income	1 197	830
		Commission expenses		
22	47	Payment transmission	55	36
6	10	Other commission expenses	48	34
28	57	Total commission expenses	102	70
		Other operating income		
8	8	Operating income from real estate	6	6
0	0	Income from accounting	149	159
4	6	Income payroll	4	4
9	17	Other operating income	9	10
21	31	Total other operating income	168	179
420	782	Total net commission income and other operating income	1 263	939

Note 22 Net income from financial assets and liabilities

Parent bank			Group	
2016	2017		2017	2016
45	11	Dividends from equity instruments available for sale	11	46
45	11	Dividends from other than group companies	11	46
389	265	Dividends (parent bank) / net profit from group companies (Group)	194	236
0	1	Gains or losses on realisation of group companies (parent bank)		
-20	10	Impairment on assets in group companies (parent bank)		
369	275	Net profit from ownership interests	194	236
21	16	Net change in value on bonds and certificates	33	35
15	13	Net change in value of derivatives that hedge bonds and certificates	12	21
36	29	Net change in value on bonds and certificates including hedge derivatives	45	55
-65	19	Net change in value of securities issued	28	100
-87	-73	Net change in value in derivatives that hedge securities issued	-86	-246
-151	-53	Net change in value of securities issued including hedge derivatives	-58	-146
-41	5	Net change fixed-rate loans and deposits to customers at fair value through profit and loss	12	-78
6	2	Net change in value of other derivatives	0	54
1	10	Gains or losses on realisation of assets at fair value through profit or loss	10	1
13	15	Gains or losses on realisation of assets available for sale	16	29
0	1	Impairment on assets available for sale	1	0
16	40	Net income from currency trading	46	24
-122	48	Net profit from other financial assets and liabilities	72	-62
293	334	Net income from financial assets and liabilities	277	220

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

Parent bank			Group	
2016	2017		2017	2016
309	462	Payroll	753	646
53	98	Employers' National Insurance contribution	151	110
-220	68	Pension costs (note 24)	31	-215
20	57	Social security expenses	75	32
162	684	Total personnel expenses	1 010	573
484	653	Average no. of employees	1 141	986
462	705	No. of fulltime equivalents at 31 December	1 109	1 173
478	728	No. of employees at 31 December	1 164	1 209

Payments to Group management (NOK thousand) 2017		Salaries and other short- term benefits	Other remune- ration	Accrued pension entitle- ments in the last 12 months	Board fees in subsidi- aries etc.	Loans	Number of EC's
Title / name							
Chief Executive Officer (CEO) Richard Heiberg		3 749	159	2 225	557	4 680	65 384
Chief Financial Officer (CFO) Geir-Egil Bolstad		2 635	47	128	94	6 432	7 692
Head of Corporate Banking Hans Olav Wedvik		1 858	206	107	95	19 369	1 602
Head of Retail Banking Kari E. Gislås		1 772	333	123	499	4 326	1 602
Head of HR and Legal Eldar Kjendlie		1 772	203	112	105	2 859	2 564
Head of Communications Siv Stenseth		1 595	330	127	0	2 805	1 602
Head of Innovation and Business Development Dag-Arne Hoberg		1 666	474	114	50	1 803	2 884
Chief Risk Officer (CRO) Vidar Nordheim		1 641	257	116	55	3 211	2 432
Head of Organizations and Capital Markets Espen Mejlænder-Larsen		1 813	41	113	0	2 632	3 525
Chief Operating officer (COO) Gudrun Michelsen		1 604	368	120	0	6 794	2 564
Managing Director, EiendomsMegler 1 Hedmark Eiendom AS Magnus Aasen		1 314	189	109	75	1 770	1 602
Managing Director, SpareBank 1 Finans Østlandet AS Bjarne Chr. Finstad		1 312	200	108	0	7 443	1 602
Managing Director, SpareBank 1 Regnskapshuset Østlandet AS Ove Jahnsen		1 392	19	70	20	0	0
Managing Director, EiendomsMegler 1 Oslo Akershus AS Jon Olav Halgunset to 31.8.2017		990	198	97	0	0	0
Managing Director, EiendomsMegler 1 Oslo Akershus AS Kent Victor Syverstad from 1.9.2017		729	173	107	0	0	0

There are given none guarantees to anyone in the Group management in 2017.

Payments to Group management (NOK thousand) 2016		Salaries and other short- term benefits	Other remune- ration	Accrued pension entitle- ments in the last 12 months	Board fees in subsidi- aries etc.	Loans	Guarantees
Tittel/navn							
Chief Executive Officer Richard Heiberg *)		3 001	124	2 063	449	150	0
Head of Corporate Banking Vegard Sæten to 31.3.2016 *)		952	621	43	95	0	0
Head of Corporate Banking Hans Olav Wedvik from 1.5.2016*)		889	200	79	0	20 117	0
Head of Retail Banking Kari E. Gislås *)		1 457	398	216	326	4 787	0
Chief Financial Officer (CFO) Geir-Egil Bolstad from 1.12.2016		300	13	0	0	0	0
Chief Financial Officer (CFO) Tore-Anstein Dobloug		1 390	293	184	249	0	0
Head of HR and Legal Eldar Kjendlie *)		1 343	301	144	0	781	0
Chief Operating Officer (COO) Dag-Arne Hoberg*)		1 343	424	233	50	1 979	0
Chief Risk Officer (CRO) Vidar Nordheim *)		1 318	303	158	55	3 212	0
General Manager Capital Market Tor Morten Nygård*)		1 021	238	177	0	3 459	0
Head of Communications Siv Stenseth *)		1 177	356	204	0	5 179	0
Managing Director, EiendomsMegler 1 Hedmark Eiendom AS Magnus Aasen		1 187	207	136	50	1 622	0
Managing Director, SpareBank 1 Finans Østlandet AS Bjarne Chr. Finstad from 1.5.2016		568	12	72	0	0	0
Managing Director, SpareBank 1 Finans Østlandet AS Hans Olav Wedvik to 30.4.2016		1 196	203	135	0	7 480	0
Managing Director, SpareBank 1 Regnskapshuset Østlandet AS Ove Jahnsen *)		1 350	16	75	20	0	0

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

The total lending to Group management, NOK 31 million (NOK 39 million) was transferred to covered bond companies in 2017 (2016).

Remuneration to the Board (NOK thousand)**2017**

Title / name	Fees	Other remuneration	Loans	Number of EC's	Number of meetings
Board:					
Chairman Siri J. Strømmevold	341	9	2 126	1 282	12
Vice Chairman Nina C. Lier	287	1	2 170	1 282	11
Board member Erik Garaas	307	0	0	1 714	12
Board member Guro Nina Vestvik	188	0	0	346	12
Board member Morten Herud	267	2	0	1 282	12
Board member Hans-Christian Gabrielsen	182	0	1 737	0	11
Board member Espen B. Larsen (employee, incl. in salary)	887	92	4 364	1 602	12
Board member Vibeke Hanvold Larsen (employee, incl. in salary)	662	79	2 397	1 602	12
Deputy Hanne Sverderup Dahl	17	0	0	641	0
Deputy Alexander S Lund	18	0	0	4 286	2
Deputy Ole Reidar Gulli (employee, incl. in salary)	536	58	919	1 282	0
Deputy Susanne Valberg Granheim (employee, incl. in salary)	455	43	3 516	1 041	0
Deputy Jørn-Henning Eggum	128	0	0	0	6

There are given none guarantees to any boardmembers in 2017.

2016

Title / name	Fees	Other remuneration	Loans	Number of meetings
Board:				
Chairman Siri J. Strømmevold	318	6	2 274	11
Vice Chairman Nina C. Lier	210	0	1 989	9
Board member Erik Garaas	230	0	0	11
Board member Guro Nina Vestvik	106	0	0	6
Board member Morten Herud	177	1	0	11
Board member Hans-Christian Gabrielsen	57	0	0	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	0	0	1
Deputy Ole Reidar Gulli (employee, incl. in salary)	559	114	2 000	4
Deputy Susanne Valberg Granheim (employee, incl. in salary)	0	0	3 573	0
Deputy Marit Astrup	0	0	0	0

Remuneration to the Board of Representatives (NOK thousand)

	2017	2016
Chairman Pål Jan Stokke	45	63
Other members	3-57	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 arrangements in accordance with the "Regulation on Remuneration Arrangements in Financial Institutions, Investment Firms and Management Companies"

SpareBank 1 Østlandet'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 defined contribution pension scheme. Those who were members of the defined benefit pension scheme at the time the members were moved to a defined contribution pension scheme receive compensation for the transition from a defined benefit pension to a defined contribution pension in line with the same rules that apply to other employees.

No schemes involving variable pay elements or other special administrative schemes have been established for this group of employees. However, executive personnel can receive a one-time supplement limited to one month's pay, based on the same criteria and within the same limits as other employees. The criteria are described in more detail in the Bank's remuneration arrangements.

In 2017, a one-time supplement of between NOK 20 000 to NOK 144 000 was paid to twelve employees categorised as "executive personnel", as defined in relation to the remuneration regulations, due to the especially large workload over a long time in connection with the merger process. The average amount of the one-time supplement for employees in this group was NOK 62,816 and in all cases within the limit of one month's pay.

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.

In connection with the IPO for the Bank's equity certificates on the Oslo Stock Exchange, executive personnel took part in the offer made to all employees who were given a chance to purchase equity certificates for a nominal value of up to NOK 125 000 with a 20 per cent discount and lock-in period of 2 years. The reported tax advantage of a purchase with nominal value of NOK 125 000 was calculated at NOK 765.

The salary terms 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 remuneration system 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 to get any input and comments they may have before the chief executive makes a decision.

The Remuneration Committee is similarly briefed concerning the pay conditions of the managing directors of the Bank's subsidiaries and thereby has an opportunity to present any comments before decisions are made by the subsidiaries' boards. The chief executive's terms are set by the Board based on the recommendations of the Remuneration Committee.

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.

Note 24 Pensions

The SpareBank 1 Østlandet Group has a number of types of pension schemes.

Defined contribution scheme

The contribution based pension scheme is now the main scheme in the Group. This means that no promise is given of a future pension of a specific size but that the companies in the Group pay an annual contribution to the employees' pension pots. 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 liabilities and the cost is recognised directly in the income statement.

Contribution based pension rates from 1 July 2017:

Salary from 0-7.1 G*	7.00%
Salary from 7.1-12 G*	15.00%

*Salary includes fixed supplements, but does not include overtime, taxable benefits in kind and other allowances for expenses.

Benefit based scheme in the companies Sparebanken Hedmark (prior to merger), EiendomsMegler 1 Hedmark Eiendom AS and SpareBank 1 Finans Østlandet AS

The pension scheme is managed by its own pension fund. The pension benefits are calculated based on the qualification age of 67, although a pension can be drawn when a member turns 62. The scheme also includes a disability pension subject to detailed rules. The defined benefit based pension scheme is intended to ensure members a pension of around 70 per cent of final salary up to 12 G. The defined benefit scheme was first closed to new members in 2008 and thereafter wound up with effect from 1 July 2016. Employees who had a defined benefit pension were moved to a defined contribution scheme, with the exception of a few people who at the time of winding up 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 significantly reduced pension liabilities. The effect recognised in the financial statements for 2016 was net income recognition of NOK 271 million.

Closed pension schemes cover	Parent Bank	Group
Employees	0	0
Pensioners and disability pensioners	17	17

Calculations of costs and liabilities for secured and unsecured pension schemes are based on the following assumptions:

Financial assumptions	01.01.18	01.01.17	01.01.16
Discount rate	2.30%	2.60%	2.70%
Expected return on the funds	2.30%	2.60%	2.70%
Expected future development of pay	2.25%	2.00%	2.25%
Expected future adjustment of G	2.25%	2.00%	2.25%
Expected future adjustment of pension	0.00%	2.00%	2.25%
Employer's NI contributions	19.10%	19.10%	14.10%
Expected voluntary turnover	0.00%	2% og 4%	2.00%
Anticipated AFP payout from 62 years	0.00%	0.00%	0.00%
Disability table used	IR02	IR02 og IR03	IR02
Mortality table used	K2013 BE	K2013 BE	K2013 BE

The above-mentioned times indicate the time from which the liability is calculated using the changed assumptions. This means, for example, that the pension liability as at 31 December 2017 has been discounted by the assumptions that applied as at 1 January 2018, while the annual cost for 2017 is based on the assumptions that applied at the start of the year.

Closed defined benefit schemes in the companies Bank 1 Oslo Akershus AS (prior to the merger) and EiendomsMegler 1 Oslo AS

The companies have had a collective pension scheme for their employees in SpareBank 1 Livsforsikring AS. The pension scheme ensured most employees 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 based scheme was wound up for everyone with effect from 1 January 2017 and the employees issued with paid-up policies. The accounting effect in the Group was net income recognition of NOK 53.3 million in 2017.

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 early retirement under the AFP scheme with effect from 2011 or later, will be given benefits under this new scheme. The early retirement (AFP) scheme is a lifelong addition to the National Insurance benefits and can be taken out from age 62. The employers' premiums must be set as a percentage of salary payments up to 7.1 G. In line with the recommendations from the Norwegian Accounting Standards Board (NASB), no provisions have been made for the Group's actual AFP liability.

The Group also has pension liabilities in relation to early retirement pensioners and some employees with salaries in excess of 12 G.

For further information about the Group's pension schemes see Note 2 – Accounting policies and Note 23 – Payroll expenses and payments to senior employees and elected officers.

