

Half-year report 2017

SPAREBANK 1 ØSTLANDET



SpareBank 1 Østlandet listed on Oslo Stock Exchange

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Main figures Group

Result summary (NOK mill and % of average assets)	First half-year 2017		First half-year 2016		31.12.2016	
	Amount	%	Amount	%	Amount	%
Net interest income	956	1,86 %	596	1,68 %	1.490	1,79 %
Net commissions and other (non-interest) income	624	1,21 %	334	0,94 %	939	1,13 %
Net income from financial investments	34	0,07 %	102	0,29 %	220	0,26 %
Total income	1.614	3,14 %	1.032	2,91 %	2.649	3,19 %
Total operating costs before losses on loans and guarantees	915	1,78 %	513	1,45 %	1.203	1,45 %
Profit before losses on loans and guarantees	698	1,36 %	519	1,46 %	1.446	1,74 %
Losses on loans and guarantees	-21	-0,04 %	29	0,08 %	75	0,09 %
Profit/loss before tax	719	1,40 %	490	1,38 %	1.371	1,65 %
Tax charge	171	0,33 %	94	0,27 %	271	0,33 %
Profit after tax	548	1,07 %	396	1,12 %	1.100	1,32 %
Profitability						
Return on equity capital ¹⁾	9,2 %		8,2 %		10,5 %	
Return on average assets ²⁾	1,1 %		1,1 %		1,3 %	
Net interest income ³⁾	1,9 %		1,7 %		1,8 %	
Cost-income-ratio ⁴⁾	56,7 %		49,7 %		45,4 %	
From the balance sheet						
Gross loans to customers	87.528		79.286		82.945	
Gross loans to customers including loans transferred to covered bond companies ⁵⁾	124.393		115.224		119.450	
Growth in loans during the last 12 months	10,4 %		88,4 %		89,5 %	
Growth in loans including loans transferred to covered bond companies in the last 12 months	8,0 %		98,7 %		95,4 %	
Deposits from customers	66.653		62.637		63.070	
Deposit-to-loan-ratio ⁶⁾	76,2 %		79,0 %		76,0 %	
Growth in deposits in the last 12 months	6,4 %		88,6 %		88,5 %	
Average total assets	103.585		71.336		83.074	
Total assets	107.652		100.883		101.242	
Business capital ⁷⁾	144.517		136.821		137.747	
Losses and commitments in default						
Losses on loans as a percentage of gross loans	0,0 %		0,1 %		0,1 %	
Commitments in default, percentage of gross loans	0,3 %		0,4 %		0,3 %	
Other bad and doubtful commitments, percentage of gross loans	0,3 %		0,3 %		0,3 %	
Net commitments in default and other bad and doubtful commitments, percentage of gross loans	0,4 %		0,5 %		0,4 %	
Financial strength						
Common equity Tier 1 capital ratio	16,7 %		16,0 %		16,9 %	
Tier 1 capital ratio	17,6 %		16,7 %		17,9 %	
Capital ratio	19,9 %		18,6 %		20,3 %	
Net subordinated capital	13.440		9.305		12.656	
Equity ratio	11,7 %		11,3 %		12,0 %	
Leverage Ratio	7,5 %		8,3 %		7,4 %	
LCR ⁸⁾	121,0 %		136,9 %		116,6 %	
Branches and staff						
Number of branches	38		38		38	
Number of fulltime equivalents	1.114		1.146		1.140	
Equit capital certificates						
Market price (NOK)	79,25					
Market capitalisation (NOK million)	8.494					
Book equity per EC ⁹⁾	77,01					
Earnings per EC, NOK ¹⁰⁾	3,46		2,50		6,95	
Price/Earnings per EC ¹¹⁾	11,37					
Price/book equity ¹²⁾	1,06					

1) Annualized profit after tax including interest expenses on hybrid capital as a percentage of average equity. Calculation of a verage equity is without hybrid capital.

2) Profit after tax in relation to average total assets, calculated as an average of total assets.

3) Total net interest income so far this year in relation to average total assets.

4) Total operating costs as a percentage of total operating income.

5) Covered bond companies used are SpareBank 1 Boligkreditt AS og SpareBank 1 Næringskreditt AS.

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

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

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

9) Group book equity without hybrid capital with interest paid, minority interest and provision for gifts* ownership interest / number of EC's as at 30.06.2017.

10) Profit after tax for controlling interests * Equity capital certificate ratio as at 30.06.17 / number of EC's as at 30.06.2017.

11) Market price in NOK/annualized earnings per EC.

12) Market price in NOK*no of EC's /book equity (parent bank)*equity capital certificate ratio as at 30.06.17.

Interim report

Second quarter of 2017 (Consolidated figures. Figures in brackets concern the corresponding period in 2016)

- Profit after tax: NOK 274 (227) million
- Return on equity: 9.0 (9.0) per cent
- Net interest income: NOK 491 (300) million
- Net commissions and other operating income: NOK 316 (175) million
- Net result from financial assets and liabilities: NOK 34 (94) million
- Operating costs: NOK 478 (259) million
- Net loan loss provisions: NOK 5 (20) million
- Listed on the Oslo Stock Exchange on 13 June
- Voice-activated money transfers in mobile bank

First half-year of 2017

- Profit after tax: NOK 548 (396) million
- Return on equity: 9.2 (8.2) per cent
- Earnings per equity certificate: NOK 3.43 (2.51)
- Net interest income: NOK 956 (596) million
- Net commissions and other operating income: NOK 624 (334) million
- Net result from financial assets and liabilities: NOK 34 (102) million
- Operating costs: NOK 915 (513) million
- Net loan loss provisions: receipts on losses of NOK 21 million (costs of NOK 29 million).
- Core equity tier 1 ratio: 16.7 (16.0) per cent

Sparebanken Hedmark and Bank 1 Oslo Akershus AS (B1OA) merged operations with effect from 1 April 2017. The merged bank simultaneously changed its name to SpareBank 1 Østlandet.

In the second quarter, SpareBank 1 Østlandet carried out a successful stock exchange listing and on 13 June its equity certificates were listed for trade on the Oslo Stock Exchange. The equity certificates trade under the ticker SPOL. The ownership structure represents a good mix of institutional,

professional and private investors from Norway and abroad. Employees as a group, ended up as the eleventh largest owner of the Bank.

Voice-activated money transfers between a customer's own accounts were launched on 27 June as a new service in the mobile bank. It was developed by SpareBank 1 Østlandet in collaboration with the SpareBank 1 Alliance. The launch of voice-activated services is just one example of how SpareBank 1 Østlandet is working to make life simpler for our customers.

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

The Group comprises Sparebank 1 Østlandet and the 100 per cent owned subsidiaries EiendomsMegler 1 Hedmark Eiendom AS, EiendomsMegler 1 Oslo Akershus AS (EM1OA), EiendomsMegler 1 Oslo AS (EM1O, 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 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, 19.0 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 and 23.1 per cent of KOMM-IN AS, as well as 21.2 per cent of SpareBank 1 Mobilbetaling AS and SpareBank 1 Mobilbetaling Holding AS. The Bank also owns 20.3 per cent of SpareBank 1 Boligkreditt AS and 9.2 per cent of SpareBank 1 Næringskreditt AS (the covered bond companies). The results from the above companies are recognised in the Bank's consolidated financial statements proportionate to the Bank's stake.

The Group prepares its financial statements in accordance with international accounting standards adopted by the EU (IAS 34).

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 results from B1OA were recognised in the consolidated accounts based on the equity method with an ownership interest of 40.5 per cent. From and including the second half of

2016 up to and including the first quarter of 2017, B1OA's results were fully consolidated into SpareBank 1 Østlandet's consolidated financial statements. From April onwards, B1OA is included as part of the Parent Bank. This means that SpareBank 1 Østlandet's consolidated financial statements for the first half of 2017 are not directly comparable with last year's figures. Please see note 17 for comparable figures for last year. It shows the adjusted consolidated profit for the first half of 2016 as it would have been with 100 per cent ownership of B1OA from 1 January 2016.

Consolidated results for the second quarter of 2017

The SpareBank 1 Østlandet Group's profit after tax amounted to NOK 274 (227) million, which is on a par with the results for the first quarter of 2017. The return on equity was 9.0 (9.0) per cent, down from 9.3 per cent in the first quarter of 2017. The merger with the former B1OA means that last year's figures are not directly comparable with this year's figures.

Net interest income amounted to NOK 491 (300) million, compared with NOK 464 million in the first quarter of 2017. Net interest income as a percentage of average total assets was 1.88 (1.53) per cent, up from 1.85 per cent in the first quarter of 2017.

Net commissions and other operating income amounted to NOK 316 (175) million, compared with NOK 308 million in the first quarter of 2017. Commissions from the covered bond companies amounted to NOK 91 (41) million, up from NOK 76 million in the first quarter of 2017. Income from estate agency amounted to NOK 82 (29)

million, up from NOK 71 million in the first quarter of 2017. Income from accounting services amounted to NOK 41 (46) million, down from NOK 46 million in the first quarter of 2017.

The net result from financial assets and liabilities amounted to NOK 34 (94) million, an increase of NOK 0.3 million compared to the first quarter of 2017.

Operating costs amounted to NOK 478 (259) million, up from NOK 437 million in the first quarter of 2017. The increase was due to costs of NOK 31 million linked to the stock exchange listing process and merger costs of NOK 9 million.

Net loan loss provisions amounted to NOK 5 (20) million, compared with net receipts on losses of NOK 26 million in the first quarter of 2017. Of the total losses, the change in group write-downs amounted to NOK 2 (10) million, compared with NOK -27 million in the first quarter of 2017.

Consolidated results for the first half of 2017

In the consolidated financial statements for the first half of 2017, the former B1OA is fully consolidated with 100 per cent ownership in the first quarter of 2017 and included as part of the Parent Bank from April onwards. EM1OA and EM1O are fully consolidated with 100 per cent ownership in the first half of 2017. The figures for last year are, therefore, not directly comparable with this year's results.

The group profit after tax for the first half of the year was NOK 548 (396) million. The return on equity was 9.2 (8.2) per cent.

Specification of the consolidated profit after tax in NOK millions:	30.06.17	30.06.16
Parent Bank's profit after tax	563	433
Dividends received from subsidiaries/associated companies	-243	-256
Share of the result from:	0	0
SpareBank 1 Gruppen AS	86	80
Bank 1 Oslo Akershus AS (Q1-17)	119	71
SpareBank 1 Boligkreditt AS	-43	12
SpareBank 1 Næringskreditt AS	1	0
EiendomsMegler 1 Hedmark Eiendom AS	10	10
EiendomsMegler 1 Oslo Akershus AS - Konsem	3	0
SpareBank 1 Finans Østlandet AS	62	39
SpareBank 1 Regnskapshuset Østlandet AS	3	4
SpareBank 1 Kredittkort AS	8	7
SpareBank 1 Mobilbetaling AS	-15	-7
Other associated companies/joint ventures	-4	3
Consolidated profit after tax	548	396

Net interest income

Net interest income in the first half of the year was NOK 956 (596) million. Net interest income must be viewed in connection with commissions from loans and credit transferred to the part-owned covered bond companies (recognised in income as commissions) totalling NOK 129 (81) million. In total, net interest income and commissions amounted to NOK 1,085 (677) million. The increase was primarily due to lending growth, as well as the former B1OA being full consolidated with 100 per cent ownership in the first quarter of 2017 and being included as part of the Parent Bank from April onwards. Net interest income as a percentage of average total assets was 1.86 (1.68) per cent.

Net commissions and other operating income

Net commissions and other operating income amounted to NOK 624 (334) million. The increase was primarily due to the former B1OA being full consolidated with 100 per cent ownership in the first quarter of 2017 and being included as part of the Parent Bank from April onwards.

EM1OA and EM1O are fully consolidated with 100 per cent ownership in the first half of 2017.

MNOK	30.06.17	30.06.16
Net money transfer fees	78	41
Commissions revenues from insurance and savings	131	65
Commissions revenues from mortgage companies	167	81
Real estate agency commission	153	49
Accounting services	87	91
Other income	8	7
Net commissions and other (non interest) income	624	334

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

Net result from financial assets and liabilities

The net result from financial assets and liabilities was NOK 34 (102) million.

Dividends of NOK 11 (45) million primarily consist of dividends from Totens Sparebank of NOK 9 (7) million and dividends from VISA Norge of NOK 0 (38) million.

The net profit from ownership interests amounted to NOK 36 (166) million.

Share of the result:	30.06.17	30.06.16	Change
SpareBank 1 Gruppen AS	86	80	6
Bank 1 Oslo Akershus AS	0	71	-71
SpareBank 1 Boligkreditt AS	-43	12	-55
SpareBank 1 Næringskreditt AS	1	0	0
SpareBank 1 Kredittkort AS	8	7	1
SpareBank 1 Mobilbetaling AS	-15	-7	-8
Other associated companies/joint ventures	1	3	-3
Net profit from ownership interests	36	166	-130

The NOK 130 million reduction was primarily due to the former B1OA being full consolidated with 100 per cent ownership in the first quarter of 2017 and being included as part of the Parent Bank from April onwards. The share of the profit from SpareBank 1 Boligkreditt also decreased. The result 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 previously booked gains have been reversed in line with the maturity of the swaps.

The net investment result from other financial assets and liabilities was NOK -13 (-109) million. The Group's securities issued, fixed-income investments, derivatives and fixed-rate products for customers are generally assessed at fair value through profit and loss pursuant to IAS 39, and changes in market value are recognised in profit and loss. The first half of the year saw a contraction in the risk premium for Norwegian senior securities. For a five-year, senior issue in a Norwegian regional savings bank, the market's risk premium was reduced from an indicative 85 basis points at the start of the year to around 64 basis points at the end of the first half of the year. All other things being equal, this results in the relevant discount rate on previously issued fixed-income securities with fixed coupons decreasing and thus their present value (price) rising. The rise in prices for own debt results in an unrealised loss, while the rise in prices for purchased fixed-income securities results in an unrealised gain.

The net effect of price changes for all fixed-income securities, inclusive of hedging transactions, was NOK -37 (-120) million, almost all of which are unrealised losses. The change in value for securities issued, inclusive of hedging, was NOK -83 (-131) million. Please also see note 7 "Net result from financial assets and liabilities".

Operating costs

Total operating costs were NOK 915 (513) million and amounted to 56.7 (49.7) per cent of net income. The increase was primarily due to the former B1OA being full consolidated with 100 per cent ownership in the first quarter of 2017 and being included as part of the Parent Bank from April onwards. EM1OA and EM1O are fully consolidated with 100 per cent ownership in the first half of 2017.

NOK 31 million was recognised as costs in connection with the stock exchange listing, NOK 14 million of which was recognised as personnel costs due to the employee discount on purchases of

equity certificates and fees for the employee placement.

NOK 18 million was recognised as costs in connection with the merger process, NOK 11 million of which was linked to severance pay. The remaining costs were primarily linked to IT costs and the use of external consultants.

The former B10A closed its defined benefit pension scheme on 1 January 2017 and this resulted in a gain that reduced personnel costs by NOK 53 million. A recalculation of the pension costs for 2016 resulted in a cost of NOK 12 million in the former Sparebanken Hedmark.

At the end of the first half of the year, there were 1,114 (1,146) full-time equivalents in the Group.

Net loan loss provisions

In the first half of the year, the Group saw net receipts on losses of NOK 21 million (cost of NOK 29 million). The net receipts on losses were primarily due to a reduction in group write-downs of NOK 25 (0) million.

Net loan loss provisions are distributed as follows:

Specification of total losses on loans and guarantees in the period, MNOK	Totalt	PM	BM	SB1FØ
Change in individual write-downs in the period	-9	-2	-10	2
Change in collective write-downs in the period	-25	-3	-23	1
Realised losses on commitments previously written down	18	3	8	7
Realised losses on commitments not previously written down	6	2	2	2
-Recoveries on loans and guarantees previously written down	11	1	8	2
Total losses on loans and guarantees in the period	-21	-1	-31	11

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

Credit risk

Gross non-performing commitments amounted to NOK 217 (332) million at the end of the first half of 2017. This corresponded to 0.3 (0.4) per cent of gross lending. Gross other impaired commitments (not non-performing) amounted to NOK 251 (232) million at the end of the first half of the year. This corresponded to 0.3 (0.3) per cent of gross lending.

The loan loss provision ratios, measured as total individual write-downs as a percentage of non-performing and impaired commitments, respectively, were 12 (14) per cent and 41 (44) per cent at the end of the first half of the year. Loan loss provision ratios will vary over time depending on the valuation linked to the commitment's cover pool.

Individual write-downs to cover net loan loss provisions were NOK 144 (149) million at the end of the first half of the year. Group write-downs to cover net loan loss provisions amounted to NOK 238 (250) million and represented 0.27 (0.32) per cent of gross lending.

Credit quality, measured as total problem loans in relation to total lending, improved compared with the corresponding period last year. In total, the Group's problem loans amounted to 0.5 (0.6) per cent of gross lending on its balance sheet and 0.3 (0.4) per cent if one includes loans transferred to the covered bond companies. The improvement in credit quality was due to both the former B10A now being included on the balance sheet and a positive trend in the lending portfolio.

Total assets

Total assets amounted to NOK 107.7 (100.9) billion at the end of the first half of the year. Total business capital, defined as total assets inclusive of loans transferred to the covered bond companies, amounted to NOK 144.5 (136.8) billion.

Lending to customers

Gross lending to customers, inclusive of loans transferred to the covered bond companies, totalled NOK 124.4 (115.2) billion. At the end of the first half of the year, loans totalling NOK 35.5 (34.8) billion had been transferred to SpareBank 1 Boligkreditt AS and loans totalling NOK 1.3 (1.2) billion had been transferred to SpareBank 1 Næringskreditt AS.

Lending growth over the past twelve months, inclusive of transferred loans, was NOK 9.2 billion, equivalent to 8.0 (98.7) per cent. The retail market grew by NOK 6.2 billion and the corporate market by NOK 3.0 billion. The high figures for last year are due to the acquisition and consolidation of B10A.

In the first half of the year, lending to customers grew by NOK 4.9 billion, equivalent to 4.1 per cent. NOK 3.3 billion of the growth came in the retail market, while the corporate market showed an increase of NOK 1.7 billion.

Deposits from customers

Deposits from customers at the end of the first half of the year totalled NOK 66.7 (62.6) billion. Deposits grew by NOK 4.0 billion, equivalent to 6.4 (88.6) per cent. The retail market grew by NOK 2.6 billion and the corporate market by NOK 1.4 billion.

Customer deposits increased by NOK 3.6 billion in the first half of the year. The corporate market grew

by NOK 3.7 billion and the retail market showed a reduction by NOK 0.1 billion.

The deposit coverage ratio in the Group was 76.2 (79.0) per cent.

Liquidity

Borrowing from financial institutions and senior securities issued totalled NOK 26.8 (22.5) billion. The average term to maturity of the Group's long-term funding was 3.7 (3.7) years. The average term to maturity for all borrowing was 3.3 (3.3) years.

At year-end, the Group had enough reserves to maintain normal operations for 18 (18) months. The liquidity coverage ratio (LCR) was 121.0 (136.9) per cent. The change in LCR in the last 12 months was due to the Bank having adjusted to an expected statutory requirement of 100 per cent for LCR at the start of 2016. At the end of the second quarter of 2017, LCR has been adjusted to the current statutory requirement of 80 per cent.

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

Equity certificates

On 13 June 2017, SpareBank 1 Østlandet's equity certificates were listed for trade on the Oslo Stock Exchange. A private placement totalling 977,447 equity certificates was carried out for the Group's employees in connection with this.