Pension expenses

SECURED SCHEME

Parent bank			Group	
2016	2017		2017	2016
8	1	Present value of pension accruals for the year	1	14
-258	8	Net effect of the transition from a defined benefit to a defined contribution pension	-45	-271
11	1	Interest cost of pension liability	1	15
-6	0	Return on pension assets	0	-9
0	0	Administrative cost	0	-1
2	0	Accrued employer contributions	0	0
-243	10	Net pension expenses	-43	-252

3.2%	6.9%	Actual return on pension assets	6.9%	3.2%
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UNSECURED PENSION SCHEME

Parent bank			Group	
2016	2017		2017	2016
5	15	Present value of pension accruals for the year	15	5
1	2	Interest cost of pension liability	2	1
12	31	Defined-contribution pension charged to profit and loss	46	25
5	7	Effect of new AFP scheme charged to profit and loss	8	6
1	3	Accrued employer contributions	3	1
23	58	Net pension expenses	74	37

TOTAL SECURED AND UNSECURED SCHEMES

Parent bank			Group	
2016	2017		2017	2016
13	15	Present value of pension accruals for the year	16	19
-258	8	Net effect of the transition from a defined benefit to a defined contribution pension	-45	-271
12	2	Interest cost of pension liability	2	16
-6	0	Return on pension assets	0	-9
12	31	Defined-contribution pension charged to profit and loss	46	25
5	7	Effect of new AFP scheme charged to profit and loss	8	6
2	3	Accrued employer contributions	3	0
-220	68	Net pension expenses	31	-215

Pension liability

SECURED SCHEME

Parent bank			Group	
2016	2017		2017	2016
802	18	Gross liabilities at 1 January	344	844
0	0	Liability new group company	0	290
9	0	Pension accruals for the year	0	20
-769	0	Transition from benefit to contribution	-326	-769
11	1	Interest on pension liability	1	19
-26	-1	Benefits paid	-1	-87
-9	14	Actuarial differences included in equity	14	28
18	33	Gross liability at 31 December	33	344
599	17	Pension assets at 1 January	280	626
0	0	Funds new group company	0	272
-576	0	Paid-up policies issued upon transition from benefit to contribution	-263	-589
25	1	Paid into the scheme	1	35
6	0	Expected return on pension assets	0	12
-26	-1	Benefits paid	-1	-55
-11	16	Actuarial gains and losses included in equity	16	-22
17	32	Pension assets at 31 December	32	280
28	0	Employers' National Insurance contribution liability at 1 January	11	30
0	0	Employers' NI contribution new group company	0	3
-4	0	Employers' National Insurance contribution on pension premium paid in	0	-4
-27	0	Employers' NI contribution for paid-up policies	-9	-27
1	0	Employers' National Insurance contribution on actuarial differences	0	6
2	0	Employers' National Insurance contribution on the pension cost for the year	0	2
0	0	Other changes	-3	1
0	0	Employers' National Insurance contribution liability at 31 December	0	11
231	1	Net pension liability secured scheme at 1 January	76	248
1	0	Net pension liability secured scheme at 31 December	0	76

Premium transfers in 2018 are estimated to NOK 0.5 (0.5) million for the parent bank and NOK 0.5 (0.5) million for the Group.

UNSECURED PENSION SCHEME

Parent bank			Group	
2016	2017		2017	2016
27	34	Gross liabilities at 1 January	39	27
0	17	Liability new group company	17	0
5	15	Pension accruals for the year	15	10
1	2	Interest on pension liability	2	1
-3	-4	Benefits paid	-4	-3
4	9	Actuarial differences included in equity	9	4
34	71	Gross liability at 31 December	76	39
4	5	Employers' National Insurance contribution liability at 1 January	5	4
0	3	Employers' NI contribution new group company	3	0
0	-1	Employers' National Insurance contribution on paid benefits	-1	0
1	2	Employers' National Insurance contribution on actuarial differences	2	1
1	3	Employers' National Insurance contribution on the pension cost for the year	3	1
5	13	Employers' National Insurance contribution liability at 31 December	12	5
31	39	Net pension liability unsecured scheme at 1 January	43	31
39	84	Net pension liability unsecured scheme at 31 December	87	43

TOTAL SECURED AND UNSECURED SCHEMES

Parent bank			Group	
2016	2017		2017	2016
262	40	Net pension liability at 1 January	119	278
40	84	Net pension liability at 31 December	87	119

ACTUARIAL GAINS AND LOSSES (CHANGES IN ESTIMATES)

Parent bank			Group	
2016	2017		2017	2016
-71	-7	Actuarial gains and losses pre-tax recognized in other comprehensive income	-7	-52
186	194	Cumulative actuarial gains and losses pre-tax recognized in other comprehensive income	199	192

Parent bank	2017	2016	2015	2014	2013
Present value of pension liability	117	57	862	944	861
Fair value of pension assets	32	17	599	583	558
Deficit / surplus	84	40	262	361	303
Experience adjustments to pension liabilities	20	-5	-74	63	73
Experience adjustments to pension assets	14	-13	-17	6	-3

Group	2017	2016	2015	2014	2013
Present value of pension liability	120	399	905	989	897
Fair value of pension assets	32	280	626	605	578
Deficit / surplus	87	119	279	384	319
Experienced adjustments to pension liabilities	20	28	-78	65	78
Experienced adjustments to pension assets	14	-25	-16	5	-5

Composition of the Group's pension assets	2017	2016
Fixed income funds	60.8%	42.9%
Shares	10.1%	27.5%
Property		15.4%
Certificates/bonds	11.2%	12.5%
Money market	17.7%	1.3%
Other	0.2%	0.4%

Note 25 Other operating expenses

Parent bank			Group	
2016	2017		2017	2016
142	240	IT-expenses	279	171
40	68	Marketing	109	68
52	81	External fees	98	62
14	69	Operating expenses property	96	16
7	8	Wealth tax	8	7
65	82	Other operating expenses	214	242
320	548	Total other operating expenses	804	565
Auditor's fee (NOK thousands)				
597	1 173	Statutory audit	2 173	1 844
0	28	Tax consulting	108	34
61	780	Other attestation services	1 028	485
269	1 247	Other services	1 577	532
927	3 227	Total, including VAT	4 886	2 895

Other services in 2017 included TNOK 796 related to IPO process and TNOK 245 related to the EMTN Programme.

Note 26 Taxes

Parent bank			Group	
2016	2017		2017	2016
1 148	1 373	Profit before tax	1 618	1 371
-409	-299	+/- permanent differences *	-217	-350
-103	0	+/- changes in temporary differences	-38	-164
-71	-7	+/- tax effect recorded directly against equity	-7	-127
566	1 067	Tax base/taxable income for the year	1 357	-641
141	266	Of which is tax payable 25% (24%)	340	181
26	7	Change in deferred tax	15	57
3	1	Excess/insufficient tax allocation in previous years	1	14
-2	-3	Excess/insufficient deferred tax allocation in previous years	-3	1
18	2	+/- of which change not recorded in income statement	2	19
186	272	Total tax expense	356	271
Explanation of why the tax charge for the year is not 25% (24%) of the year's profit before tax				
287	343	25% (24%) tax on profit before tax	427	343
-102	-69	25% (24%) of permanent differences*	-69	-86
3	1	Excess/insufficient tax allocation in previous years	1	14
-2	-3	Excess/insufficient deferred tax allocation in previous years	-3	1
0	0	Reduction in the tax rate for deferred tax assets from 24% to 23%	-1	0
-101	272	Total tax expense	356	271
16%	20%	Effective tax rate (%)	22%	20%
Composition of deferred tax assets recognized in the balance sheet				
-18	-34	Total deferred tax assets	-36	-118
28	31	Total deferred tax	158	236
10	-3	Net deferred tax/deferred tax asset	122	118
Specification of temporary differences				
8	8	Gains and loss account	12	15
-40	-84	Pension liabilities	-86	-115
69	58	Operating equipment	599	515
-29	-21	Differences in financial items	-21	-23
31	28	Other temporary differences	-1	84
0	0	Carry forward tax loss	-13	-3
39	-11	Total temporary differences	490	473
25%	25%	Tax rate applied	25% (24%, 23%)	25%

*) 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 8 million was recognised as a cost in 2017 (NOK 7 million in 2016) and classified as other operating costs.

Note 27 Financial instruments at fair value

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)

Group				
2017	Level 1	Level 2	Level 3	Total
Assets				
<i>Financial assets at fair value through profit and loss</i>				
- Derivatives	0	582	0	582
- Bonds and certificates	0	8 883	0	8 883
- Fixed-rate loans	0	0	5 254	5 254
- Equity instruments	0	0	0	0
<i>Financial assets available for sale</i>				
- Equity instruments	258	0	237	495
- Other financial assets	0	0	40	40
Total assets	258	9 465	5 531	15 254
Liabilities				
<i>Financial assets at fair value through profit and loss</i>				
- Derivatives	0	307	0	307
- Securities issued	0	11 543	0	11 543
- Subordinated loan capital	0	503	0	503
- Fixed-rate deposits from customers	0	406	0	406
- Term deposit	0	0	9	9
Total liabilities	0	12 758	9	12 767
2016				
	Nivå 1	Nivå 2	Nivå 3	Total
Assets				
<i>Financial assets at fair value through profit and loss</i>				
- Derivatives	0	808	2	810
- Bonds and certificates	0	9 776	0	9 776
- Fixed-rate loans to customers	0	0	5 913	5 913
- Equity instruments	356	0	0	356
<i>Financial assets available for sale</i>				
- Equity instruments	188	0	204	392
- Other financial assets	0	0	32	32
Total assets	544	10 585	6 151	17 280
Liabilities				
<i>Financial assets at fair value through profit and loss</i>				
- Derivatives	0	349	0	349
- Securities issued	0	12 400	0	12 400
- Subordinated loan capital	0	502	0	502
- Fixed-rate deposits from customers	0	646	0	646
- Term deposit	0	0	107	107
Total liabilities	0	13 897	107	14 004

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 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 not 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, Reuters pricing service, Bloomberg or reputable brokers.

- Fair value of fixed-rate deposits 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.
- Fair value of fixed-rate loans to customers is calculated as the present value of the estimated future cash flow based on an observable swap yield curve, plus a calculated marked premium
- 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:

31.12.2016-31.12.2017	Fixed-rate loans to customers	Equity instruments	Derivatives	Term deposit	Other financial assets	Total
Opening balance	5 913	204	2	-107	32	6 044
Investments in the period	629	26	0	-10	4	650
Sales/redemption in the period	-1 301	0	-5	108	0	-1 198
Gains/losses recognised through profit and loss	13	-10	2	0	0	5
Gains/losses recognised directly against comprehensive income	0	17	0	0	4	21
Closing balance	5 254	237	0	-9	40	5 522
Gains/losses for the period included in the profit for assets owned on the balance sheet day	13	0	0	0	0	12

31.12.2015-31.12.2016	Fixed-rate 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	0	-47	0	1 191
Sales/redemption in the period	-692	-4	3	1	0	-692
Gains/losses recognised through profit and loss	-79	-1	3	0	0	-77
Gains/losses recognised directly against comprehensive income	0	8	0	0	-39	-31
Closing balance	5 913	204	2	-107	32	6 044
Gains/losses for the period included in the profit for assets owned on the balance sheet day	-79	0	3	0	0	-77

Gains or losses through profit and loss from instruments classified as level 3 is entirely included in "Net profit from financial assets and liabilities".

Specification of fair value, instruments classified in level 3:

2017	Fixed-rate loans to customers	Equity instruments	Derivatives	Term deposit	Other financial assets	Total
Nominal value including accrued interest (fixed income instruments)/cost (shares)	5 190	167	0	-9	4	5 351
Fair value adjustment	64	71	0	0	36	171
Closing balance	5 254	237	0	-9	40	5 522

2016	Fixed-rate loans to customers	Equity instruments	Derivatives	Term deposit	Other financial assets	Total
Nominal value including accrued interest (fixed income instruments)/cost (shares)	5 861	153	0	-107	0	5 907
Fair value adjustment	52	51	2	0	32	137
Closing balance	5 913	204	2	-107	32	6 044

Sensitivity, instruments classified as level 3

The valuation of fixed-rate loans to customers is based on an 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 11.

Equity instruments in Level 3 consists of the significant shareholdings in Oslo Kongressenter Folkets Hus BA (MNOK 55), 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 belonging to Oslo Kongressenter Folkets Hus BA (P/B 4.6). Based on an external valuation in connection with a demerger in 2012 and subsequent results, the value of Eksportfinans ASA is considered to be smaller than book value (P/B 0.86). 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 was entirely a 1.3 percentage share of a portfolio hedge agreement with Eksportfinans ASA. The agreement was terminated as of 31.12.2017. The valuation of term deposits is based on an agreed rate with the customer. The contributions are discounted by the current yield curve plus a discretionary market premium reducing the discount rate would have resulted in an insignificant change in fair value.

Other financial assets are mainly a remaining settlement for Visa Norway's 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 Inc that will be converted into tradable shares no later than 2028. The valuation of this 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. The value of this record will change with the aforementioned assumptions.

Note 28 Classification of financial instruments

Parent bank	Financial investments at fair value through profit and loss				Financial instruments assessed at amortised cost	Total
	Held for trading	To be recognised at fair value	Financial investments held to maturity	Financial instruments held for sale		
2017						
Assets						
Cash and deposits with central banks	0	0	0	0	672	672
Loans to and receivables from credit institutions	0	0	0	0	7 669	7 669
Gross loans to and receivables from customers	0	5 254	0	0	78 100	83 355
- Individual loan impairments to cover losses on loans	0	0	0	0	-126	-126
- Collective loan impairments to cover losses on loans	0	0	0	0	-198	-198
Net loans to and receivables from customers	0	5 254	0	0	77 776	83 030
Certificates and bonds	0	8 883	0	0	0	8 883
Financial derivatives	339	0	243	0	0	582
Shares, units and other equity interests	0	0	0	494	0	494
Total assets	339	14 137	243	494	86 118	101 330
Liabilities						
Deposits from and liabilities to credit institutions	0	0	0	0	2 288	2 288
Deposits from and liabilities to customers	0	406	0	0	65 607	66 013
Liabilities arising from issuance of securities	0	11 543	0	0	12 143	23 686
Financial derivatives	297	0	10	0	0	307
Subordinated loan capital	0	503	0	0	1 203	1 706
Total liabilities	297	12 451	10	0	81 241	93 999

Konsern	Financial investments at fair value through profit and loss				Financial instruments assessed at amortised cost	Total
	Held for trading	To be recognised at fair value	Financial investments held to maturity	Financial instruments held for sale		
2017						
Assets						
Cash and deposits with central banks	0	0	0	0	673	673
Loans to and receivables from credit institutions	0	0	0	0	1 808	1 808
Gross loans to and receivables from customers	0	5 254	0	0	85 206	90 460
- Individual loan impairments to cover losses on loans	0	0	0	0	-142	-142
- Collective loan impairments to cover losses on loans	0	0	0	0	-221	-221
Net loans to and receivables from customers	0	5 254	0	0	84 843	90 098
Certificates and bonds	0	8 883	0	0	0	8 883
Financial derivatives	339	0	243	0	0	582
Shares, units and other equity interests	0	0	0	495	0	495
Total assets	339	14 137	243	495	87 324	102 538
Liabilities						
Deposits from and liabilities to credit institutions	0	0	0	0	2 286	2 286
Deposits from and liabilities to customers	0	406	0	0	65 580	65 985
Liabilities arising from issuance of securities	0	11 543	0	0	12 143	23 686
Financial derivatives	297	0	10	0	0	307
Subordinated loan capital	0	503	0	0	1 203	1 706
Total liabilities	297	12 451	10	0	81 211	93 969

1) Liabilities arising from issuance of securities includes secured liabilities.