At 30 June 2017, the equity share capital consisted of 107,179,987 equity certificates with a nominal value of NOK 50 per certificate.

The book value per equity certificate (Group) at the end of the first half of the year was NOK 77.01 and earnings per equity certificate were NOK 3.43 (2.51).

At the end of the first half of the year, the price of the equity certificate was NOK 79.25. This is equivalent to Price/Earnings of 11.45 and Price/Book of 1.06.

Financial strength and capital adequacy

The Group's equity amounted to NOK 12.6 (11.4) billion, which is equivalent to 11.7 (11.3) per cent of the balance sheet. The leverage ratio was 7.5 (8.3) per cent.

The Group's capital and core capital ratios at the end of the first half of the year were 19.9 (18.6) per cent and 17.6 (16.7) per cent, respectively. The core equity tier 1 ratio was 16.7 (16.0) per cent. A simplified audit has been conducted of the income statement and balance sheet in relation to the Regulations, which resulted in the half-year results after expected taxes and dividends being included in the capital adequacy.

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

Rating

SpareBank 1 Østlandet is rated A1 by Moody's Investor Service. Moody's latest credit statement (10 July 2017) maintains this rating, but the rating outlook has changed from a "stable outlook" to a "negative outlook". The negative outlooks were triggered by the proposed legislation presented by the Ministry of Finance on 21 June 2017, which is intended to implement the EU's crisis management directives: the Bank Recovery and Resolution Directive (BRRD) and the Deposit Guarantee Directive.

The change in the rating outlooks is an expression of Moody's intention of bringing Norwegian banks' assessments for public support into line with the European banks, in which the framework for BRRD has already been implemented.

The change in rating outlooks applies to all Norwegian banks, which already have a built-in expectation of public support from the Norwegian authorities.

Parent Bank

The Parent Bank's financial statements for the first half of 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 results.

The Parent Bank's profit after tax for the first half of the year was NOK 563 (433) million.

The core equity tier 1 ratio was 22.4 (29.5) per cent at the end of the first half of the year. The reduction was mainly due to the inclusion of B1OA in the basis for calculation.

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

The Parent Bank's equity amounted to NOK 11.8 (9.9) billion, which was equivalent to 11.1 (16.2) per cent of the balance sheet at the end of the quarter.

At the end of the quarter, the Parent Bank had 714 (470) full-time equivalents.

Underlying banking operations are defined as the result before losses on loans, exclusive of securities and dividends. Costs linked to the merger and stock exchange listing process have also been excluded.

Underlying banking operations, MNOK	30.06.17	30.06.16	Change
Net interest income	668	486	37.6 %
Net commission and other income	318	208	52.9 %
Operating costs	518	358	44.6 %
Operating profit underlying banking operations	468	335	39.6 %

The operating profit from underlying banking operations amounted to NOK 468 (335) million in the first half of the year. Underlying banking operations were up NOK 133 million in relation to last year, which is equivalent to 39.6 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 62 (39) million for the first half of 2017. The financing company's gross lending totalled NOK 6.8 (6.0) billion at 30 June 2017. Lending growth over the past twelve months was 13.3 (14.0) per cent.

SpareBank 1 Regnskapshuset Østlandet AS posted earnings of NOK 87 (91) million and achieved a profit after tax of NOK 3 (4) million for the first half of 2017.

The estate agency EiendomsMegler 1 Hedmark Eiendom AS posted earnings of NOK 52 (49) million and achieved a profit after tax of NOK 10 (10) million.

The estate agency EiendomsMegler 1 Oslo Akershus Group posted earnings of NOK 101 million and achieved a profit after tax of NOK 3 million.

Part-owned companies

SpareBank 1 Gruppen AS (12.4 per cent stake) posted a consolidated profit after tax of NOK 711 (694) million for the first half of the year. The return on equity was 19.0 (17.4) per cent.

SpareBank 1 Boligkreditt AS (20.3 per cent stake) is the alliance banks' joint retail loan covered bond company. The company posted a loss after tax of NOK -195 (95) million. The result for the first half of

the year was heavily affected by a negative change in value for basis swaps linked to its own borrowing. The reasons for this are twofold: the market price for new basis swaps has decreased and booked gains are reversed in line with the maturity of the swaps.

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

bond company. The company posted a profit after tax of NOK 36 (43) million.

SpareBank 1 Kredittkort AS (19.6 per cent stake) is the alliance banks' joint credit card company. The company posted a profit after tax of NOK 39 (78) million.

SpareBank 1 Mobilbetaling AS (21.2 per cent stake) is the alliance banks' joint mobile phone payment company. The company posted a loss after tax of NOK -34 (-63) million.

On 13 February, it was announced that more than 100 banks would join forces to build a single

Norwegian actor for mobile phone payments via an even stronger Vipps. SpareBank 1 became the second largest owner in the new company with an ownership interest of 25 per cent. The new company will build on SpareBank 1 Mobilbetaling AS as a company. The transaction is expected to be carried out on 1 September. The company SB1 Mobilbetaling will be operated until the same date and thereafter be merged with the new Vipps AS.

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

Outlook

The macro situation in Norway appears to be 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 development of losses going forward.

SpareBank 1 Østlandet's home market comprises the counties of Hedmark, Oppland, Oslo and Akershus. The Interior Region, the counties of Hedmark and Oppland, has traditionally been less cyclically sensitive than other regions, in part due to industry in the region not being particularly exposed to the oil and gas industry. In recent years, growth in this region has outpaced growth in the rest of Norway. The activity in the capital region, with the counties of Oslo and Akershus, largely reflects the rest of the country, partly because the region accounts for a large proportion of the Norway's wealth creation.

The growth in house prices has slowed since the beginning of 2017 and shows signs of reversing in the second quarter, in part driven by the government's new Mortgage Regulation of 1 January 2017. The Group is heavily involved in the mortgage

market in the capital region. The drop in house prices in the last quarter comes after price rises in the last year that have appeared excessive. The Board believes that the Bank's lending practices reduce its vulnerability to a significant fall in prices in the housing market. The Bank's prudent lending practices for housing purposes are reflected in a low proportion of problem loans and the fact that the Bank is operating well within the limits of the new Mortgage Regulation.

The Board believes the Group is well-positioned for further profitable growth, with a strong position in the Bank's traditional home market and good opportunities in the Bank's new growth areas. The future development of business will be based on continued cautious lending practices and coordinating the two merged banks into a larger, stronger unit. Given its high capital adequacy, good 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 catchment area.

The Board of Directors of SpareBank 1 Østlandet

Hamar, 8 August 2017

Income statement

Parent bank						Group					
31.12.16	Q2 16	Q2 17	30.06.16	30.06.17	(NOK million)	Notes	30.06.17	30.06.16	Q2 17	2. kv.16	31.12.16
1.692	414	740	833	1.174	Interest income		1.610	944	823	472	2.494
689	172	331	347	506	Interest expense		654	348	331	172	1.004
1.003	242	409	486	668	Net interest income		956	596	491	300	1.490
427	108	219	212	325	Commission income		574	259	297	137	830
28	7	15	13	22	Commission expenses		48	25	26	13	71
21	5	6	10	15	Other operating income		98	100	45	51	180
420	106	210	208	317	Net commission and other income		624	334	316	175	939
45	45	2	45	11	Dividends from other than Group companies	7	11	45	2	45	46
369	177	160	255	252	Net profit from ownership interests	7	36	166	30	96	236
-122	-47	19	-109	-37	Net profit from other financial assets and liabilities	7	-13	-109	2	-47	-62
293	175	180	191	226	Net income from financial assets and liabilities		34	102	34	94	220
1.715	523	799	885	1.211	Total net income		1.614	1.033	841	569	2.649
162	94	177	184	293	Personnel expenses		469	293	237	145	573
38	9	15	18	25	Depreciation		41	23	21	12	65
320	81	165	156	249	Other operating costs		405	196	221	102	565
519	184	356	359	568	Total operating costs		915	513	478	259	1.203
1.195	339	443	527	644	Operating profit before loans and guarantees		698	520	363	310	1.446
47	14	1	18	-24	Losses on loans and guarantees	6	-21	29	5	20	75
1.148	325	442	510	668	Profit/loss before tax		719	490	358	289	1.371
186	50	69	77	105	Tax expense		171	94	84	62	271
964	275	372	433	563	Profit after tax		548	396	274	227	1.100
Majority interest							545	394	272	226	1.095
Minority interest							3	2	2	1	4
Earnings per equity certificate (Group)							3,46	2,50			6,95

Statement of comprehensive income											
964	275	372	433	563	Profit after tax		548	396	274	227	1.100
-71	-65	0	-65	0	Actuarial gains/losses on pensions		0	-65	0	-65	-52
18	16	0	16	0	Tax effect of actuarial gains/losses on pensions		0	16	0	16	12
Share of other comprehensive income from associated companies and joint ventures							-1	-36	0	-36	-7
-54	-49	0	-49	0	Total items not reclassified through profit or loss		-1	-85	0	-85	-46
5	-41	9	-32	21	Change in value of financial assets available for sale		23	-32	21	-41	4
0	0	9	0	9	Financial assets available for sale transferred to profit and loss on write-down due to permanent impairment of value		9	0	9	0	0
0	0	0	0	0	Financial assets available for sale transferred to profit and loss on realisation		0	0	0	0	0
Share of other comprehensive income from associates and joint ventures							0	-12	0	-12	7
5	-41	18	-32	30	Total items reclassified through profit or loss		32	-43	30	-53	11
-47	-90	18	-80	30	Total profit and loss items recognised in equity		31	-128	30	-138	-35
915	185	390	352	593	Total profit/loss for the accounting year		579	268	304	89	1.065
Majority share of comprehensive income							576	266	304	89	1.060
Minority share of comprehensive income							3	2	0		4

Balance sheet

Parent bank					Group		
31.12.16	30.06.16	30.06.17	NOK million	Noter	30.06.17	30.06.16	31.12.16
ASSETS							
354	635	664	Cash and deposits with central banks		665	1,211	761
7,191	6,996	9,011	Loans to and receivables from credit institutions		3,197	2,645	1,335
41,762	39,593	80,408	Loans to and receivables from customers	5,6	87,155	78,902	82,537
5,630	6,871	8,726	Certificates, bonds and fixed-income funds	10	8,726	10,881	9,776
349	485	612	Financial derivatives	8,9,10,11	612	1,134	810
321	286	430	Shares, units and other equity interests	10	431	709	747
1,681	1,632	3,057	Investments in associates and joint ventures		3,529	3,443	3,618
3,842	3,842	1,218	Investments in subsidiaries		0	0	0
0	0	0	Assets held for sale		5	8	5
304	313	383	Property, plant and equipment		589	614	587
102	101	0	Goodwill and other intangible assets		365	351	371
0	58	117	Deferred tax asset		0	0	0
338	336	2,038	Other assets	12	2,379	985	695
61,873	61,147	106,663	Total assets		107,652	100,883	101,242
LIABILITIES							
1,666	1,266	2,334	Deposits from and liabilities to credit institutions		2,333	1,799	1,654
36,259	36,754	66,678	Deposits from and liabilities to customers	13	66,653	62,637	63,070
12,404	11,826	23,298	Liabilities arising from issuance of securities	10,14	23,298	22,199	21,937
233	312	302	Financial derivatives	8,9,10,11	302	506	349
148	86	158	Current tax liabilities		183	137	247
10	0	0	Deferred tax liabilities		106	27	118
222	529	851	Other debt and liabilities recognised in the balance sheet	15	981	1,039	556
502	495	1,205	Subordinated loan capital	10,14	1,205	1,188	1,203
51,443	51,268	94,828	Total liabilities		95,061	89,532	89,135
EQUITY CAPITAL							
5,310	5,310	5,359	Equity capital certificates		5,359	5,310	5,310
520	520	547	Premium fund		547	520	520
974	503	1,707	Dividend equalisation fund		1,707	503	974
3,313	3,014	3,407	Primary capital		3,407	3,014	3,313
0	0	172	Other paid-up equity		172	0	0
33	44	27	Provision for gifts		27	44	33
134	106	238	Fund for unrealised gains		238	106	134
148	0	0	Dividends		0	0	148
0	0	400	Hybrid capital		400	0	400
0	381	-22	Other equity		683	1,809	1,229
0	0	0	Minority interests		51	45	47
10,428	9,877	11,833	Total equity capital		12,589	11,349	12,105
61,873	61,147	106,663	Total equity capital and liabilities		107,652	100,883	101,242

The Board of Directors of SpareBank 1 Østlandet

Hamar, 8 August 2017

Changes in equity capital

Parent bank (NOK million)	Paid-up equity			Earned equity capital					Dividends	Hybrid-capital	Total equity capital	
	Equity certificates	Premium fund	Other paid-up equity	Primary capital	Dividend equalisation funds	Provision for gifts	Fund for unrealised gains	Other equity				
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									1,843	
Profit after tax							3	430			433	
Actuarial gains after tax on pensions								-49			-49	
Change revaluation reserve							-32				-32	
Donations distributed from profit 2015				-6							-6	
Grants from provision for gifts in 2016						-6					-6	
Equity capital as of 30.06.16	5,310	520	0	3,014	503	44	106	381	0	0	9,879	
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									1,843	
Profit after tax				316	506		-7		148		964	
Actuarial gains after tax on pensions				-17	-35						-53	
Change revaluation reserve							5				5	
Donations distributed from profit 2015				-6							-6	
Grants from provision for gifts in 2016						-18					-18	
Equity capital as of 31.12.16	5,310	520	0	3,313	974	33	134	0	148	0	10,431	
Equity capital as of 01.01.17	5,310	520	0	0	3,313	974	33	134	0	148	0	10,431
ECs transferred Foundation	49	27										76
Profit after tax			172			353						525
Equity inflated by merger with B10A											400	400
Hybrid capital									-22			-22
Interest hybrid capital				101	380		83					563
Change revaluation reserve							21					21
Dividend paid									-148			-148
Donations distributed from profit 2016				-6								-6
Grants from provision for gifts in 2017						-5						-5
Equity capital as of 30.06.17	5,359	547	172	3,407	1,707	27	238	-22	0	400		11,835

Group (NOK million)	Paid-up equity			Earned equity capital								Total equity capital
	Equity certificates	Premium fund	Other paid-up equity	Primary capital	Dividend equalisation funds	Provision for gifts	Fund for unrealised gains	Other equity	Dividends	Hybrid-capital	Minority intersets	
Equity capital as of 01.01.16	3,987	0	0	3,019	503	50	135	1,023	0	0	0	8,718
ECs transferred Foundation	1,323	520										1,843
Profit after tax							3	391			2	396
Actuarial gains after tax on pensions								-49				-49
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss								-36				-36
Change revaluation reserve							-32					-32
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss								-11				-11
Adjusted equity capital in subsidiary, associated companies and joint ventures								97				97
Reclassification of hybrid capital i subsidiary										396		396
Change in ownership shareholdings											43	43
Donations distributed from profit 2015				-6								-6
Grants from provision for gifts in 2016						-6						-6
Equity capital as of 30.06.16	5,310	520	0	3,014	503	44	106	1,413	0	396	45	11,350

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 ¹⁾								73				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 transferred Foundation	1,323	520										1,843
Profit after tax				316	506		-7	130	148		4	1,100
Actuarial gains after tax on pensions				-17	-35			13				-39
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss								-7				-7
Change revaluation reserve							5					5
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss								11				11
Interest cost for hybrid capital in subsidiary								-13				-13
Hybrid capital in subsidiary										400		400
Change in shareholding in Group companies											43	43
Donations distributed from profit 2015				-6								-6
Grants from provision for gifts in 2016						-18						-18
Equity capital as of 31.12.16	5,310	520	0	3,313	974	33	134	1,228	148	400	47	12,107

Equity capital as of 01.01.17	5,310	520		3,313	974	33	134	1,228	148	400	47	12,107
OB Correction: Correction of previous years's errors in associated companies and joint ventures ¹⁾								-11				-11
Adjusted equity capital at 01.01.17	5,310	520	0	3,313	974	33	134	1,217	148	400	47	12,096
ECs transferred Foundation	49	27										76
Equity inflated by merger with B10A			172		353			-507				18
Profit after tax				100	380		83	-15				548
Share of other comprehensive income from associated companies and joint ventures not reclassified through profit or loss								-1				-1
Change revaluation reserve							21	-2				19
Share of other comprehensive income from associated companies and joint ventures reclassified through profit or loss												0
Interest cost for hybrid capital								-9				-9
Hybrid capital												0
Change in shareholding in Group companies											3	3
Dividend paid									-148			-148
Donations distributed from profit 2016				-6								-6
Grants from provision for gifts in 2017						-5						-5
Equity capital as of 30.06.17	5,359	547	172	3,407	1,707	27	238	684	0	400	51	12,591

1) Corrections are connected to changes in preliminary accounts for the accounting year and final accounts in SpareBank 1 Gruppen.

Cash Flow Statement

Parent bank				Group		
31.12.16	30.06.16	30.06.17	(NOK million)	30.06.17	30.06.16	31.12.16
11,442	4,581	12,461	This years's downpayments on repayment loans etc. to customers	17,051	5,966	24,740
0	0	0	Change in advance rent leasing	7	52	15
-16,232	-7,077	-16,174	Newly discounted repayment loans etc. to customers for the period	-23,452	-8,841	-31,296
157	51	-10	Change in balances of foreign currency lending	-12	51	167
760	821	797	Change in balances of credits	1,021	821	650
1,314	646	1,005	Interest and commission income on lending	1,488	820	2,251
24	23	1	Including in pevious year's realised losses on lending	2	25	33
0	0	0	Net cash flow from assets held for sale	0	0	0
-2,535	-955	-1,920	Cash flow from lending operations (A)	-3,895	-1,105	-3,441
1,201	1,640	2,871	Change in balances of deposits from customers at call	3,364	1,653	2,295
1,548	1,478	510	Change in balances of deposits from customers wiht agreed maturity dates	103	1,478	1,503
-374	-75	-136	Interest payments to customers	-209	-75	-518
2,375	3,044	3,244	Cash flow from deposit operations (B)	3,258	3,056	3,279
517	-728	1,094	Net cash flow from securities held short term	1,531	-728	-540
-85	-92	-127	Cash flow linked to exchange rate gains / losses on securities held short terms	-127	-92	-112
89	45	48	Interest received on certificates and bonds	66	45	120
522	-775	1,015	Cash flow from investments in securities (C)	1,469	-775	-532
-1,502	-1,295	-660	Change in receivables from credit institutions with agreed maturity dates	44	-978	-44
150	77	65	Interest received on deposits in credit institutions	66	77	153
-1,352	-1,218	-595	Cash flow from deposits in credit institutions (D)	110	-902	110
562	254	274	Other income	509	383	1,108
-766	-311	-561	Operating expenses payable	-922	-465	-1,500
-177	-181	-189	Tax payments	-245	-183	-181
-23	-12	-11	Donations	-11	-12	-23
0	0	0	Group contribution	0	0	0
-30	-456	-1,676	Net cash flow from change in other assets	-1,769	-500	61
-67	-94	19	Net cash flow from change in accruals	-56	-210	-164
10	471	476	Net cash flow from change in other liabilities	471	466	520
-491	-329	-1,669	Remaining cash flow from current operations (E)	-2,024	-521	-178
-1,482	-233	75	CASH FLOW FROM OPERATIONS (A+B+C+D+E=F)	-1,081	-246	-762
999	610	-107	Change in deposits from credit institutions	1,109	621	467
2,901	1,296	3,003	Receipts arising from issuance of securities	3,003	1,296	2,901
-1,631	-939	-843	Payments arising from redemption of securities issued	-1,362	-939	-1,846
-492	-214	-1,075	Buy-back of own securities	-1,085	-214	-542
-261	-122	-210	Interest payments on financing	-318	-122	-336
1,517	631	768	Cash flow from financing activities (G)	1,347	642	644
-27	-15	-29	Investments in fixed assets and intangible assets	-44	-20	-43
0	0	7	Sales of fixed assets and intangible assets at sales price	7	0	0
-49	7	-138	Net liquidity effect from purchase and sale of long-term securities	212	7	-49
435	301	253	Share dividends from securities held long term	158	221	371
358	294	92	Cash flow from investments (H)	333	209	279
-225	-225	0	Liquidity effect from acquisition of remaining shares in B10A (I)	0	-225	-225
0	0	458	Cash and cash equivalents taken over from B10A (J)	0	843	843
0	0	0	Liquidity effect of acquisition and sale of other subsidiaries (K)	0	-13	-13
-95	-95	-95	Payments arising from placements in subsidiaries (L)	0	5	5
73	372	1,361	CHANGE IN CASH AND CASH EQUIVALENTS (F+G+H+I+J+K+L)	663	1,214	772
309	309	382	Cash and cash equivalents at 1 January	1,082	309	309
382	681	1,743	Cash and cash equivalents at the end of the period	1,745	1,524	1,082
			Cash and cash equivalents at comprise:			
354	635	664	Cash and deposits with central banks	665	1,211	759
28	46	1,080	Deposits etc. at call with banks	1,080	312	323
382	681	1,743	Cash and cash equivalents at the end of the period	1,745	1,524	1,082