Parent bank	Financial investments at fair value through profit and loss			Financial instruments held for sale	Financial instruments assessed at amortised cost	Total
	Held for trading	To be recognised at fair value	Financial investments held to maturity			
2016						
Assets						
Cash and deposits with central banks	0	0	0	0	354	354
Loans to and receivables from credit institutions	0	0	0	0	7 191	7 191
Gross loans to and receivables from customers	0	3 301	0	0	38 702	42 003
- Individual loan impairments to cover losses on loans	0	0	0	0	-118	-118
- Collective loan impairments to cover losses on loans	0	0	0	0	-122	-122
Net loans to and receivables from customers	0	3 301	0	0	38 462	41 762
Certificates and bonds	0	5 630	0	0	0	5 630
Financial derivatives	349	0	0	0	0	349
Shares, units and other equity interests	0	0	0	321	0	321
Total assets	349	8 931	0	321	46 006	55 607
Liabilities						
Deposits from and liabilities to credit institutions	0	0	0	0	1 666	1 666
Deposits from and liabilities to customers	0	646	0	0	35 613	36 259
Liabilities arising from issuance of securities	0	12 404	0	0	0	12 404
Financial derivatives	233	0	0	0	0	233
Subordinated loan capital	0	502	0	0	0	502
Total liabilities	233	13 551	0	0	37 279	51 064

Group	Financial investments at fair value through profit and loss			Financial instruments held for sale	Financial instruments assessed at amortised cost	Total
	Held for trading	To be recognised at fair value	Financial investments held to maturity			
2016						
Assets						
Cash and deposits with central banks	0	0	0	0	761	761
Loans to and receivables from credit institutions	0	0	0	0	1 335	1 335
Gross loans to and receivables from customers	0	5 913	0	0	77 032	82 945
- Individual loan impairments to cover losses on loans	0	0	0	0	-146	-146
- Collective loan impairments to cover losses on loans	0	0	0	0	-262	-262
Net loans to and receivables from customers	0	5 913	0	0	76 624	82 537
Certificates and bonds	0	9 776	0	0	0	9 776
Financial derivatives	399	0	411	0	0	810
Shares, units and other equity interests	0	356	0	392	0	747
Total assets	399	16 045	411	392	78 720	95 967
Liabilities						
Deposits from and liabilities to credit institutions	0	0	0	0	1 654	1 654
Deposits from and liabilities to customers	0	646	0	0	62 424	63 070
Liabilities arising from issuance of securities	0	12 400	0	0	9 537	21 937
Financial derivatives	349	0	0	0	0	349
Subordinated loan capital	0	502	0	0	701	1 203
Total liabilities	349	13 548	0	0	74 317	88 213

1) Liabilities arising from issuance of securities includes secured liabilities.

Note 29 Information about fair value

Parent bank	Book value 2017	Fair value 2017	Level in the valuation hierarchy	Book value 2016	Fair value 2016	Level in the valuation hierarchy
ASSETS						
Loans to and receivables from credit institutions	7 669	7 669	2	7 191	7 191	2
Net loans to and receivables from customers						
Retail banking	55 675	55 675	2,3	24 588	24 588	2,3
Corporate banking	27 355	27 355	2,3	17 174	17 174	2,3
Securities	9 377	9 377	1,2,3	5 951	5 951	1,2,3
Derivatives	582	582	2	349	349	2,3
Total financial assets	100 658	100 658		55 253	55 253	
LIABILITIES						
Liabilities to credit institutions	2 288	2 288	2	1 666	1 666	2
Deposits from and liabilities to customers	66 013	66 013	2,3	36 259	36 259	2,3
Liabilities arising from issuance of securities	23 686	23 790	2	12 404	12 404	2
Derivatives	307	307	2	233	233	2
Subordinated loan capital	1 706	1 711	2	502	502	2
Total financial liabilities	93 999	94 109		51 064	51 064	
Group	Book value 2017	Fair value 2017	Level in the valuation hierarchy	Book value 2016	Fair value 2016	Level in the valuation hierarchy
ASSETS						
Loans to and receivables from credit institutions	1 808	1 808	2	1 335	1 335	2
Net loans to and receivables from customers						
Retail banking	58 734	58 734	2,3	53 300	53 300	2,3
Corporate banking	31 364	31 364	2,3	29 237	29 237	2,3
Securities	9 378	9 378	1,2,3	10 524	10 524	1,2,3
Derivatives	582	582	2	810	810	2,3
Total financial assets	101 866	101 866		95 206	95 206	
LIABILITIES						
Liabilities to credit institutions	2 286	2 286	2	1 654	1 654	2
Deposits from and liabilities to customers	65 985	65 985	2,3	63 070	63 070	2,3
Liabilities arising from issuance of securities	23 686	23 790	2	21 937	21 937	2
Derivatives	307	307	2	349	349	2
Subordinated loan capital	1 706	1 711	2	1 203	1 203	2
Total financial liabilities	93 969	94 079		88 213	88 213	

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. 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		Certificates and bonds by sector of issuers	Group	
2016	2017		2017	2016
		<i>Government</i>		
50	50	Nominal value	50	50
57	56	Fair value	56	57
		<i>Other public sector issuers</i>		
951	1 202	Nominal value	1 202	2 347
954	1 210	Fair value	1 210	2 356
		<i>Financial institutions</i>		
4 567	7 531	Nominal value	7 531	7 198
4 612	7 615	Fair value	7 615	7 246
		<i>Non-financial institutions</i>		
7	2	Nominal value	2	117
7	2	Fair value	2	118
5 575	8 786	Total fixed-income papers, nominal value	8 786	9 713
5 630	8 883	Total fixed-income papers at fair value through profit	8 883	9 776

Fair value is presented including accrued interest (dirty price). Accrued interest in the Parent bank amounts to NOK 19 million in 2017 and NOK 24 million in 2016. Accrued interest in the Group amounts to NOK 19 million in 2017 and NOK 35 million in 2016.

Note 31 Financial derivatives

Assessment at fair value through profit and loss	Parent bank 2017		
	Contract amount	Fair value	
		Assets	Liabilities
Currency instruments			
Currency forward contracts	1 263	12	14
Currency swaps	1 576	4	29
Total currency instruments	2 838	16	42
Interest rate instruments			
Interest rate swaps (including cross currency swaps)	23 631	566	264
Other interest rate contracts	0	0	0
Total interest rate instruments	23 631	566	264
Other derivatives			
Guarantee liability in respect of Eksportfinans ASA	0	0	0
Total currency instruments	2 838	16	42
Total interest rate instruments	23 631	566	264
Total other derivatives	0	0	0
Total	26 469	582	307

Assessment at fair value through profit and loss	2016		
	Contract amount	Fair value	
		Assets	Liabilities
Currency instruments			
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 currency cross swaps)	10 970	334	222
Other interest rate contracts	0	0	0
Total interest rate instruments	10 970	334	222
Other derivatives			
Guarantee liability in respect of Eksportfinans ASA	20	2	0
Total currency instruments	2 244	13	11
Total interest rate instruments	10 970	334	222
Total other derivatives	20	2	0
Total	13 234	349	233

Assessment at fair value through profit and loss	Group 2017		
	Contract amount	Fair value Assets	Liabilities
Currency instruments			
Currency forward contracts	1 263	12	14
Currency swaps	1 576	4	29
Total currency instruments	2 838	16	42
Interest rate instruments			
Interest rate swaps (including cross currency swaps)	23 631	566	264
Other interest rate contracts	0	0	0
Total interest rate instruments	23 631	566	264
Other derivatives			
Guarantee liability in respect of Eksportfinans ASA	0	0	0
Total currency instruments	2 838	16	42
Total interest rate instruments	23 631	566	264
Total other derivatives	0	0	0
Total	26 469	582	307

Assessment at fair value through profit and loss	2016		
	Contract amount	Fair value Assets	Liabilities
Currency instruments			
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
Other interest rate contracts	50	0	0
Total interest rate instruments	21 903	783	331
Other derivatives			
Guarantee liability in respect of Eksportfinans ASA	20	2	0
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

Note 32 Shares, units and other equity interests

Parent bank			Group	
2016	2017		2017	2016
0	0	Designated at fair value through profit or loss (FVO)	0	356
0	0	Listed	0	0
0	0	Unlisted	0	356
321	494	Available for sale (AFS)	495	392
175	258	Listed	258	188
145	236	Unlisted	237	204
321	494	Total shares and units	495	747

Spesification (Group)

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%	73 400	8	69
Totens Sparebank (equity capital certificates, OSE)	AFS	24.6%	1 503 661	101	189
Total listed shares and equity certificates				109	258
Unlisted companies					
Eiendomskreditt AS	AFS	0.8%	32 510	3	4
Eksportfinans ASA	AFS	1.3%	3 499	52	77
NorgesInvestor IV AS	AFS	1.7%	79 000	7	8
NorgesInvestor Proto AS	AFS	16.9%	150 000	15	22
Oslo Kongressenter Folkets Hus BA	AFS	13.7%	70 638	7	55
SpareBank 1 Markets AS	AFS	5.8%	184 210	57	40
Visa Inc, preference shares	AFS	0.0%	1 913	17	21
Others	AFS			9	9
Total shares unlisted companies				167	237
Total shares, units and equity certificates				276	495

Note 34 Business combinations

On 29 June 2016, Sparebanken Hedmark acquired 100 per cent of Bank 1 Oslo Akershus AS and the company was reclassified from an associated company to a wholly owned subsidiary. An acquisition analysis was prepared for the acquisition, this is provided as note 34 to the annual financial statements for 2016.

Sparebanken Hedmark and Bank 1 Oslo Akershus merged on 1 April 2017. Sparebanken Hedmark was the acquiring bank in the merger. The merged bank was named SpareBank 1 Østlandet. The Bank's head office is in Hamar.

On 19 November and 20 November 2016, the boards of Sparebanken Hedmark and SpareBank 1 Oslo Akershus voted to propose to their respective supervisory boards that Sparebanken Hedmark take over and continue the banking activities of SpareBank 1 Oslo Akershus AS. On 23 November 2016, the Supervisory Board of Sparebanken Hedmark approved the merger of the banks.

On 2 February 2017, the Financial Supervisory Authority of Norway gave its permission for the merger between Sparebanken Hedmark and SpareBank 1 Oslo Akershus AS and the merger was completed with effect from 1 April 2017. At the same time, the new bank changed its name to SpareBank 1 Østlandet following a vote by the Supervisory Board of Sparebanken Hedmark.

The purchase sum for Bank 1 Oslo Akershus AS was NOK 2 068 million. Based on the purchase sum and fair value of identifiable assets and liabilities, NOK 150 million was allocated to goodwill, of which NOK 12 million was a consequence of deferred tax. The identified goodwill was associated with expected synergies and other benefits from combining the assets and activities in B1OA and Sparebanken Hedmark. The settlement consisted of a cash settlement and the issuing of equity certificates in Sparebanken Hedmark. 26 462 540 equity certificates were issued. The fair value of the equity certificates was measured using market-based valuation methods and performed by external appraisers.

Bank 1 Oslo Akershus was merged with company continuity. The equity from Bank 1 Oslo Akershus was recognised against the booked acquisition cost of the stake in the consolidated financial statements. The remaining equity was divided between equity capital and primary capital in accordance with the ownership fractions and the hybrid capital with corresponding interest rates was continued as equity in the merged company financial statements of SpareBank 1 Østlandet.

The book value of identifiable assets and liabilities

Parent bank	01.01.2017-31.03.2017
Cash and deposits with central banks	307
Loans to and receivables from credit institutions	264
Loans to and receivables from customers	35 277
Certificates, bonds and fixed-income funds	3 923
Financial derivatives	450
Shares, units and other equity interests	72
Investments in associates and joint ventures	1 338
Investments in subsidiaries	58
Property, plant and equipment	76
Goodwill and other intangible assets	0
Deferred tax asset	18
Other assets	134
Total assets	41 917
LIABILITIES	
Deposits from and liabilities to credit institutions	779
Deposits from and liabilities to customers	26 929
Liabilities arising from issuance of securities	9 419
Financial derivatives	120
Current tax liabilities	42
Deferred tax liabilities	0
Other debt and liabilities recognised in the balance sheet	253
Subordinated loan capital	701
Total liabilities	38 241
EQUITY CAPITAL	
Share capital	434
Premium fund	620
Hybrid capital	400
Other equity	2 222
Total equity capital	3 676
Total equity capital and liabilities	41 917

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
409	233	642	483	294	777
0	0	0	215	189	404
0	20	20	0	34	34
2	24	26	3	57	60
407	229	636	696	459	1 155
Acquisition cost at 31 December 2016					
159	169	328	218	219	438
0	0	0	25	104	129
11	18	29	17	40	57
0	0	0	0	0	0
2	23	25	2	53	55
168	164	333	259	310	569
Accumulated depreciation and impairments at 31 December 2016					
239	65	304	437	149	586
Book value at 31 December 2016					
407	229	636	696	459	1 155
12	135	148	-65	-157	-222
17	32	50	141	50	191
14	13	27	14	14	28
423	383	806	758	339	1 097
Acquisition cost at 31 December 2017					
168	164	333	259	310	569
1	76	77	-1	-109	-110
11	35	47	21	53	74
0	0	0	0	0	0
2	13	15	2	14	16
178	262	441	277	241	517
Accumulated depreciation and impairments at 31 December 2017					
245	121	365	482	98	578
Book value at 31 December 2017					

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 2017 was NOK 195 million.

The corresponding figure for 2016 was NOK 158 million.

Gross value of fixed assets temporarily not in operation

The Group did not have any fixed assets temporarily out of operation at 31 December 2017.

Investment properties (NOK thousands)

Parent bank			Group		
Value 01.01.17	Acqu./ depr.	Value 31.12.17	Value 31.12.17	Acqu./ depr.	Value 31.12.17
5 294	-208	5 085	5 294	-208	5 085
					438
					66%
5 294	-208	5 085	5 294	-208	5 085
					438
		8 391			8 391

Investment properties (NOK thousands)

Parent bank			Group		
Value 01.01.16	Acqu./ depr.	Value 31.12.16	Value 31.12.16	Acqu./ depr.	Value 31.12.16
6 590	-1 296	5 294	6 590	-1 296	5 294
					493
					66%
6 590	-1 296	5 294	6 590	-1 296	5 294
					493
		8 391			8 391

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

Note 36 Other assets

Parent bank			Group	
2016	2017		2017	2016
103	273	Capital payments into pension fund	273	103
17	54	Accrued income, not yet received	55	31
26	66	Prepaid costs, not yet incurred	135	138
0	2	Unsettled trades	2	0
193	249	Other assets	445	424
338	645	Other assets	910	695

Note 37 Deposits from and liabilities to customers

Parent bank			Group	
2016	2017		2017	2016
Deposits from and liabilities to customers				
32 817	57 814	Deposits from and liabilities to customers at call	57 786	55 018
3 437	8 199	Deposits from and liabilities to customers with agreed maturity dates	8 199	8 018
4	0	Accrued interest	0	34
36 259	66 013	Total deposits from and liabilities to customers	65 985	63 070
<i>Of total deposits, deposits stated at fair value through profit and loss (FVO):</i>				
642	406	Fixed-rate deposits, book value	406	642
643	406	Fixed-rate deposits, nominal value	406	643
107	19	Term deposits, book value	19	107
107	19	Term deposits, nominal value	19	107
Deposits by sector and industry				
2016	2017		2017	2016
21 998	38 682	Private customers	38 682	38 443
4 256	4 329	Public sector	4 329	4 699
941	874	Primary industries	874	950
103	266	Paper and pulp industries	266	107
670	826	Other industry	826	782
884	1 602	Building and construction	1 602	1 092
259	139	Power and water supply	139	262
782	1 388	Wholesale and retail trade	1 388	1 417
120	267	Hotel and restaurants	267	247
1 920	3 549	Real estate	3 549	3 794
4 006	12 993	Commercial services	12 965	10 071
305	1 013	Transport and communications	1 013	422
14	84	Other operations	84	784
36 259	66 013	Total deposits by sector and industry	65 985	63 070
Deposits by geographic area				
2016	2017		2017	2016
30 320	31 570	Hedmark County	31 542	30 265
2 126	19 147	Oslo County	19 147	19 047
1 043	8 487	Akershus County	8 487	1 043
1 306	1 394	Oppland County	1 394	7 477
945	4 222	Rest of Norway	4 222	4 690
515	1 193	Abroad	1 193	515
4	0	Accrued interest, undistributed	0	34
36 259	66 013	Total deposits by geographic area	65 985	63 070

Note 38 Liabilities arising from issuance of securities

Parent bank			Group	
2016	2017		2017	2016
		Bond debt		
12 093	23 109	- nominal value	23 109	21 212
12 404	23 686	- fair value	23 686	21 937
		Subordinated loan capital		
500	1 700	- nominal value	1 700	1 200
502	1 706	- fair value	1 706	1 203
12 093	23 109	Total liabilities arising from issuance of securities, nominal value	23 109	21 212
500	1 700	Total subordinated loan capital, nominal value	1 700	1 200
12 404	23 686	Total liabilities arising from issuance of securities, fair value	23 686	21 937
502	1 706	Total subordinated loan capital, fair value	1 706	1 203
1.5%		Average interest rate on certificate-based debt		1.5%
2.1%	1.9%	Average interest rate on bond debt	1.9%	2.1%
2.9%	2.9%	Average interest rate on subordinated loan capital	2.9%	3.1%

2016	2017	Liabilities from issuance of securities by maturity date	2017	2016
1 659	0	2017	0	2 457
2 930	4 244	2018	4 244	5 330
2 000	4 032	2019	4 032	4 100
2 550	4 592	2020	4 592	4 450
2 454	4 450	2021	4 450	4 454
600	3 400	2022	3 400	950
400	2 197	2023	2 197	400
0	0	2024	0	0
0	0	2025	0	0
0	270	2026	270	270
0	761	2027	761	0
0	141	2028	141	0
0	94	2029	94	0
0	146	2030	146	0
0	0	2031	0	0
0	484	2032	484	0
12 593	24 809	Total liabilities from issuance of securities, nominal value	24 809	22 412

Parent bank

Changes in liabilities from issuance of securities	2017	Issued	Due / redeemed	Other changes	2016
Certificate-based debt, nominal value	0	0	0	0	0
Bond debt, nominal value	23 109	5 764	-2 603	7 854	12 093
Subordinated loan capital, nominal value	1 700	500	0	700	500
Accrued interest	207	0	0	84	123
Adjustments	375	0	0	186	189
Total debt raised through issuance of securities and subordinated loan capital, fair value	25 391	6 264	-2 603	8 824	12 906

Changes in liabilities from issuance of securities	2016	Issued	Due / redeemed	Other changes	2015
Certificate-based debt, nominal value	0	0	-500	0	500
Bond debt, nominal value	12 093	2 904	-2 050	425	10 814
Subordinated loan capital, nominal value	500	0	0	0	500
Accrued interest	123	0	0	-12	136
Adjustments	189	0	0	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	2017	Issued	Due / redeemed	Other changes	2016
Certificate-based debt, nominal value	0	0	0	0	0
Bond debt, nominal value	23 109	5 764	-3 203	-651	21 199
Subordinated loan capital, nominal value	1 700	500	0	0	1 200
Accrued interest	207	0	0	-14	221
Adjustments	375	0	0	-145	520
Total debt raised through issuance of securities and subordinated loan capital, fair value	25 391	6 264	-3 203	-810	23 140

Changes in liabilities from issuance of securities	2016	Issued	Due / redeemed	Other changes	2015
Certificate-based debt, nominal value	0	0	-500	0	500
Bond debt, nominal value	21 199	3 877	-3 345	12	20 654
Subordinated loan capital, nominal value	1 200	0	0	0	1 200
Accrued interest	221	0	0	-8	230
Adjustments	520	0	0	-66	586
Total debt raised through issuance of securities and subordinated loan capital, fair value	23 140	3 877	-3 845	-63	23 170

Parent bank

			Other effects				Fair value adjustments	2017
Change in liabilities from financing	2016	Cash flow	Acquisitions	Accrued interest	Currency effects			
Liabilities arising from issuance of securities	12 404	2 440	8 573	82	74	112		23 685
Subordinated loan capital	502	500	702	2	0	0		1 706
Total	12 906	2 940	9 275	84	74	112		25 391

Group

			Other effects				Fair value adjustments	2017
Change in liabilities from financing	2016	Cash flow	Acquisitions	Accrued interest	Currency effects			
Liabilities arising from issuance of securities	21 937	1 910	0	-14	74	-222		23 685
Subordinated loan capital	1 203	500	0	0	0	3		1 706
Total	23 140	2 410	0	-14	74	-219		25 391

The issued securities are presented net own holdings. Book values include the associated accrued interest (dirty price).

Seen in isolation, the contracted revenue spreads in 2017 increased the book value of the Group's issued securities by an estimated NOK 71 million. The estimate is the calculated difference between the market value of the issued securities with the spread curve on the data of the balance sheet and the estimated market value of the same holding with a spread curve indicated at the end of 2016, or at the time the securities issued in 2017 were recognised. All other factors are kept constant. By way of comparison, contracted revenue spreads in 2016 caused the fair value of issued securities to rise by an estimated NOK 173 million.

As at 31 December 2017, an accumulated NOK 117 million unrealised loss, inclusive of hedging derivatives, was recognised in connection with the assessment of the Group's issued securities at fair value.

Note 39 Other debt and liabilities

Parent bank			Group		
2016	2017	Other debt and liabilities recognised in the balance sheet	2017	2016	
52	88	Accrued costs and prepaid income	135	150	
10	4	Guarantee provisions	4	10	
40	84	Pension liabilities (note 24)	87	119	
30	81	Accounts payable	88	38	
0	0	Unsettled trades	0	0	
89	173	Other debt and liabilities recognised in the balance sheet	227	239	
222	431	Total other debt and liabilities recognised in the balance sheet	541	556	

Parent bank		Other debt and liabilities recognised in the balance sheet	Group	
2016	2017		2017	2016
		Guarantee commitments etc. (amounts guaranteed)		
584	497	Payment guarantees	497	474
398	545	Contract guarantees	453	583
	7	Loan guarantees	7	7
5	5	Guarantees for taxes	5	5
58	106	Other guarantees	106	110
1 044	1 160	Total guarantees	1 068	1 178
		Other liabilities - not on the balance sheet		
5 616	9 176	Unutilized credit lines	8 478	8 274
719	1 557	Loans approved (not discounted)	1 795	1 699
0	0	Other liabilities	0	0
6 334	10 733	Total other liabilities	10 273	9 973
7 600	12 324	Total liabilities	11 882	11 705

Buildings	Securities	Total	Assets pledged as security	Buildings	Securities	Total
			Assets pledged as security in 2017			
	5 438	5 438	Related liabilities 2017		5 438	5 438
			Assets pledged as security in 2016			
	3 439	3 439	Related liabilities 2016		4 051	4 051

SpareBank 1 Boligkreditt AS

Together with the other shareholders of SpareBank 1 Boligkreditt AS, SpareBank 1 Østlandet 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 shareholder has 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 Equity capital certificates and ownership structure

Parent bank	2017	2016
Equity capital certificates	5 359	5 310
Dividend equalisation fund	1 584	974
Dividend	424	148
Premium fund	547	520
A. Equity capital certificate owners' capital	7 914	6 952
Primary capital	3 432	3 313
Dividend customers return	204	0
Other paid-up equity	165	0
B. Total primary capital	3 801	3 313
Fund for unrealised gains	279	134
Provision for gifts	20	33
Total other equity	299	166
Other equity	0	0
Hybrid capital	400	0
Interest cost for hybrid capital	-8	0
Total equity	12 406	10 430
Total equity for distribution:		
Equity capital certificate ratio (A/(A+B)) after distribution	67.6%	67.3%
Equity certificates issued	107 179 987	106 202 540

20 largest owners of equity certificates:

	No. Of EC's	Share in %
Sparebankstiftelsen Hedmark	58 654 893	54.73%
Landsorganisasjonen LO sentralt	10 322 584	9.63%
Tredje AP-Fonden C/O Handelsbanken AS	2 859 000	2.67%
Fellesforbundet	1 950 901	1.82%
Danske Invest Norske C/O Danske Capital	1 837 633	1.71%
ODIN Norge	1 421 218	1.33%
Norsk Nærings og Nytelsesmiddelarbeiderforbund	1 219 526	1.14%
SEB Nordenfond Skandinaviska Enskilda	1 092 822	1.02%
Fidelity PUR.TRUST:F Intrinsic Opportunit	1 000 000	0.93%
Danske Invest Norske	977 300	0.91%
SpareBank 1 BV v/Finansavdelingen	839 930	0.78%
Sparebank 1 Østfold	839 930	0.78%
VPF EIKA Egenkapital C/O EIKA Kapitalforvaltning	809 877	0.76%
State Street Bank an A/C Client Omnibus	707 259	0.66%
Landkreditt Utbytte	700 000	0.65%
State Street Bank an S/A SSB Client Omnibus	698 383	0.65%
State Street Bank an A/C Client Omnibus	625 584	0.58%
Skandinaviska Enskil SEB S.A. Client Asse	619 913	0.58%
Eika Spare c/o Eika kapitalforvaltning	495 000	0.46%
Arctic funds PLC	481 668	0.45%

Dividend policy

SpareBank 1 Østlandet believes it is important to provide its owners with a competitive, stable cash dividend based on good profitability and a high dividend capacity. The Bank's goal is to pay out 50 per cent of each year's profit after tax (majorityshare of group profit) as dividends to equity certificate holders and customer dividends from the primary capital. The Bank's long-term profitability target is a return on equity of 10 per cent. The return on equity target is thus a slightly lower than those of comparable banks, which reflects SpareBank 1 Østlandet's goal of maintaining its well-established position as Norway's strongest regional savings bank. The Bank's ambitions concerning its financial strength are reflected by its long-term common equity tier 1 ratio target of 16 per cent. Adjusted for differences in levels of capital adequacy, SpareBank 1 Østlandet has historically been just as profitable as comparable banks.

In addition to being the strongest regional savings bank, SpareBank 1 Østlandet's proportion of loans in the retail market is high and the Interior Region is its original home market, which is less sensitive to cyclical changes than the rest of Norway. The combination of good financial strength and a robust lending portfolio means the Bank has the capacity to adhere to its dividend target, including in economic downturns.

Each year, based on the Board's recommendation, the supervisory board approves the proportion of the profit after tax that will be allocated to equity certificate holders and primary capital as dividends, based on their respective shares of the equity. The share allocated to primary capital is normally paid out to customers via customer dividends. The customer dividends arrangement prevents the dilution of the equity certificate holders' ownership interest in the Bank. The equity certificate holders' share of the profit is divided between dividends and the dividend equalisation fund. In determining the dividend, the supervisory board takes into account the expected financial performance in a normalised market situation and any regulatory changes.