Notes to the accounts

Note 1 Accounting principles

1.1 Basis for preparation

The quarterly accounts for Sparebanken Hedmark cover the period 01.01 - 30.06.2017. The quarterly accounts have been prepared in accordance with IAS 34 Interim Financial Reporting, relevant IFRS standards and IFRIC interpretations. The presentation currency is NOK (Norwegian kroner), which is also the functional currency of all the units in the group. All amounts are in NOK millions unless stated otherwise. The quarterly accounts do not contain all the information required in a full set of annual accounts and should be read in conjunction with the annual financial statements for 2016.

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

1.2 Important accounting estimates and discretionary assessments

In drawing up the consolidated financial statements, group management applies estimates and discretionary assessments and makes assumptions that determine the effect of applying accounting principles. These will therefore affect reported amounts for assets and liabilities, income and expenses. The annual financial statements for 2016 provide more details of critical estimates and assessments in relation to the use of accounting principles in note 3.

Note 2 Change in the composition of the Group

2017

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

Sparebanken Hedmark and Bank 1 Oslo Akershus merged operations with effect from 1 April 2017. The new name of the merged bank became SpareBank 1 Østlandet.

2016

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

On 01 January 2016, 5 per cent of the shares in SpareBank 1 Finans Østlandet AS were sold to SpareBank 1 Ringerike Hadeland.

Note 3 Segment information

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

Prerequisites:

- Property brokerage, leasing, financing and accounting are organised as independent companies.
- Tax is calculated by 25 percent for the retail- and corporate banking.
- Net commission and other income in PM and BM contain their share of indirect income
- Operating expenses in PM and BM contain their share of indirect costs
- The result of the elimination of companies appears with other activities in a separate column.

	Retail banking	Corporate banking	Bank 1 Oslo Akershus	SpareBank 1 Finans Østlandet	Eiendoms- Megler 1 Hedmark Eiendom	SpareBank 1 Regnskaps-huset Østlandet	Unallocated activities	Total
30.06.2017								
Income statement								
Net interest income	462	367	151	0	1	-1	-24	956
Net commissions and other income *)	332	73	-18	52	103	87	-6	624
Net income from financial investments	0	0	0	0	0	0	34	34
Total operating costs *)	363	131	39	40	100	83	160	915
Profit before losses by segment	431	309	94	13	4	4	-156	698
Losses on loans and guarantees	0	-31	11	0	0	0	0	-21
Profit/loss per segment before tax	431	340	83	13	4	4	-156	719
Tax	108	85	21	3	1	1	-47	171
Profit/loss per segment after tax	323	255	62	10	3	3	-109	548
Balance sheet								
Gross lending to customers	54,030	26,087	6,803	0	0	0	608	87,528
Individual loan write-downs	-32	-88	-16	0	0	0	0	-136
Collective loan write-downs	-69	-147	-21	0	0	0	0	-238
Other assets	1,258	1,667	192	66	100	147	17,069	20,497
Total assets per segment	55,187	27,519	6,957	66	100	147	17,677	107,652
Deposits from and liabilities to customers	39,495	19,632	0	0	0	0	7,527	66,653
Other liabilities and equity	15,692	6,387	6,957	66	100	147	11,650	40,999
Total equity capital and liabilities per segment	55,187	26,019	6,957	66	100	147	19,177	107,652

	Retail banking	Corporate banking	Bank 1 Oslo Akershus	SpareBank 1 Finans Østlandet	Eiendoms- Megler 1 Hedmark Eiendom	SpareBank 1 Regnskaps-huset Østlandet	Unallocated activities	Total
30.06.2016								
Income statement								
Net interest income	267	217		112	0	-1	1	596
Net commissions and other income	177	44		-13	48	91	-12	334
Net income from financial investments	0	0		0	0	0	101	101
Total operating costs	256	100		36	35	85	0	513
Profit before losses by segment	187	161		63	13	5	90	519
Losses on loans and guarantees	0	18		11	0	0	0	29
Profit/loss per segment before tax	187	143		52	13	5	90	490
Tax	47	36		13	3	1	-5	94
Profit/loss per segment after tax	140	107		39	10	3	95	396
Balance sheet								
Gross lending to customers	22,589	16,428	33,509	6,004	0	0	756	79,286
Individual loan write-downs	-28	-86	-8	-13	0	0	0	-134
Collective loan write-downs	-25	-87	-120	-19	0	0	0	-250
Other assets	101	-5	8,270	88	63	154	13,311	21,981
Total assets per segment	22,637	16,251	41,651	6,060	63	154	14,067	100,883
Deposits from and liabilities to customers	22,711	12,423	25,922	0	0	0	1,581	62,637
Other liabilities and equity	-74	3,828	15,729	6,060	63	154	12,486	38,246
Total equity capital and liabilities per segment	22,637	16,251	41,651	6,060	63	154	14,067	100,883

31.12.2016	Retail banking	Corporate banking	Bank 1 Oslo Akershus	SpareBank 1 Finans Østlandet	Eiendoms- Megler 1 Hedmark Eiendom	SpareBank 1 Regnskaps-huset Østlandet	Unallocated activities	Total
Income statement								
Net interest income	552	457	262	238	0	-1	-19	1,490
Net commissions and other income	340	87	280	-29	99	158	4	939
Net income from financial investments	2	0	53	0	0	0	165	220
Total operating costs	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 loan write-downs	-28	-90	-13	-14	0	0	0	-145
Collective loan write-downs	-36	-87	-120	-20	0	0	0	-262
Other assets	102	1	8,324	165	55	144	9,913	18,704
Total assets per segment	24,091	16,994	42,850	6,458	55	144	10,650	101,242
Deposits from and liabilities to customers	21,985	13,614	26,838	0	0	0	634	63,070
Other liabilities and equity	2,106	3,380	16,012	6,458	55	144	10,016	38,171
Total equity capital and liabilities per segment	24,091	16,994	42,850	6,458	55	144	10,650	101,242

Note 4 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: Requirement to publish information

Capital adequacy is calculated on the basis of a risk-weighted calculation basis. The Bank has permission to use the AIRB approach for calculating risk weightings in the lending portfolio. As a transitional arrangement, a floor of 80 per cent of the Basel I rules has been set for the calculation basis. 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 capital consists of a minimum requirement of 4.5 per cent and a buffer requirement totalling 7 per cent, of which the Bank's countercyclical capital buffer requirement was 1.5 per cent at 30 June 2017. SpareBank 1 Østlandet is also subject to a Pillar II requirement of 1.7 per cent. The total capital requirement for common equity tier 1 capital was thus 13.2 per cent at 30 June 2017. In addition to this, a further 2 per cent is covered by supplementary capital and 1.5 per cent is covered by supplementary capital.