Note 41 Investments in subsidiaries, associates and joint ventures

Company	Type of business	Date of acquisition	Business office, headquarters²⁾	Percentage ownership¹⁾
Investments in subsidiaries				
Shares owned by the parent bank				
Vato AS	Rental of real estate	1981	Hamar, Norway	100.00%
EiendomsMegler 1 Hedmark Eiendom AS	Real estate	1988	Hamar, Norway	100.00%
SpareBank 1 Finans Østlandet AS	Financing	1995	Hamar, Norway	95.00%
SpareBank 1 Regnskapshuset Østlandet AS	Accounting	2011	Hamar, Norway	100.00%
EiendomsMegler 1 Oslo Akershus AS	Real estate	2016	Oslo, Norway	100.00%
Youngstorget 5 AS	Rental of real estate	2017	Oslo, Norway	100.00%
Investments in associated companies				
SpareBank 1 Boligkreditt AS	Coverd bond company	2007	Stavanger, Norway	21.08%
SpareBank1 Næringskreditt AS	Coverd bond company	2012	Stavanger, Norway	12.40%
SpareBank 1 Kredittkort AS	Credit card	2012	Trondheim, Norge	19.59%
KOMM-IN AS	Consulting	2013	Raufoss, Norway	23.70%
SpareBank 1 Betaling AS	Payment services.	2015	Oslo, Norway	21.20%
Proaware AS	Develop and coordinate cooperation in SpareBank 1 Alliance	2017	Tromsø, Norway	20.00%
SMB Lab AS	Consulting	2017	Raufoss, Norway	20.00%
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	12.40%
SpareBank 1 Banksamarbeidet DA	Develop and coordinate cooperation in SpareBank 1 Alliance	2006	Oslo, Norway	18.00%

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 except 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.

	The company's share capital	No. of shares	Assets *)	Short-term debt	Long-term debt	Total income	Total expenses	Company profit	Book value
2017									
SpareBank 1 Finans Østlandet AS	1 055	1 054 500	7 247	52	5 964	273	89	118	1 055
Total investments in credit institutions			7 247	52	5 964	273	89	118	1 055
EiendomsMegler 1 Hedmark Eiendom AS	12.4	12 400	61	21	12	109	95	10	20
EiendomsMegler 1 Oslo Akershus AS	1	1	84	28	21	194	205	-12	58
SpareBank 1 Regnskapshuset Østlandet AS	38.3	1 250 000	130	30	23	147	150	-3	81
Vato AS	0.6	352	17	1	3	5	3	2	9
Youngstorget 5 AS	23 194	231 948	128	2	8	15	10	4	148
Total investments in other subsidiaries			420	81	67	469	463	2	315
Total investments in Group companies parent bank			7 667	134	6 030	742	552	120	1 370

	The company's share capital	No. of shares	Assets *)	Short-term debt	Long-term debt	Total income	Total expenses	Company profit	Book value
2016									
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	0	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

*) 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	
2016	2017		2017	2016
2 457	1 681	Book value at 1 January	3 618	3 386
84	1 654	Acquisitions/disposals*	288	247
-857	0	Reclassification from associated company to subsidiary	0	0
0	0	Impairment provisions	0	0
0	0	Changes in equity	4	85
0	0	Share of the profit	190	236
0	0	Dividend paid	-170	-337
1 681	3 336	Book value at 31 December	3 929	3 618

*) In the merger between Sparebanken Hedmark and Bank1 Oslo Akershus AS, investments in associated and jointly controlled companies totaled NOK 1,338 million

Income from investments in subsidiaries, associates and joint ventures

Parent bank			Group	
2016	2017		2017	2016
274	145	Dividend SpareBank 1 Gruppen AS	0	0
17	0	Dividend Bank 1 Oslo Akershus AS	0	0
10	22	Dividend SpareBank 1 Boligkreditt AS	0	0
5	15	Dividend EM 1 Hedmark Eiendom AS	0	0
74	81	Dividend SB 1 Finans Østlandet AS	0	0
8	2	Dividend from others	0	0
0	0	Share of the profit SpareBank 1 Gruppen AS	222	192
0	0	Share of the profit Bank 1 Oslo Akershus AS	0	71
0	0	Share of the profit SpareBank 1 Boligkreditt AS	-44	-25
0	0	Share of the profit SpareBank 1 Næringskreditt AS	1	2
0	0	Share of the profit SpareBank 1 Kredittkort AS	17	16
0	0	Share of the profit SpareBank 1 Mobilbetaling AS	-15	-25
0	0	Share of the profit SpareBank 1 Betaling AS	-7	0
0	0	Share of the profit from others	1	5
-20	9	Impairment provisions	0	0
0	1	Gains/losses on realisation of ownership investments	19	0
369	275	Total income	194	236

The Group's stake in joint ventures

2017	SpareBank 1 Gruppen AS	SpareBank 1 Banksamarbeidet DA	Torggt 22 AS	Total joint ventures
Ownership in per cent	12.40%	18.00%	50.00%	
Number of shares	242 594		8 000	
Current assets	6 343	18	1	
Fixed assets	2 418	182	19	
Total assets	8 761	200	21	
Short-term liabilities	565	86	0	
Long-term liabilities	7 170	85	10	
Equity capital	1 025	29	10	
Total equity capital and liabilities	8 761	200	21	
Income	2 221	202	2	
Operating expenses	1 947	198	1	
Profit/loss before tax	274	4	2	
Tax	49	0	0	
Result for the accounting year	225	3	1	
Comprehensive income	5	0	0	
Book value Parent Bank	663	19	8	691
Book value Group	1 211	19	10	1 241
2016	SpareBank 1 Gruppen AS	SpareBank 1 Banksamarbeidet DA	Torggt 22 AS	Total joint ventures
Ownership in per cent	12.40%	19.04%	50.00%	
Number of shares	242 594	0	8 000	
Current assets	5 878	58	2	
Fixed assets	1 945	129	19	
Total assets	7 823	187	21	
Short-term liabilities	762	68	0	
Long-term liabilities	6 098	93	11	
Equity capital	963	26	9	
Total equity capital and liabilities	7 823	187	21	
Income	1 747	201	2	
Operating expenses	1 497	199	1	
Profit/loss before tax	250	1	1	
Tax	55	0	0	
Result for the accounting year	195	1	1	
Comprehensive income	1	0	0	
Book value Parent Bank	492	13	8	513
Book value Group	1 152	21	9	1 183

The Group's stake in associates companies

2017	SpareBank 1 Boligkreditt AS*)	SpareBank 1 Næringskreditt AS*)	SpareBank 1 Kredittkort AS	SpareBank 1 Betaling AS	Other associated companies	Total associated companies
Ownership in per cent	21.08%	12.40%	19.59%	21.20%		
Number of shares	14 271 965	1 810 992	565 589	1 760		
Current assets	55 271	1 329	1 092	4	0	
Fixed assets	0	218	78	57	0	
Total assets	55 271	1 547	1 170	61	0	
Short-term liabilities	5 170	3	40	0	0	
Long-term liabilities	47 725	1 290	901	0	0	
Equity capital	2 376	254	228	61	0	
Total equity capital and liabilities	55 271	1 547	1 170	61	0	
Income	731	34	99	0	0	
Operating expenses	782	24	77	7	0	
Profit/loss before tax	-50	10	22	-7	0	
Tax	13	2	5	0	0	
Result for the accounting year	-38	7	16	-7	0	
Comprehensive income	0	0	0	0	0	
Book value Parent Bank	2 142	229	177	68	29	2 645
Book value Group	2 127	233	239	61	29	2 689

*) The banks share of profit shown in the table above deviates from the banks profit share in the consolidated result. This is due to changes in ownership interests throughout the year and the Group's earnings ratio has been adjusted for interest on hybrid capital.

2016	SpareBank 1 Boligkreditt AS	SpareBank 1 Næringskreditt AS	SpareBank 1 Kredittkort AS	SpareBank 1 Mobilbetaling AS	Other associated companies	Total associated companies
Ownership in per cent	20.26%	9.24%	18.86%	21.20%		
Number of shares	13 107 545	1 348 460	544 830	1 760		
Current assets	51 106	1 261	1 019	306	0	
Fixed assets	0	0	0	0	0	
Total assets	51 106	1 261	1 019	306	0	
Short-term liabilities	5 376	5	42	74	0	
Long-term liabilities	43 709	1 079	773	0	0	
Equity capital	2 020	176	203	232	0	
Total equity capital and liabilities	51 106	1 261	1 019	306	0	
Income	-22	11	97	-0	0	
Operating expenses	7	1	64	28	0	
Profit/loss before tax	-30	10	32	-29	0	
Tax	-7	3	8		0	
Result for the accounting year	-22	8	24	-29	0	
Comprehensive income	-0	0	-1	0	0	
Book value Parent Bank	976	92	83	12	6	1 169
Book value Group	2 019	176	214	20	6	2 436

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

Note 42 Material transactions with related parties

Related parties are here considered to be associated companies, joint ventures, subsidiaries and companies held for sale and in which the Bank has a significant influence. These companies are specified in Note 41. In this context, associated companies also include our largest owners (see Note 40) and SpareBank 1 Gruppen AS with associated companies because they are subject to the same joint control pursuant to the assessment rules in IAS 24, point 9.b ii-iv.

The Bank's outstanding balances with employees and board members are shown in notes 8 and 23.

Subsidiaries	Loans	Bonds and sub- ordinated loans	Deposits	Interest income	Interest expenses	Commission income	Other operating income	Operating expenses	Guarantees
2017									
SpareBank 1 Finans Østlandet AS	5 912	0	2	92	0	9	0	2	0
EiendomsMegler 1 Hedmark									
Eiendom AS	12	0	4	0	0	0	0	3	0
EiendomsMegler 1 Oslo									
Akershus konsern	1	0	5	0	0	0	0	4	92
SpareBank 1 Regnskapshuset Østlandet AS	18	0	8	1	0	0	0	0	1
Other subsidiaries	3	0	3	0	0	0	0	1	0
Total subsidiaries	5 946	0	23	94	0	0	0	10	93

2016	Loans	Bonds and sub- ordinated loans	Deposits	Interest income	Interest expenses	Commission income	Other operating income	Operating expenses	Guarantees
Bank 1 Oslo Akershus AS	750	409	400	9	0	0	0	0	0
SpareBank 1 Finans Østlandet AS	5 458	0	2	121	0	0	2	0	120
EiendomsMegler 1 Hedmark									
Eiendom AS	6	0	4	0	2	0	0	0	0
SpareBank 1 Regnskapshuset Østlandet AS	21	0	10	1	0	0	0	0	0
Other subsidiaries	4	0	3	0	0	0	0	3	92
Total subsidiaries	6 238	409	419	132	2	0	2	3	212

Associated companies and joint ventures

		Bonds and sub- ordinated loans	Deposits	Interest income	Interest expenses	Commission income	Other operating income	Operating expenses	Guarantees
2017	Loans								
SpareBank 1 Boligkreditt AS	0	147	0	0	0	362	0	0	0
SpareBank 1 Næringskreditt AS	0	21	0	0	0	15	0	0	0
SpareBank 1 Gruppen AS	466	0	5	7	3	177	0	0	0
SpareBank 1 Kredittkort AS	940	17	0	25	0	62	0	0	0
Other associated companies and joint ventures	518	0	5 698	0	55	20	0	0	7
Total associated companies and joint ventures	1 924	186	5 703	32	57	635	0	0	7

		Bonds and sub- ordinated loans	Deposits	Interest income	Interest expenses	Commission income	Other operating income	Operating expenses	Guarantees
2016	Loans								
SpareBank 1 Boligkreditt AS	0	476	0	16	0	0	0	0	0
SpareBank 1 Næringskreditt AS	0	21	0	1	0	0	0	0	0
SpareBank 1 Gruppen AS	578	8	0	21	0	0	0	0	0
SpareBank 1 Kredittkort AS	390	0	0	11	0	0	0	0	0
Other associated companies and joint ventures	1 063	0	4 330	0	0	11	0	0	7
Total associated companies and joint ventures	2 030	505	4 330	49	0	412	0	0	7

All loans to related parties are recognised in the parent bank

Note 43 IFRS 9 Financial instruments

IFRS 9 Financial Instruments will replace 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.

In 2015, the SpareBank 1 Alliance organised a multidisciplinary implementation project with participants from all of the banks that apply IFRS. This has carried out the preparations for the implementation of IFRS 9. The project has had 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.
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, SpareBank 1 Østlandet has carried out 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. The new requirements in IFRS 9 and changes from the previous standard are described below. The choices SpareBank 1 Østlandet has made are also described.

Transitional rules

IFRS 9 must be applied retrospectively, with the exception of hedge accounting. Retrospective application means that SpareBank 1 Østlandet will produce the opening balance on 1 January 2018 as if it has always applied the new principles. As permitted by the transitional rules for IFRS 9, SpareBank 1 Østlandet will not restate comparison figures for previous periods upon implementing the standard on 1 January 2018. The effects of the new principles on the opening balance for 2018 will be recognised against equity. SpareBank 1 Østlandet has chosen to introduce hedge accounting in accordance with IFRS 9. Hedge accounting will be implemented prospectively from the date of transition to IFRS 9.

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 the case of financial assets, one differentiates between debt instruments, derivatives and equity instruments, where debt instruments are all financial assets that are not derivatives or 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 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. Instruments that should basically be measured at amortised cost or at fair value with changes through OCI can be designated to be measured at fair with changes through profit or loss if this eliminates or significantly reduces an "accounting mismatch".

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

As a general rule, financial liabilities should be measured at amortised cost with the exception of financial derivatives measured at fair value and financial liabilities it has been decided to recognise at fair value with value changes through profit or loss and OCI. 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 as under IAS 39.

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 percent 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.

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, losses must be recognised based on expected credit losses (ECL). The general model for impairments of financial assets in IFRS 9 will apply to financial assets that are measured at amortised cost or at fair value with changes through OCI, and which had not experienced an observable loss upon initial capitalisation. Loan pledges, financial guarantee contracts that are not measured at fair value through profit or loss, and lease agreement claims are also included.

The measurement of impairments for expected losses in the general model depends on whether or not the credit risk has increased significantly since initial capitalisation. Credit deterioration is measured by the development of financial PD. Financial PD is the Bank's best assessment of the customer's risk of default. Upon initial capitalisation and when the credit risk has not increased significantly after initial capitalisation, losses must be recognised amounting to 12 months' expected losses. 12 months' expected losses are the loss that is expected to occur over the lifetime of the instrument, but which can be linked to events that occurred in the first 12 months. If credit risk has increased substantially after initial recognition, the impairment will equal the expected loss over the entire lifetime. The expected credit loss is calculated based on the present value of all cash flows over the remaining lifetime, i.e. the difference between the contractual cash flows according to the contract and the cash flow that the Bank expects to receive, discounted by an effective interest rate on the instrument. The method 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.

In addition to the general model, there are separate principles for issued, including renegotiated loans that are treated as new, and purchased loans where there is an accrued credit loss upon initial capitalisation. For these, effective interest will be calculated that takes into account the expected credit loss, and in the event of changes in expected cash flows the change will be discounted by the originally set effective interest rate and result. Thus, for these assets there is no need to monitor the extent to which there has been a significant increase in credit risk after initial capitalisation since the expected loss over the entire lifetime will be taken into account anyway.

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. A loss cost equal to 12 months' expected losses will be calculated for all assets that do not have a significantly higher credit risk than they did upon initial recognition.

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. A loss costs equal to the expected losses over the lifetime will be calculated for these assets. This group includes 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. This occurs when the customer's PD has increased by over 150 per cent to a PD level above 0.60 per cent. In addition, the expected loss is estimated over the lifetime when an account is overdrawn or has arrears of 30 days' duration or more, and when the customer is flagged for special follow-up.

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 under the rules prior to 1 January 2018, would be defined as defaulted/doubtful or individually impaired. For loans measured at amortised cost, the carrying amount of the asset is reduced by a corresponding loan loss impairment. For loans measured at fair value through OCI, the impaired amount is reversed through OCI. However, the carrying amount of loans in this category is adjusted by a fair value adjustment due to the change in credit risk. For loans with a significant increase in credit risk, one expects a correlation between the accumulated cost of the loss pursuant to the described method and the capitalised fair value adjustment.

The introduction of IFRS 9 has resulted in the following changes in principles and effects

A description of the various financial instruments and their classification pursuant to IAS 39 and IFRS 9 is provided below along with a description of the assessments that were made in the classification.

Group		Closing balance according to IAS 39	Classification according to IFRS 9	Closing balance according to IFRS 9
Financial instruments	Classification according to IAS 39			
Cash and deposits with central banks	Loans and receivables	673	Amortised cost	673
Loans to and receivables from credit institutions	Loans and receivables	1 808	Amortised cost	1 807
Loans to and receivables from customers	Loans and receivables	84 844	Amortised cost	33 578
	Fair value through profit and loss (FVO)	5 254	Fair value through profit and loss (FVO)	5 254
			Fair value through OCI	51 244
Certificates and bonds	Fair value through profit and loss (FVO)	8 883	Fair value through profit and loss (FVO)	8 883
Financial derivatives (assets)	Fair value through profit and loss (FVO)	582	Fair value through profit and loss (FVO)	582
Shares, units and other equity interests	Tilgjengelig for salg	495	Fair value through profit and loss (FVO)	495
Deposits from and liabilities to credit institutions	(Amortised cost)	-2 286	Amortised cost	-2 286
Deposits from and liabilities to customers	(Amortised cost)	-65 985	Amortised cost	-65 985
Liabilities arising from issuance of securities	(Amortised cost)	-12 143	Amortised cost	-17 598
	Fair value through profit and loss (FVO)	-11 543	Fair value through profit and loss (FVO) and OCI	-6 041
Financial derivatives (liabilities)	Fair value through profit and loss (FVO)	-307	Fair value through profit and loss (FVO)	-307
Subordinated loan capital	(Amortised cost)	-1 203	Amortised cost	-1 704
	Fair value through profit and loss (FVO)	-503		

The following table shows the effects after implementation of IFRS 9

Group		Classification according to IAS 39 as at 31.12.2017	Change due to reclassification	Change due to new measurement	Balance after IFRS 9 as at 1.1.2018
Financial instruments	Note				
Amortised cost					
Cash and deposits with central banks		673	0	0	673
Loans to and receivables from credit institutions		1 808	0	-1	1 807
Loans to and receivables from customers		84 844	-51 208	-58	33 578
Total effect amortised cost	A	87 325	-51 208	-59	36 058
Fair value through profit and loss (FVO)					
Loans to and receivables from customers		5 254	0	0	5 254
Certificates and bonds	B	8 883	0	0	8 883
Financial derivatives		582	0	0	582
Shares, units and other equity interests	C	495	0	0	495
Total effect fair value through profit and loss (FVO)		15 214	0	0	15 214
Fair value with value changes over OCI (with recycling)					
Loans to and receivables from customers	A		51 208	36	51 244
Effect of fair value with value changes over OCI (with recycling)		0	51 208	36	51 244
Total financial instruments	F	102 539	0	-23	102 516
Financial liabilities					
Amortised cost					
Deposits from and liabilities to credit institutions		2 286	0	0	2 286
Deposits from and liabilities to customers	D	65 579	406	0	65 985
Liabilities arising from issuance of securities	E	12 143	5 501	-47	17 598
Subordinated loan capital	E	1 203	503	-2	1 704
Total effect amortised cost		81 211	6 410	-49	87 572
Fair value through profit and loss					
Deposits from and liabilities to credit institutions	D	406	-406	0	0
Deposits from and liabilities to customers	E	11 543	-11 543	0	0
Liabilities arising from issuance of securities		307	0	0	307
Subordinated loan capital	E	503	-503	0	0
Total effect of fair value through profit and loss		12 759	-12 452	0	307
Fair value with value changes over OCI					
Liabilities arising from issuance of securities	E		6 041	0	6 041
Total effect of fair value change over OCI		0	6 041	0	6 041
Total financial instruments	F	93 970	0	-49	93 921

Note A

SpareBank 1 Østlandet transfers some of the loans that qualify for transfer to the jointly owned covered bond company SpareBank 1 Boligkreditt. Consequently, variable rate home mortgages are included in a business model that entails both the reception of contractual cash flows and sales. Pursuant to IFRS 9, such assets must mandatorily be classified at fair value with value changes through other comprehensive income (OCI). The table above shows that NOK 51.3 billion has been reclassified from the category loans and receivables under IAS 39 to fair value through OCI under IFRS 9. Classification at fair value through OCI means that an expected credit loss (ECL) is calculated and recognised in the same way as for an asset at amortised cost under IFRS 9, but accumulated ECL is recognised against OCI and does not reduce the asset's book value with a loan loss impairment. However, a reduction in fair value due to increased credit risk does change the asset's capitalised value. If the calculated ECL and change in fair value are equal, the reduced book value of an asset at fair value through OCI will equal the loan loss impairment for an asset at amortised cost. Upon the transition from loans and receivables pursuant to IAS 39 to loans at fair value through OCI pursuant to IFRS 9, individual and collective loan loss impairments were replaced with a fair value change that resulted in a NOK 36 million higher book value. Similarly, in the case of transition to amortised cost pursuant to IFRS 9, individual and collective loan loss impairments were replaced with a loan loss impairment pursuant to IFRS 9 that resulted in a NOK 59 million lower book value.

Note B

Certificates and bonds comprise part of the Bank's liquidity reserve. The portfolio is managed and measured on a fair value basis and must, pursuant to IFRS 9, be classified at fair value with value changes through profit or loss.

Note C

The available for sale category used under IAS 39 was discontinued in IFRS 9. Upon the transition to a new standard, the equity instruments were classified at fair value with value changes through profit or loss.

Note D

A smaller NOK 406 million portfolio of fixed rate deposits at fair value through profit or loss (FVO) was reclassified to amortised cost. The deposits have short times to maturity and have almost no residual fair value adjustment. No "accounting mismatch" exists anymore that would be corrected by a fair value measurement.

Note E

Fair value through profit or loss is no longer a relevant classification unless a financial liability is held for trading purposes. Issued securities that previously were voluntarily nominated at fair value through profit or loss were reclassified upon transition to IFRS 9 to amortised cost and to fair value with changes from own credit risk through OCI and other fair value changes through profit or loss. Variable rate securities issued by the old Sparebanken Hedmark before the merger with Bank 1 Oslo Akershus, recognised under IAS 39 at NOK 5.5 billion, were reclassified to amortised cost. The portfolio contains an unrealised loss that was reversed against equity and which reduces the liability by NOK 47 million. The same applies to an issued subordinate loan for NOK 0.5 billion with an unrealised loss of NOK 2 million. The reversed unrealised loss totalling NOK 49 million is primarily due to contracted credit spreads. From a regulatory perspective, the loss was neutralised by a positive adjustment in core equity tier 1 capital. This is eliminated and the changed classification and measurement consequently have no material effect on the total capital adequacy ratio. Fixed rate securities issued by the old Sparebanken Hedmark, capitalised under IAS 39 at NOK 6.0 billion were reclassified to fair value through OCI and profit or loss. Upon implementation this resulted in no change due to a new measurement but going forward the changes in value through profit or loss correspond better to related derivatives that hedge interest rate risk.

Note F

Reduced value on financial assets by NOK 23 million and reduced value on financial liabilities by NOK 49 million results in a total tax-adjusted implementation effect recognized in equity by + NOK 20 million.

	Loan loss impairments according to IAS 39 as at	Changes due to reclassification	Changes due to new measurement	Loss / fair value adjustment according to IFRS
Changes in loan loss impairments	December 31, 2017			9 January 1, 2018
Loans and receivables under IAS 39 at amortized cost under IFRS 9	363	-94	39	308
Loans and receivables under IAS 39 at fair value over OCI under IFRS 9	0	94	-36	58
Financial guarantee contracts and loans approved not disbursed	4	0	20	23
Total changes in loss impairments	366	0	23	389

Loan loss impairments pursuant to IAS 39 amounted to NOK 366 million, of which NOK 269 million is linked to loans that are classified to amortised cost and NOK 94 million is linked to loans that are classified to fair value through OCI. A new measurement of the expected loss for loans at amortised cost increases the loan loss impairment by NOK 39 million to NOK 308 million. Value adjustment of loans at fair value through OCI increases the book value by NOK 36 million meaning that the capitalised value of the loans is NOK 58 million lower than gross loans (balance). New measurement of expected losses on guarantees and loan pledges increases the loan loss impairment by NOK 20 million. See also Note A above for related information.

Note 44 Adjusted profit and loss

SpareBank 1 Østlandet's (former Sparebanken Hedmark) 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 and until the mergers in April, the results from Bank 1 Oslo Akershus AS were fully consolidated into the accounts of SpareBank 1 Østlandet. From April, Bank 1 Oslo Akershus AS is included as part of the parent bank.

The consolidation of the accounts of Bank 1 Oslo Akershus AS means that SpareBank 1 Østlandet's consolidated financial statements for the year of 2017 are not directly comparable with the figures for the year before. 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 half year of 2016 that eliminated was NOK 70.5 million. The remaining profit and loss items for the adjusted as at 31.12.2016 were calculated by adding the reported second half of 2016 for Sparebanken Hedmark to the reported for the first half of 2016 for the Bank 1 Oslo Akershus AS group.

Parent bank			Group		
Adjusted (unaudited) 2017	Reported 2017	(NOK million)	Reported 2017	Reported 2016	Adjusted (unaudited) 2016
2 929	2 642	Interest income	3 238	2 494	3 066
1 285	1 134	Interest expenses	1 282	1 004	1 328
1 645	1 508	Net interest income	1 956	1 490	1 739
903	807	Commission income	1 197	830	1 129
66	57	Commission expenses	102	71	89
34	31	Other operating income	168	180	189
870	782	Net commission and other income	1 263	939	1 229
11	11	Dividends from other than group companies	11	46	77
276	275	Net profit from ownership interests	194	236	199
67	48	Net profit from other financial assets and liabilities	72	-62	-69
354	334	Net income from financial assets and liabilities	277	220	207
2 869	2 624	Total net income	3 496	2 649	3 175
712	684	Personnel expenses	1 010	573	765
61	57	Depreciation	84	65	65
610	548	Other operating expenses	804	565	743
1 382	1 289	Total operating expenses	1 898	1 203	1 573
1 487	1 335	Operating profit before losses on loans and guarantees	1 598	1 446	1 602
-46	-39	Losses on loans and guarantees	-20	75	86
1 533	1 373	Pre-tax operating profit	1 618	1 371	1 516
313	272	Tax expense	356	271	312
1 220	1 102	Profit after tax	1 263	1 100	1 204
		Majority interests	1 257	1 095	1 200
		Minority interests	6	4	4
		Statement of comprehensive income			
1 220	1 102	Profit after tax	1 263	1 100	1 204
-7	-7	Actuarial gains / losses on pensions	-7	-52	-52
2	2	Tax effect of actuarial gains / losses on pensions	2	12	12
		Share of other comprehensive income from associates and joint ventures	3	-7	-7
-6	-6	Total items that will not be reclassified through profit or loss	-3	-46	-46
75	75	Change in value of financial assets available for sale	77	4	4
-1	-1	Financial assets available for sale transferred to profit and loss on write-down due to permanent impairment of value	-1	0	0
11	11	Financial assets available for sale transferred to profit and loss on realisation	11	0	0
		Share of other comprehensive income from associates and joint ventures	2	7	7
86	86	Total items that will be reclassified through profit or loss	90	11	11
0	0				
80	80	Total profit and loss items recognised in equity	87	-35	-35
1 300	1 182	Total profit/loss for the period	1 350	1 064	1 169
		Majority interest	1 344	1 060	1 164
		Minority interest	6	4	4