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

Parent bank				Group		
Basel III	Basel III	Basel III		Basel III	Basel III	Basel III
31.12.16	30.06.16	30.06.17		30.06.17	30.06.16	31.12.16
5,310	5,310	5,359	Equity capital certificates	5,359	5,310	5,310
520	520	547	Premium fund	547	520	520
974	503	1,707	Dividend equalisation fund	1,707	503	974
3,313	3,014	3,407	Primary capital	3,407	3,014	3,313
-	-	172	Other equity	172	0	0
33	44	27	Provision for gifts	27	44	33
134	106	238	Fund for unrealised gains	238	106	134
148	-	-	Dividends	-	-	148
-	-	400	Hybrid capital	400	-	400
-	381	-22	Other equity	683	1,809	1,228
-	-	-	Minority interests	51	45	47
10,432	9,878	11,835	Total equity carried	12,591	11,351	12,107
Tier 1 capital						
-	-	-284	Results for the accounting year not included	-274	-	-
-160	-54	-400	Share of equity not included in core capital	-451	-454	-604
-	-	-	Minority interests that can be included in core capital	37	32	36
43	-3	106	Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	106	-3	43
-90	-101	-117	Goodwill and other intangible assets	-365	-351	-371
-117	-135	-199	Positive value of expected losses under the IRB approach	-222	-146	-205
-	-290	-	CET 1 instruments of financial sector entities where the institution does not have a significant investment	-	-	-
-	-	-	CET 1 instruments of financial sector entities where the institution does have a significant investment	-73	-2,370	-452
-	-	-	Adjustments to core equity tier 1 capital linked to regulatory filters	-	-	10
-10	-11	-36	Value adjustments due to the requirements for prudent valuation (AVA)	-51	-19	-33
-	-112	-	Excess of deduction from AT1 items over CET1 Capital	-	-	-
-334	-706	-931	Total common equity Tier 1 capital	-1,292	-3,311	-1,576
Additional Tier 1 capital						
-	-	400	Hybrid capital	619	400	619
-	-112	-	AT1 instruments of financial sector entities where the institution does not have a significant investment	-	-	-
-	-	-	AT1 instruments of financial sector entities where the institution does have a significant investment	-	-44	-
-	-	-	Excess of deduction from T2 items over AT1 Capital	-	-	-
-	112	-	Excess of deduction from AT1 items over CET1 Capital	-	-	-
-	-	400	Total additional Tier 1 capital	619	356	619
Supplementary capital in excess Tier 1 capital						
500	500	1,198	Subordinated loan capital	1,523	1,200	1,524
-	-153	-	T2 instruments of financial sector where the institution does not have a significant investment	-	-	-
-	-	-	T2 instruments of financial sector where the institution does have a significant investment	-	-291	-17
-	-	-	Excess of deduction from T2 items over AT1 Capital	-	-	-
500	347	1,198	Total supplementary capital	1,523	909	1,507
166	-359	667	Total eligible capital	849	-2,046	550
3,624	3,613	4,891	Corporates - SME	4,891	4,641	4,546
6,791	6,596	10,993	Corporates - Specialised Lending	10,993	10,893	10,628
532	660	681	Corporates - Other	681	900	768
847	864	981	SME exposure	1,141	943	1,104
5,997	6,261	14,277	Retail mortgage exposure	20,669	12,181	18,393
1,392	629	1,654	Other retail exposure	1,689	826	1,834
19,183	18,623	33,476	Risk-weighted assets credit risk IRB	40,063	30,384	37,273
10,505	9,988	11,431	Exposures calculated using the standardised approach	16,156	15,840	14,495
-	-	-	Market risk	-	-	-
162	210	103	CVA	588	232	452
2,253	2,253	3,343	Operational risk	4,503	3,702	3,702
-	-	360	Basel I	6,230	-	6,279
32,103	31,074	48,714	Risk-weighted assets	67,541	50,158	62,201
2,568	2,486	3,897	Capital requirements (8%)	5,403	4,013	4,976
-	-	828	Pillar 2 (1,7%)	1,148		
Buffer requirements						
803	777	1,218	Capital conservation buffer (2.5%)	1,689	1,254	1,555
482	466	731	Countercyclical capital buffer (1,5 % Q2-17 and 1 % Q2-16)	1,013	752	933
963	932	1,461	Systemic risk buffer (3%)	2,026	1,505	1,866
2,247	2,175	3,410	Total buffer requirements for common equity (7 % i Q2-17 and 6,5 % Q2-16)	4,728	3,511	4,354
6,403	5,600	5,302	Available common equity (net minimum requirement of 13,2 % in Q2-17 and 11 % in Q2-16)	3,532	2,272	3,378
Capital adequacy ratio						
31.4 %	29.5 %	22.4 %	Common equity Tier 1 capital ratio	16.7 %	16.0 %	16.9 %
31.4 %	29.5 %	23.2 %	Tier 1 Capital ratio	17.6 %	16.7 %	17.9 %
33.0 %	30.6 %	25.7 %	Capital adequacy ratio	19.9 %	18.6 %	20.3 %

Note 5 Loans to and receivables from customers

Parent bank				Group		
31.12.16	30.06.16	30.06.17		30.06.17	30.06.16	31.12.16
24,653	23,397	53,493	Private customers	56,365	50,951	53,421
4	4	4	Public sector	224	204	193
4,102	3,788	4,262	Primary industries	4,571	4,064	4,428
202	226	1	Paper and pulp industries	18	241	218
542	587	911	Other industry	1,172	875	801
831	805	2,042	Building and constructions	2,884	1,533	1,684
214	224	210	Power and water supply	400	395	407
791	817	1,031	Wholesale and retail trade	1,384	1,316	1,332
188	171	473	Hotel and restaurants	489	462	476
8,283	7,927	14,423	Real estate	14,511	13,900	14,157
1,917	1,613	2,915	Commercial services	3,535	3,618	4,356
220	241	496	Transport and communication	1,482	1,244	1,287
56	19	484	Other	492	484	187
42,003	39,818	80,744	Total gross loans by sector and industry	87,528	79,286	82,945
-118	-113	-119	Individual loan write-downs	-136	-134	-146
-122	-112	-216	Collective loan write-downs	-238	-250	-262
41,762	39,593	80,408	Total loans to customers	87,155	78,902	82,537
17,517	17,338	35,532	Loans transferred to SpareBank 1 Boligkreditt AS	35,532	34,767	35,197
706	556	1,333	Loans transferred to SpareBank 1 Næringskreditt AS	1,333	1,170	1,308
59,985	57,487	117,273	Total loans inclusive loans transferred to covered bond companies	124,020	114,839	119,042

Note 6 Losses on loans and guarantees

Parent bank				Group		
31.12.16	30.06.16	30.06.17		30.06.17	30.06.16	31.12.16
1	-6	-11	Change in individual write-downs in the period	-9	-6	7
19	9	-26	Change in collective write-downs in the period	-25	10	22
16	10	10	Realised losses on commitments previously written down	18	17	40
34	28	4	Realised losses on commitments not previously written down	6	33	38
24	23	1	-Recoveries on loans and guarantees previously written down	11	25	33
47	18	-24	Total losses on loans and guarantees in the period	-21	29	75

31.12.16	30.06.16	30.06.17		30.06.17	30.06.16	31.12.16
134	134	128	Individual write-downs to cover losses on loans and guarantees at 1 January	156	147	147
20	10	10	individually	18	17	39
19	7	6	Reversal of write-downs in previous years	8	13	28
6	2	0	Increase in write-downs on commitments previously written down individually	3	4	9
28	9	4	Write-downs on commitments not previously written down individually	13	20	53
0	0	13	Change in closing balances due to acquisition of Bank 1 Oslo Akershus	0	8	13
128	128	129	Individual write-downs to cover losses on loans and guarantees at the end of period ¹⁾	146	149	156

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

31.12.16	30.06.16	30.06.17		30.06.17	30.06.16	31.12.16
103	103	122	Collective write-downs to cover losses on loans and guarantees at 1 January	262	120	120
19	9	-26	Collective write-downs to cover losses on loans and guarantees in the period	-25	10	22
0	0	120	Change in closing balances due to acquisition of Bank 1 Oslo Akershus	0	120	120
122	112	216	Collective write-downs to cover losses on loans and guarantees	238	250	262

31.12.16	30.06.16	30.06.17		30.06.17	30.06.16	31.12.16
137	205	217	Gross defaulted commitments for more than 90 days	262	332	233
40	33	27	Individual write-downs on defaulted commitments	41	47	54
97	172	190	Net defaulted commitments	221	285	179
29 %	16 %	12 %	Deposit ratio		14 %	23 %
230	194	251	Gross problem commitments (not in default)	262	232	272
88	95	102	Individual write downs on problem commitments	105	102	101
142	99	149	Net problem commitments	158	130	171
38 %	49 %	41 %	Deposit ratio	40 %	44 %	37 %
35 %	32 %	28 %	Total deposit ratio	28 %	26 %	31 %

Note 7 Net income from financial assets and liabilities

Parent bank			Group		
31.12.16	30.06.16	30.06.17	30.06.17	30.06.16	31.12.16
0	0	0	0	0	0
45	45	11	11	45	46
45	45	11	11	45	46
389	256	242	36	166	236
0	0	0	0	0	0
-20	-2	10	0	0	0
369	255	252	36	166	236
21	19	21	38	19	35
15	-8	10	9	-8	21
36	11	30	46	11	55
-65	-139	-50	-42	-139	100
-87	7	-28	-41	7	-246
-151	-131	-79	-83	-131	-146
-41	5	0	8	5	-78
6	0	2	0	0	54
1	0	3	3	0	1
13	0	1	2	0	29
0	0	-9	-9	0	0
16	7	14	20	7	24
-121	-109	-37	-13	-109	-61
293	191	226	34	102	220

Note 8 Financial derivatives

Parent bank			
At fair market value through p & l account	30.06.17		
	Contract sum	Fair market value	
		Assets	Liabilities
Foreign exchange instruments			
Forward exchange contracts	913	12	7
Currency swap contracts	2,327	16	11
Total foreign exchange instruments	3,240	28	19
Interest rate instruments			
Interest rate swaps (incl. int. rate & currency)	21,966	584	284
Other interest rate contracts	0	0	0
Total interest rate instruments	21,966	584	284
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	20	0	0
Total currency instruments	3,240	28	19
Total interest rate instruments	21,966	584	284
Other financial derivatives	20	0	0
Total financial derivatives in MNOK	25,226	612	302

At fair market value through p & l account	30.06.16		
	Contract sum	Fair market value	
		Assets	Liabilities
Foreign exchange instruments			
Forward exchange contracts	623	13	9
Currency swap contracts	1,833	10	7
Total foreign exchange instruments	2,456	23	17
Interest rate instruments			
Interest rate swaps (incl. int. rate & currency)	10,484	452	295
Other interest rate contracts	150	9	0
Total interest rate instruments	10,634	461	295
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	20	1	0
Total currency instruments	2,456	23	17
Total interest rate instruments	10,634	461	295
Total other financial instruments	20	1	0
Total financial derivatives in MNOK	13,110	485	312

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

At fair market value through p & l account	Group		
	30.06.17		
	Contract sum	Fair market value	
		Assets	Liabilities
Foreign exchange instruments			
Forward exchange contracts	913	12	7
Currency swap contracts	2,327	16	11
Total foreign exchange instruments	3,240	28	19
Interest rate instruments			
Interest rate swaps (incl. int. rate & currency)	21,966	584	284
Other interest rate contracts	0	0	0
Total interest rate instruments	21,966	584	284
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	20	0	0
Total currency instruments	3,240	28	19
Total interest rate instruments	21,966	584	284
Total other financial instruments	20	0	0
Total financial derivatives in MNOK	25,226	612	302

At fair market value through p & l account	30.06.16		
	Contract sum	Fair market value	
		Assets	Liabilities
Foreign exchange instruments			
Forward exchange contracts	623	13	9
Currency swap contracts	2,440	1	7
Total foreign exchange instruments	3,063	13	17
Interest rate instruments			
Interest rate swaps (incl. int. rate & currency)	21,752	1,110	489
Other interest rate contracts	234	10	0
Total interest rate instruments	21,986	1,120	490
Other financial derivatives			
Guarantee liability - Eksportfinans ASA	20	1	0
Total currency instruments	3,063	13	17
Total interest rate instruments	21,986	1,120	490
Total other financial instruments	20	1	0
Total financial derivatives in MNOK	25,070	1,134	506

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

Note 9 Liquidity risk

Liquidity risk is the risk that the group is not able to refinance its debt or is not able to finance an increase in assets. The bank's framework for managing liquidity risk shall reflect the bank's conservative risk profile. The board has adopted internal limits such that the bank has as balanced a maturity structure for its borrowing as possible. Stress testing is conducted for the various terms of maturity for bank-specific crises, system crises and combinations of these. A contingency plan has also been put in place to manage liquidity crises. The average remaining term to maturity in the portfolio of senior bond funding was 3.3 years at the end of the first half of the year 2017.

Note 10 Determination of fair value of financial instruments

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

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

Group

30.06.2017	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Derivatives		612	0	612
- Bonds and certificates		8,726		8,726
- Fixed-rate loans			5,774	5,774
- Loans with interest-rate guarantees				0
Financial assets available for sale				
- Equity instruments	216		215	431
- Other financial assets (Visa Norge)			31	31
Total assets	216	9,337	6,021	15,574
Liabilities				
Financial assets at fair value through profit and loss				
- Derivatives		302		302
- Securities issued		19,148		19,148
- Subordinated loan capital		505		505
- Fixed-rate deposits		779		779
- Term deposit		0	56	56
Total liabilities	0	20,734	56	20,790

30.06.2016	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Derivatives		1,133	1	1,134
- Bonds and certificates		10,880		10,880
- Fixed-rate loans to customers		2,887	2,527	5,414
- Loans with interest-rate guarantees	352			352
Financial assets available for sale				
- Equity instruments	157		201	357
- Other financial assets (Visa Norge)			32	32
Total assets	508	14,900	2,760	18,168
Liabilities				
Financial assets at fair value through profit and loss				
- Derivatives		506		506
- Securities issued		17,468		17,468
- Subordinated loan capital		495		495
- Fixed-rate deposits from customers		324		324
- Term deposit		0	60	60
Total liabilities	0	18,794	60	18,854
31.12.2016				
Assets				
Financial assets at fair value through profit and loss				
- Derivatives		808	2	810
- Bonds and certificates		9,776		9,776
- Fixed-rate loans to customers			5,913	5,913
- Loans with interest-rate guarantees	356			356
Financial assets available for sale				
- Equity instruments	188		204	392
- Other financial assets (Visa Norge)			32	32
Total assets	544	10,585	6,151	17,280
Liabilities				
Financial assets at fair value through profit and loss				
- Derivatives		349		349
- Securities issued		18,203		18,203
- Subordinated loan capital		502		502
- Fixed-rate deposits from customers		646		646
- Term deposit			107	107
Total liabilities	0	19,700	107	19,807

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

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

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

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

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

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

	Fixed-rate loans to customers	Equity instruments	Derivatives	Term deposit	Other financial assets	Total
31.12.16-30.06.17						
Opening balance	5,913	204	2	-107	32	6,044
Investments in the period	371	9	0	-10	0	370
Sales / redemption in the period	-518	0	-3	61	0	-460
Gains / losses recognised through profit and loss	8	-9	1	0	0	0
Gains / losses recognised directly against comprehensive income	0	11	0	0	-1	10
Closing balance	5,774	215	0	-56	31	5,965
Gains / losses for the period included in the profit for assets owned on the balance sheet day	8	-9	0	0	0	-1

	Fixed-rate loans to customers (only B10A)	Equity instruments	Derivatives	Term deposit	Other financial assets	Total
31.12.15-30.06.16						
Opening balance	2,661	213	-3	-61	71	2,882
Investments in the period	98	0	0	0	0	97
Sales / redemption in the period	-232	-14	3	1	0	-243
Gains / losses recognised through profit and loss	0	0	1	0	0	1
Gains / losses recognised directly against comprehensive income	0	2	0	0	-40	-38
Closing balance	2,527	201	1	-60	32	2,700
Gains / losses for the period included in the profit for assets owned on the balance sheet day	0	0	1	0	0	1

	Fixed-rate loans to customers	Equity instruments	Derivatives	Term deposit	Other financial assets	Total
31.12.15-31.12.16						
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 from instruments classified as level 3 in it's entirety included in "Total net income from financial assets and liabilities".

Specification of fair value, instruments classified in level 3:

	Fixed-rate loans to customers	Equity instruments	Derivatives	Term deposit	Other financial assets	Total
30.06.2017						
Nominal value including accrued interest (fixed income instruments) / cost (shares)	5,714	161	0	-56	0	5,818
Fair value adjustment	60	55	0	0	31	145
Closing balance	5,774	215	0	-56	31	5,965
30.06.2016						
Nominal value including accrued interest (fixed income instruments) / cost (shares)	2,447	152	0	-60	0	2,539
Fair value adjustment	80	49	1	0	32	161
Balansført verdi	2,527	201	1	-60	32	2,700
31.12.2016						
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
Balansført verdi	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 the agreed rate with the customer. The loans are discounted by the current yield curve plus a discretionary market premium. An increase in the discount rate by ten basis points would have resulted in a negative change in fair value of MNOK 13.

Equity instruments in Level 3 consists of the significant shareholdings in Oslo Kongressenter Folkets Hus BA (MNOK 56), Eksportfinans ASA (MNOK 77) and SpareBank 1 Markets AS (NOK 40 million). The valuation of the two former is based on the book value of their equity adjusted for surplus and deficit values. Based on valuation from 2010 and later broker reviews, it is considered to be significant added value in the property mass of the Oslo Kongressenter Folkets Hus (P/B 4.9). Based on an external valuation in connection with a demerger in 2012 and subsequent results, the value of Eksportfinans is considered to be substantially smaller (P/B0.8). The value of the shareholding in SpareBank 1 Markets are based on valuation of the company in the accounts of majority shareholders as well as current issue price.

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

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

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

Note 11 Financial instruments and offsetting

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

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

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

The Group has as at 30.06.2017 two GMRA agreements. The assets and liabilities below may be offset.

Parent bank	Amounts not presented on the balance sheet on a net basis					
	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
30.06.17						
Derivatives as assets	612	0	612	-155	-177	280
Derivatives as liabilities	-302	0	-302	155	89	-58
30.06.16						
Derivatives as assets	485	0	485	-73	0	411
Derivatives as liabilities	-312	0	-312	73	128	-111
31.12.16						
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)		
30.06.17							
Derivatives as assets	612	0	612	-155	-177		280
Derivatives as liabilities	-302	0	-302	155	89		-58
30.06.16							
Derivatives as assets	1,134	0	1,134	-108	-300		727
Derivatives as liabilities	-506	0	-506	108	222		-176
Loans to and receivables from credit institutions	536	0	536	-536	0		0
31.12.16							
Derivatives as assets	810	0	810	-126	-201		483
Derivatives as liabilities	-349	0	-349	126	168		-54

Note 12 Other assets

Parent bank				Group		
31.12.16	30.06.16	30.06.17		30.06.17	30.06.16	31.12.16
103	103	238	Capital payments into pension fund	238	103	103
17	15	31	Accrued income, not yet received	32	31	31
26	8	85	Prepaid costs, not yet incurred	167	157	138
0	0	1,528	Unsettled trades	1,528	0	0
193	210	156	Other assets	414	695	424
338	336	2,038	Total other assets	2,379	985	695

Note 13 Deposits from and liabilities to customers

Parent bank				Group		
31.12.16	30.06.16	30.06.17		30.06.17	31.03.16	31.12.16
21,998	22,061	38,309	Private customers	38,309	35,692	38,443
4,256	4,940	5,211	Public sector	5,211	5,448	4,699
941	982	1,054	Primary industries	1,054	993	950
103	92	4	Paper and pulp industries	4	97	107
670	532	779	Other industry	779	609	782
884	700	1,267	Building and construction	1,267	848	1,092
259	236	172	Power and water supply	172	237	262
782	701	1,183	Wholesale and retail trade	1,183	1,309	1,417
120	121	264	Hotel and restaurants	264	281	247
1,920	1,885	4,408	Real estate	4,408	4,343	3,794
4,006	4,238	12,276	Commercial services	12,251	11,618	10,071
305	263	609	Transport and communications	609	379	422
14	3	1,143	Other operations	1,143	783	784
36,259	36,754	66,678	Total deposits by sector and industry	66,653	62,637	63,070

Note 14 Securities-related debt

Parent bank

	30.06.17	Issued	Due/redeemed	Other Changes	31.12.16
Change in liabilities from issuance of securities					
Certificate-based debt, nominal value	0	0	0	0	0
Bond debt, nominal value	22,743	3,887	-1,400	8,162	12,093
Subordinated loan capital, nominal value	1,200	0	0	700	500
Accrued interest	196	0	0	73	123
Adjustments	365	0	0	176	189
Total debt raised through issuance of securities and subordinated loan capital, fair value	24,503	3,887	-1,400	9,111	12,906

	30.06.16	Issued	Due/redeemed	Changes	31.12.15
Change in liabilities from issuance of securities					
Certificate-based debt, nominal value	0	0	-500	0	500
Bond debt, nominal value	11,462	1,300	-1,000	348	10,814
Subordinated loan capital, nominal value	500	0	0	0	500
Accrued interest	101	0	0	-34	136
Adjustments	258	0	0	135	123
Total debt raised through issuance of securities and subordinated loan capital, fair value	12,321	1,300	-1,500	449	12,073