Note 45 GRI indeks

GENERAL DISCLOSURES		
GRI indicator	Description	SpareBank 1 Østlandet's reporting
Organisational profile		
102-1	Name of the organisation	SpareBank 1 Østlandet
102-2	Most important products and/or services	Annual report page 6
102-3	Location of organisation's head office	Annual report page 6
102-4	Number of countries in which the organisation has operations	Annual report page 6
102-5	Ownership and legal form	Annual report page 21-22
102-6	Description of the markets in which the organisation operates	Annual report pages 6-7
102-7	Scale of the organisation	Annual report pages 4, 20 and 50
102-8	Total number of employees by employment type, employment contract and region, by gender	Annual report page 20
102-9	Description of the company's supply chain	Annual report pages 13 and 17
102-10	Significant changes during the reporting period relating to size, structure and ownership	None. 2017 is the first year of GRI reporting.
102-11	Description of whether and how the precautionary principle is applied in the organisation	Annual report pages 8-9
102-12	External initiatives, charters or principles concerning financial, environment and social areas to which the organisation has committed itself or it supports	Annual report page 8
102-13	Membership of industry organisations or other associations, and national/international lobbying groups	Annual report page 12
Strategy		
102-14	Statement from the chief executive	Annual report page 3
Ethics and integrity		
102-16	The organisation's values, principles, standards and norms for behaviour.	Annual report pages 7 and 14
Governance		
102-18	Organisation's governance structure, including supreme authority and committees responsible for making decisions on financial, environmental and social topics.	Annual report pages 8-9
Stakeholder engagement		
102-40	Stakeholder groups to which the organisation is talking	Annual report pages 10-12
102-41	Percentage of employees covered by collective bargaining agreements	100 per cent
102-42	Description of how the organisation identifies and selects stakeholders	Annual report pages 9-12
102-43	Approach to stakeholder engagement, including how often the stakeholders are involved, by type and stakeholder group.	Annual report pages 9-12
102-44	Key topics and concerns raised through stakeholder engagement and the company's response.	Annual report pages 9-12
Reporting practice		
102-45	Overview of all entities included in the organisation's consolidated financial statements or equivalent documents	Annual report pages 108-111
102-46	Description of the process for defining the report's content and boundaries, as well as implementation of the reporting principles	Annual report pages 9-10
102-47	List of material topics	Annual report pages 9-10
102-48	Restatements of historical information from previous reports	None
102-49	Material changes from previous report with respect to the content's scope, report boundaries, or measurement methods	None
102-50	Reporting period	2017
102-51	Date of most recent report	March 2017
102-52	Reporting cycle	Annually
102-53	Contact point for questions regarding the report or content	ingvild.bjorklund.wangen@sb1ostlandet.no
102-54	Reporting level	GRI standard level "core"
102-55	GRI index	Annual report page 117
102-56	Applicable practice for external assurance of reporting	The report is not externally assured

SPECIFIC INFORMATION			
GRI INDICATOR	DESCRIPTION	SPAREBANK 1 ØSTLANDET'S REPORTING	PARTIAL REPORTING
FINANCES			
103-1	Explanation of material topics and their boundaries	Annual report pages 8 and 50	
103-2	Description of the management approach that covers material topics	Annual report pages 8, 21 and 50	
103-3	Evaluation of the management approach	Annual report pages 8, 21 and 50	
Economic Performance			
201-1	Direct economic value generated and distributed	Annual report pages 4 and 50	
201-2	Financial implications and other risks and opportunities due to climate change Reports on risks and opportunities as drivers of innovation and product adaptation, but not methods and financial calculations.	Annual report page 13	
Indirect economic impacts			
203-1	Infrastructure investments and other services	Annual report pages 10, 13 and 15	Reports measures and initiatives in local communities
SOCIETY			
103-1	Explanation of material topics and their boundaries	Annual report pages 9, 10 and 14	
103-2	Description of the management approach that covers material topics	Annual report pages 9, 10 and 14	
103-3	Evaluation of the management approach	Annual report pages 9, 10 and 14	
Anti-corruption			
205-2	Communication and training about anti-corruption policies and procedures	Annual report page 14	Reports on how many employees have received training, but nothing else.
205-3	Confirmed incidents of corruption and corrective actions	None	
ENVIRONMENT			
103-1	Explanation of material topics and their boundaries	Annual report page 18	
103-2	Description of management system that covers important topics	Annual report pages 18-19	
103-3	Evaluation of the management approach	Annual report page 18	
EMPLOYEES			
103-1	Explanation of material topics and their boundaries	Annual report pages 9, 10 and 17	
103-2	Description of management system that covers important topics	Annual report pages 9, 10 and 17	
103-3	Evaluation of the management approach	Annual report pages 9, 10 and 17	
Training			
404-1	Average hours of training per year per employee	Annual report page 17	Training is not broken down by hours per employee.
404-2	Programmes for upgrading employee skills and transitioning to retirement.	Annual report page 17	
404-3	Percentage of employees receiving regular performance and career development reviews	100 per cent	
Diversity and equal opportunity			
405-1	Diversity of governance bodies and executive management team	Annual report pages 17 and 38	Gender composition reported for managers. Not broken down by other position or age categories.
405-2	Pay differences between men and women	Annual report page 17	The pay ratio between men and women is not broken by position category and workplace.
Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	None	

MARKETING AND PRIVACY PROTECTION			
103-1	Explanation of material topics and their boundaries	Annual report pages 9, 10 and 14-15	
103-2	Description of management system that covers important topics	Annual report pages 9, 10 and 14-15	
103-3	Evaluation of the management approach	Annual report pages 9, 10 and 14-15	
Marketing and labelling			
417-2	Incidents of non-compliance concerning product and service information and labelling	Annual report page 15	
417-3	Incidents of non-compliance concerning marketing communications	Annual report page 15	
Privacy protection			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Annual report page 15	
PRODUCT LIABILITY AND ACTIVE OWNERSHIP			
103-1	Explanation of material topics and their boundaries	Annual report pages 9-10 and 13	
103-2	Description of management system that covers important topics	Annual report pages 8 and 13	
103-3	Evaluation of the management approach	Annual report pages 8 and 13	
Product liability			
FS7	Report on monetary value of products and services designed to deliver a specific social benefit	Annual report page 13	In 2017, the Bank focused on building up steering documents and expertise. It plans to report figures in 2018.
FS8	Report on monetary value of products and services designed to deliver a specific environmental benefit	Annual report page 13	In 2017, the Bank focused on building up steering documents and expertise. It plans to report figures in 2018.
Active ownership			
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues.	Annual report page 13	In 2017, the Bank focused on building up steering documents and expertise. It plans to report figures in 2018.

Note 46 Events occurring after the balance sheet day

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

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 2017 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 SpareBank 1 Østlandet
Hamar, 28. February 2018


Siri J. Strømmevold
Chair of the board


Nina C. Lier


Erik Garaas


Espen Bjørklund Larsen
Employee representative


Guro Nina Vestvik


Vibeke Harvold Larsen
Employee representative


Morten Herud


Hans-Christian Gabrielsen


Richard Heiberg
CEO



To the General Meeting of SpareBank 1 Østlandet

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SpareBank 1 Østlandet. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, 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 2017 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 present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, 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 present fairly, in all material respects, the financial position of the group as at 31 December 2017, 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, including 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 and the Group 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.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



Independent Auditor's Report - SpareBank 1 Østlandet

The Banks business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as Key audit matters for our audit of the 2017 financial statements. In this light, our areas of focus have been the same in 2017 as the previous year.

Key Audit Matter	How our audit addressed the Key Audit Matter
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<p><i>The value of loans to customers</i></p> <p>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.</p> <p>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.</p> <p>In our audit, we gave special attention to:</p> <ul style="list-style-type: none"> • 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. • Processes and calculations management have been working on related to implementation of IFRS 9 <p>Refer to note 2, note 3, note 4, note 8 and note 10 to note 13 in the annual report for the Banks description of credit risk and impairment of loans.</p> <p>See note 43 for a description of the expected</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>Were impairment were calculated for a portfolio of loans, we tested the data that were used. We benchmarked the portfolio quality against our industry knowledge and our knowledge of the business sectors the Bank is exposed to. We compared 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.</p> <p>The Group has since 2015 worked to develop a framework model to adapt to the new regulations in</p>
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Independent Auditor's Report - SpareBank 1 Østlandet

effects of the implementation of IFRS 9.

IFRS 9. The development, which is expected to finish in 2018, has so far led to a conclusion of no significant effects related to the transition to IFRS 9. We have read the descriptions and evaluated the information about the implementation process. The preliminary conclusions from management seems 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



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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 in accordance with law and regulations, including 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, including ISAs, we exercise professional judgment and maintain professional scepticism 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.



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- 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 and the Group'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 or the Group'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 or the Group 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.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.



Independent Auditor's Report - SpareBank 1 Østlandet

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 and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 28 February 2018

PricewaterhouseCoopers AS

Magne Sem
State Authorised Public Accountant

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



Audit Committee of SpareBank 1 Østlandet

Confirmation of independence

We have been engaged to audit the Financial Statements of SpareBank 1 Østlandet (the "Bank") for the year ending 31 December 2017.

According to the [Norwegian Act on Auditing and Auditors](#), we are required to confirm in writing annually to the Audit Committee our independence with respect to the Bank. We are also required to communicate with you our services to the Bank during the year other than mandatory audit, and possible threats to our independence.

We have communicated with you our services to the Bank during the year other than mandatory audit.

We are not aware of any conditions that, in our professional judgment, may reasonably be thought to bear on our independence.

We hereby confirm, for the fiscal year 2017 and to the date of this letter, that we are independent accountants with respect to the Bank, within the meaning the Norwegian Act on Auditing and Auditors.

This confirmation is intended solely for the use of the Audit Committee, the Board of Directors, Management, and others within the Bank. This confirmation should not be used for any other purposes.

Oslo, 28 February 2018
PricewaterhouseCoopers AS

Magne Sem
Statsautorisert revisor

*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*

Subsidiaries

EiendomsMegler 1 Hedmark Eiendom AS

2017 was another good year for the company. Turnover increased from NOK 98.6 million in 2016 to NOK 108.6 million in 2017.

Its operating profit amounted to NOK 13.3 million, which results in an operating margin of 12.3 per cent. The result was lower than last year, although last year saw a one-time effect of around NOK 6.3 million from changing the pension scheme from a defined benefit pension to a defined contribution pension.

The company sold 1 929 properties in 2017. This is 18 fewer than in 2016 and was due to a drop in the number of settlement assignments. The figure for new and used homes sold rose in 2017. The sales represented just under 30 per cent of all freely sold properties in the company's market area. The total sales value was NOK 4.58 billion.

In 2017, EiendomsMegler 1 Hedmark Eiendom AS increased its focus on the project and commercial market. Thanks to greater professionalism and good

cooperation with SpareBank 1 Østlandet, the company is experiencing a good inflow of project assignments. Hiring commercial brokers has also given the company a stronger grip on the commercial market.

About EiendomsMegler 1 Hedmark Eiendom AS

EiendomsMegler 1 Hedmark Eiendom AS is a wholly owned subsidiary of SpareBank 1 Østlandet and part of the EiendomsMegler 1 Alliance, Norway's largest chain of real estate agents. The company has 68 employees and 11 branches located in all major cities and towns in Hedmark, as well as a branch in Nes in Akershus and one in Gjøvik in Oppland. The company is the Inland Region's largest local estate agency.

For more information see eiendomsmegler1.no/hedmark

EiendomsMegler 1 Oslo Akershus AS

2017 was a difficult year for the company. Turnover fell from NOK 215.5 million in 2016 to NOK 193 million in 2017. The company is investing substantial resources in strengthening its market position and is already seeing its market shares grow in Oslo and Akershus.

The company's operating result for 2017 was a loss of NOK 14.4 million. The negative result was primarily due to lower sales and commissions, although increased costs in connection with closures and buying out leases, as well as more new employees in the last quarter, were also a factor.

The market in Oslo and Akershus was characterised by falling prices and weaker volumes for large parts of 2017. This, combined with the fact that the company underwent structural changes in 2017, contributed to significantly poorer sales and commissions in the used home segment.

The company has one of the region's largest new build departments. Sales of new builds and planned homes fell heavily, especially in the last half of 2017. Measured against 2016, the fall was 30 per cent.

The company sold 2 878 homes in 2017 compared with 3 397 homes in 2016, a drop of around 15 per cent. Its market share in Oslo and Akershus ended at 8.4 per cent for used homes in 2017, a decrease from 8.8 per cent the year before. The target for 2018 is a market share of 9 per cent.

The company is working to strengthen its market position and consolidate its foothold as one of the region's leading real estate brokers. In 2018, the bank-owned broker will primarily focus on taking an aggressive approach to the increasingly tougher competition in the market. The goal is to grow organically by recruiting good heads of departments and brokers in the current department structure. At the same time, it is important that the company strengthens its collaboration with the company's owner, SpareBank 1 Østlandet.

About EiendomsMegler 1 Hedmark Eiendom AS

EiendomsMegler 1 Oslo Akershus is a wholly owned subsidiary of SpareBank 1 Østlandet and part of the EiendomsMegler 1 Alliance, Norway's largest chain of real estate agents. In 2017, there were an average of 135 full-time equivalents in the company. The goal is to grow by 10 new broker FTEs in 2018. The company has 11 branches in Akershus and 10 in Oslo, as well as one of the region's largest new build departments with 11 FTEs.

For more information see eiendomsmegler1.no/osloakershus

SpareBank 1 Regnskapshuset Østlandet AS

Like many other industries, accounting is facing major changes. Automation and digitalisation will significantly change the industry. In 2017, the company focused heavily on meeting these digital challenges and has procured software for the full digitalisation of accounts production.

SpareBank 1 Regnskapshuset Østlandet AS posted a turnover of NOK 148 million in 2017, a decrease from NOK 160 million in 2016. The company recorded a pre-tax loss of NOK 3.5 million in 2017, compared with a pre-tax profit of NOK 4 million in 2016. The loss in 2017 was primarily due to the digitalisation process in the company.

The death knell of the accounting industry in its current form has been sounded by many. The industry's main challenge is to change from one that traditionally existed to produce accounts data and submit official statements to one that processes already produced data with a view to providing guidance and advice to customers.

The accounting industry in Norway consists of many small actors that do not have the financial capacity to steer developments themselves but will be depend on software providers. SpareBank 1 Regnskapshuset Østlandet believes that the measures it has taken mean that the organisation is far ahead in the industry with respect to digital development. This ensures that the company will be able to maintain a solid position in the market.

A separate processing centre has been established that will take over the branches' manual payroll and accounts production. Transforming employees from traditional accountants into consultants/advisers also presents a major challenge. This process has started in SpareBank 1 Regnskapshuset Østlandet AS and will continue unabated in 2018.

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 wholly owned by SpareBank 1 Østlandet and has 11 branches. These are located in Ringeby, Lillehammer, Moelv, Hamar, Tynset, Elverum, Kongsvinger, Jessheim, Lillestrøm, Oslo and Fredrikstad. The company had 165 employees at the end of the year.

For more information see sb1r.no

SpareBank 1 Finans Østlandet AS

The company achieved a pre-tax profit of NOK 117.9 million in 2017, an increase from NOK 85.6 million the year before. The board is very 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.

The return on equity after tax increased from 9.8 per cent in 2016 to 11.3 per cent in 2017. In 2017, SpareBank 1 Finans Østlandet AS saw an increase in total new sales (last year's figures in brackets) of 10.8 per cent (8.7 per cent). New sales of unsecured loans amounted to NOK 2 161 million (NOK 2 010 million). New leasing sales amounted to NOK 1 704 million (NOK 1 484 million). Consumer loans amounted to NOK 90.0 million (NOK 74.4 million).

The company's book equity as at 31 December 2017 was NOK 1 230.7 million (NOK 938.3 million). Its total assets at the end of the year were NOK 7,258 million (NOK 6 481 million). This represents growth in total assets of 12.0 per cent (11.8 per cent). The company's net loans and receivables from customers amounted to NOK 7 176 million (NOK 6 377 million). Losses amounted to 0.36 per cent of gross lending (0.42 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 0.6 per cent (0.7 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 2018 as well.

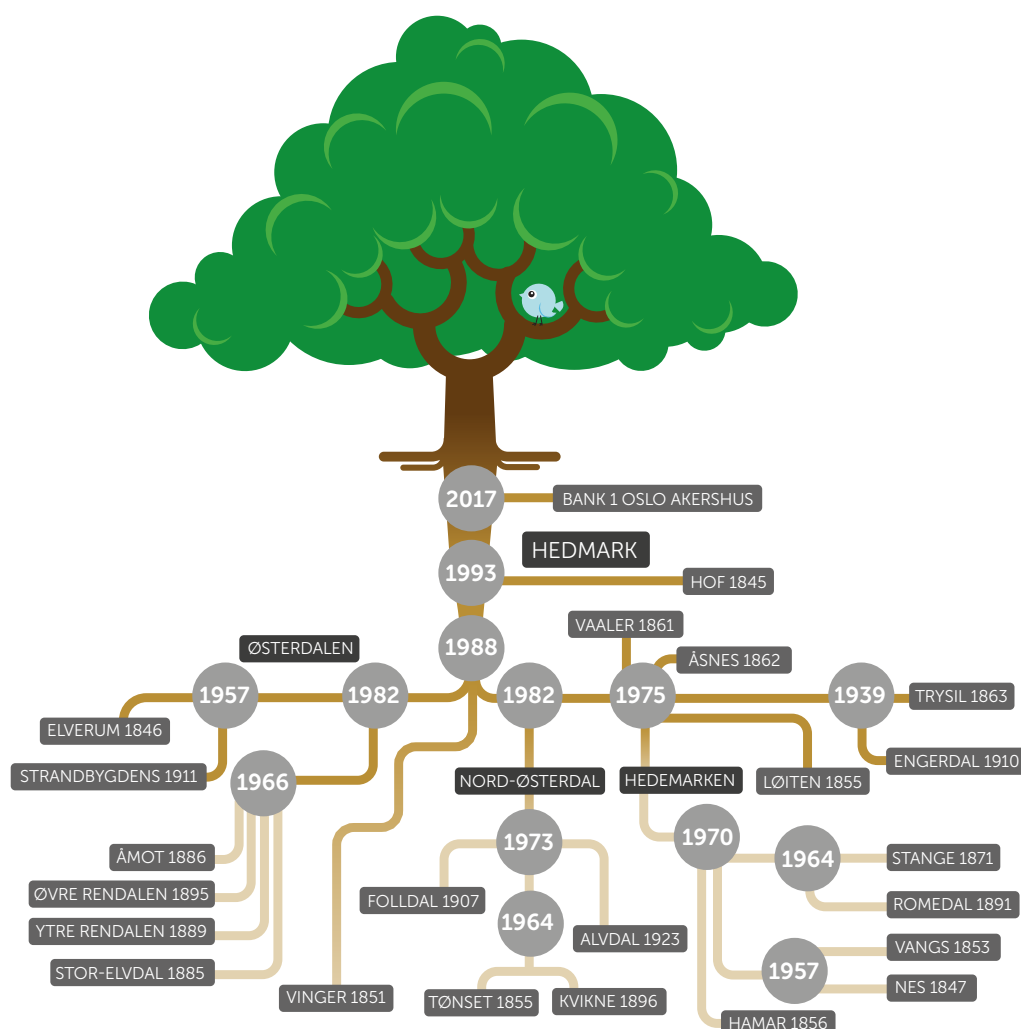
About SpareBank 1 Finans Østlandet AS

SpareBank 1 Finans Østlandet has 56 employees and is owned by SpareBank 1 Østlandet (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 sb1fo.no

SpareBank 1 Østlandet

– *local roots*



In 2011, Sparebanken Hedmark moved northwards into Oppland 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. In 2016, Bank 1 Oslo Akershus became a wholly owned subsidiary of Sparebanken Hedmark. After the merger between the two banks in 2017, the Bank took the name SpareBank 1 Østlandet.

Telephone

Retail: +47 915 07040

Corporate: +47 915 07050

Email

Retail customer centre: post@sb1ostlandet.no

Corporate customer centre: bedrift@sb1ostlandet.no

Online bank:

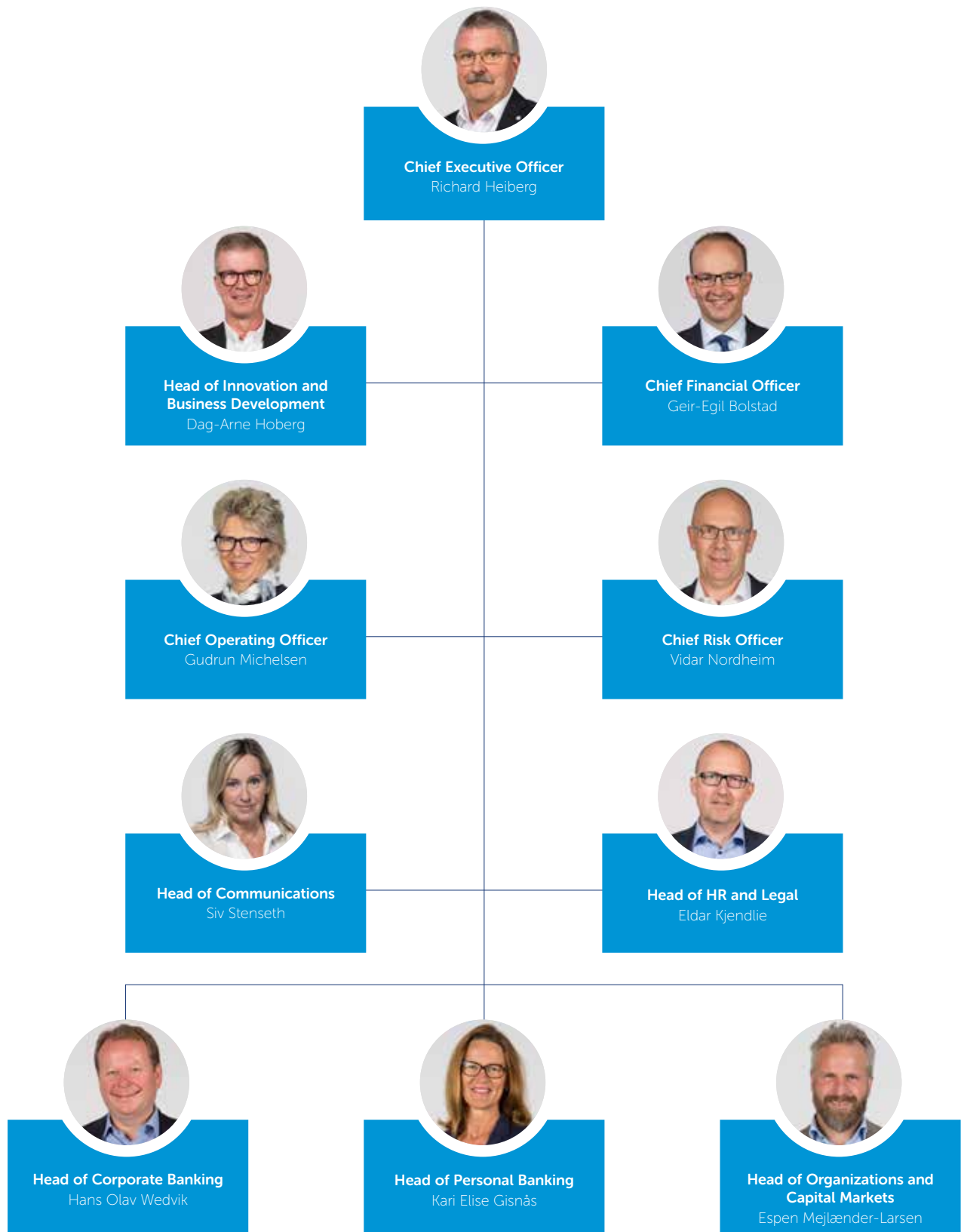
sb1ostlandet.no

Group administration:

Strandgata 15, Postboks 203, N-2302 Hamar

Organisation no.: 920 426 530

Executive management team 2017



Alternative performance measures

SpareBank 1 Østlandet's alternative performance measures (APMs) presents useful information that supplements the financial statements. These measures are either adjusted financial measures or measures not defined under IFRS or other legislation and may not be directly comparable with APMs presented by other companies. The APMs are not intended to be a substitute for, or superior to, any IFRS Measures of performance, but are included to provide insight into Sparebank 1 Østlandet's performance, as the APMs represent important measures for how management governs the company and its business activities. Non-financial data and key financial ratios regulated by IFRS or other legislation are not considered as APMs.

SpareBank 1 Østlandet's APMs are presented in the main figures and in the report of the board of directors, and in investor presentations and prospects. APMs are shown with comparable figures for earlier corresponding periods.

Lending and deposits margins for the Parent Bank are calculated using daily average of gross loans to customers and deposits from customers respectively. For all other key figures and APMs that are calculated using average balance sheet figures, average balance sheet figures are calculated as the average of the starting balance of the period and the ending balance of each of the quarters in the period.

APM	Definition
Return on equity capital	$\frac{(\text{Profit after tax} - \text{Interest expenses after tax on hybrid}) \times \left(\frac{\text{Act}}{\text{Act}}\right)}{\text{Average equity} - \text{Average hybrid capital}}$
Underlying banking operations	Operating profit before losses on loans and guarantees – Net income from financial assets and liabilities – Notable items
Cost-income-ratio	$\frac{\text{Total operating}}{\text{Total net income}}$
Lending margin	Weighted average interest rate on lending to customers and loans transferred to covered bond companies – Average NIBOR 3 MND
Deposit margin	Average NIBOR 3 MND – Weighted average interest rate on deposits from customers
Net interest income inclusive of commissions from covered bond companies	Net interest income + Commissions from loans and credit transferred to covered bond companies
Adjusted total assets	Total assets + Loans transferred to covered bond companies
Gross loans to customers including loans transferred to covered bond companies	Loans to and receivables from customers + Loans transferred to covered bond companies
Deposit to loan ratio	$\frac{\text{Deposit from and liabilities to customers}}{\text{Gross loans to customers}}$
Growth in loans during the last 12 months	$\frac{\text{Gross loans to customers}}{\text{Gross loans to customers 12 months ago}} - 1$
Growth in loans including loans transferred to covered bond companies (CB) in the last 12 months	$\frac{\text{Gross loans to customers} + \text{Loans transferred to CB}}{\text{Gross loans to customers 12 months ago} + \text{Loans transferred to CB 12 months ago}} - 1$
Growth in deposits in the last 12 months	$\frac{\text{Deposits from and liabilities to customers}}{\text{Deposits from and liabilities to customers 12 months ago}} - 1$
Losses on loans as a percentage of gross loans	$\frac{(\text{Losses on loans and guarantees}) \times \left(\frac{\text{Act}}{\text{Act}}\right)}{\text{Gross loans to customers}}$
Commitments in default as percentage of gross loans	$\frac{\text{Gross defaulted commitments for more than 90 days}}{\text{Gross loans to customers}}$
Other doubtful commitments as percentage of gross loans	$\frac{\text{Gross doubtful commitments not in default}}{\text{Gross loans to customers}}$
Net commitments in default and other doubtful commitments in percentage of gross loans	$\frac{\text{Net defaulted commitments} + \text{Net doubtful commitments}}{\text{Gross loans to customers}}$
Loan loss impairment ratio for defaulted commitments	$\frac{\text{Individual write downs on defaulted commitments}}{\text{Gross defaulted commitments for more than 90 days}}$
Loan loss impairment ratio for doubtful commitments	$\frac{\text{Individual write downs on doubtful commitments}}{\text{Gross doubtful commitments not in default}}$
Equity ratio	$\frac{\text{Total equity capital}}{\text{Total assets}}$
Book equity per EC	$\frac{(\text{Tot. EC} - \text{Min. int.} - \text{Gifts} - \text{Hybrid cap.} + \text{Tot. interest expense on hybrid cap.}) \times \text{EC certi. ratio}}{\text{Number of Equity certificates issued}}$
Price/Earnings per EC	$\frac{\text{Listed price of EC}}{\text{Earnings per EC} \times \left(\frac{\text{Act}}{\text{Act}}\right)}$
Price/book equity	$\frac{\text{Listed price of EC}}{\text{Book equity per EC}}$
Average LTV (Loan to value)	$\frac{\text{Average amount on loans to customers}}{\text{Average market value of asset encumbrance}}$
Loans transferred to covered bond (CB) companies	Loans transferred to SpareBank 1 Boligkreditt AS og SpareBank 1 Næringskreditt AS
Act/Act	$\frac{\text{Total number of days in the year (365 or 366)}}{\text{Number of days so far this year}}$
Notable items	Identified costs considered to be non recurring

Creating together

SpareBank 1 Østlandet is a modern, digital bank with a 170-year history in central parts of Eastern Norway. The Bank is a cornerstone of many local communities with its numerous branches close to where people live. Sustainable growth and development are secured through, among other things, financing for private individuals and companies that want to realise good projects and ideas. This ensures that the Bank can help people build, live and work in the districts as well as in the cities. The Bank's vision is **Creating together** – long-term value for society and our customers, owners and employees. Its vision communicates that the Bank fulfils its corporate social responsibility and that the Group's results are produced together with its customers and local communities.