	31.12.16	Issued	Due/redeemed	Changes	31.12.15
Change in liabilities from issuance of securities					
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

Change in liabilities from issuance of securities (Incl. B1OA)	30.06.17	Issued	Due/redeemed	Changes	31.12.16
Certificate-based debt, nominal value	0	0	0	0	0
Bond debt, nominal value	22,743	3,887	-2,000	-343	21,199
Subordinated loan capital, nominal value	1,200	0	0	0	1,200
Accrued interest	196	0	0	-25	221
Adjustments	365	0	0	-155	520
Total debt raised through issuance of securities and subordinated loan capital, fair value	24,503	3,887	-2,000	-523	23,140

Change in liabilities from issuance of securities (Excl. B1OA)	30.06.16	Issued	Due/redeemed	Changes	31.12.15
Certificate-based debt, nominal value	0	0	-500	0	500
Bond debt, nominal value	21,241	2,170	-1,931	348	20,654
Subordinated loan capital, nominal value	1,200	0	0	0	1,200
Accrued interest	208	0	0	-21	230
Adjustments	738	0	0	152	586
Total debt raised through issuance of securities and subordinated loan capital, fair value	23,387	2,170	-2,431	479	23,170

Change in liabilities from issuance of securities (Incl. B1OA)	31.12.16	Issued	Due/redeemed	Changes	31.12.15
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

Note 15 Other debt and liabilities

Parent bank			Group		
31.12.16	30.06.16	30.06.17	30.06.17	30.06.16	31.12.16
52	23	82	118	103	150
10	14	10	10	14	10
40	308	60	63	429	119
30	27	52	59	32	38
0	0	330	330	0	0
89	157	317	401	460	240
222	529	851	981	1,039	557
Total other debt and liabilities recognised in the balance sheet					

Note 16 Adjusted profit and loss group

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

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

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

Note 17 Events occurring after the balance sheet date

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

Equit capital certificates

	With interim results 30.06.2017 ¹⁾	31.12.16
Equity capital certificates	5.359	5.310
Dividend equalisation fund	1.707	974
Premium fund	547	520
A. Equity capital certificate owners' capital	7.613	6.804
Primary capital	3.407	3.312
Other paid-up equity	172	0
B. Total primary capital	3.579	3.312
Fund for unrealised gains	238	134
Dividends	0	148
Provision for gifts	27	33
Total other equity	265	314
Other equity		
Hybrid capital	400	0
Interest cost for hybrid capital	-22	0
Total equity	11.835	10.430
Total equity for distribution:		
Equity capital certificate ratio (A/(A+B)) after distribution	68,0 %	67,3 %
Equity certificates issued	107.179.987	106.202.540

1) According to § 10-1 of the Financial Business Act, the auditor-certified interim report can be calculated for the calculation of book value per equity certificate.

20 largest owners of equity certificates:	No. Of EC's	Share in %
Sparebanken Hedmark Sparebankstiftelse	58,018,424	54.13 %
Landsorganisasjonen i Norge	10,350,766	9.66 %
Tredje AP-fondene	4,023,749	3.75 %
Fellesforbundet	1,950,901	1.82 %
Danske invest Norske Instit.II	1,595,733	1.49 %
Odin Norge	1,333,333	1.24 %
Norsk nærings og nytelsesmiddelarbeiderforbund	1,219,526	1.14 %
SEB Nordenfondene	1,058,000	0.99 %
State street Bank and Trust Comp	1,056,902	0.99 %
Fidelity Pur Trust: Fidelity series	1,000,000	0.93 %
SpareBank 1 Østfold Akershus	839,930	0.78 %
Sparebanken Vestfold	839,930	0.78 %
Danske invest norske aksjer inst	805,800	0.75 %
DnB Nor Markets, aksjehandel/analyse	731,600	0.68 %
SpareBank 1 Markets AS Emisjonskonto innland	636,469	0.59 %
Gjensidige forsikring	583,333	0.54 %
Vpf Eika egenkapitalbevis	563,102	0.53 %
Skandinaviska enskilda banken S.A	509,849	0.48 %
Landkreditt utbytte	500,000	0.47 %
State street Bank and Trust Comp	489,079	0.46 %

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 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.

Results from the Quarterly Accounts

	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
<i>(Isolated figures in NOK million)</i>	2017	2017	2016	2016	2016	2016	2015	2015	2015
Interest income	823	787	786	765	472	472	481	497	492
Interest expense	331	322	333	323	172	176	192	218	221
Net interest income	491	464	452	442	300	297	289	280	271
Commission income	297	277	275	295	137	123	129	132	130
Commission expenses	26	22	23	23	13	13	14	14	12
Other operating income	45	53	43	37	51	50	44	37	48
Net commission and other income	316	308	295	310	175	160	159	155	166
Dividends from other than group companies	2	9	0	1	45	0	0	0	1
Net profit from ownership interests	30	6	49	21	96	70	70	66	76
Net profit from other financial assets and liabilities	2	-14	17	30	-47	-63	33	142	5
Net income from financial assets and liabilities	34	0	66	53	94	7	103	208	82
Total net income	841	773	813	804	569	464	551	643	519
Personnel expenses	237	232	253	27	145	148	155	145	143
Depreciation	21	21	22	19	12	11	13	11	11
Other operating costs	221	184	201	168	102	94	126	92	97
Total operating costs	478	437	477	214	259	253	294	248	251
Operating profit before loans and guarantees	363	335	337	590	310	211	260	395	268
Losses on loans and guarantees	5	-26	43	3	20	9	18	-2	35
Profit/loss before tax	358	361	294	587	289	202	242	397	233
Tax expense	84	88	14	163	62	33	48	89	43
Profit after tax	274	274	281	424	227	169	194	307	190
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	2017	2017	2016	2016	2016	2016	2015	2015	2015
Profitability									
Return on equity capital ¹⁾	9.0 %	9.3 %	9.4 %	15.0 %	9.0 %	7.7 %	8.9 %	14.7 %	9.5 %
Net interest income ²⁾	1.88 %	1.85 %	1.79 %	1.75 %	1.53 %	2.09 %	2.08 %	2.06 %	2.08 %
Cost-income-ratio ³⁾	56.8 %	56.6 %	58.6 %	26.6 %	45.6 %	54.5 %	52.9 %	38.6 %	48.4 %
From the balance sheet									
Gross loans to customers	87,528	84,901	82,945	81,336	79,286	44,308	43,779	42,793	42,091
Gross loans to customers including loans transferred to covered bond companies ⁴⁾	124,393	121,701	119,450	117,625	115,224	62,156	61,140	59,437	57,995
Growth in loans during the last 12 months	10.4 %	91.6 %	89.5 %	90.1 %	88.4 %	9.4 %	9.6 %	9.1 %	10.0 %
Growth in loans including loans transferred to covered bond companies in the last 12 months	8.0 %	95.8 %	95.4 %	99.9 %	98.7 %	9.8 %	9.3 %	8.4 %	7.6 %
Deposits from customers	66,653	62,782	63,070	62,107	62,637	33,675	33,458	33,052	33,205
Deposit-to-loan-ratio ⁵⁾	76.2 %	73.9 %	76.0 %	76.4 %	79.0 %	76.0 %	76.4 %	77.2 %	78.9 %
Growth in deposits in the last 12 months	6.4 %	86.4 %	88.5 %	87.9 %	88.6 %	8.4 %	7.7 %	4.7 %	3.6 %
Average total assets	104,757	101,749	100,679	100,301	79,019	56,577	55,236	54,030	52,330
Total assets	107,652	101,861	101,640	99,720	100,883	57,185	55,970	54,501	53,558
Business capital ⁶⁾	144,517	138,661	138,145	136,009	136,821	75,033	73,331	71,145	69,462
Losses and commitments in default									
Losses on loans as a percentage of gross loans	0.0 %	-0.1 %	0.2 %	0.0 %	0.1 %	0.1 %	0.2 %	0.0 %	0.3 %
Commitments in default, percentage of gross loans	0.3 %	0.3 %	0.3 %	0.4 %	0.4 %	0.6 %	0.5 %	0.8 %	0.9 %
Other bad and doubtful commitments, percentage of gross loans	0.3 %	0.3 %	0.3 %	0.3 %	0.3 %	0.5 %	0.6 %	0.5 %	0.5 %
Net commitments in default and other bad and doubtful commitments, percentage of gross loans ⁷⁾	0.4 %	0.4 %	0.4 %	0.5 %	0.5 %	0.7 %	0.8 %	1.0 %	1.0 %
Financial strenght									
Common equity Tier 1 capital ratio	16.7 %	16.7 %	16.9 %	17.5 %	16.0 %	16.9 %	17.2 %	17.1 %	17.0 %
Tier 1 capital ratio	17.6 %	17.6 %	17.9 %	18.3 %	16.7 %	17.3 %	17.5 %	17.5 %	17.4 %
Capital ratio	19.9 %	19.3 %	20.3 %	20.2 %	18.6 %	18.8 %	19.1 %	18.8 %	19.0 %
Net subordinated capital	13,440	12,649	12,656	9,608	9,305	7,229	7,178	7,030	6,924

1) Quarterly profit after tax as a percentage of average equity for the period.

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

3) Total operating costs as a percentage of total operating income (isolated for the quarter).

4) Covered bond companies used are SpareBank 1 Boligkreditt AS og SpareBank 1 Næringskreditt AS.

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

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

7) Net commitments in default and other bad and doubtful commitments less individual write-downs

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 30 June 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, § 5-6.

The Board of Directors of Sparebank 1 Østlandet
Hamar, 8. August 2017

Siri J. Strømmevold
Board Chair

Nina C. Lier

Erik Garaas

Espen Bjørklund Larsen

Guro Nina Vestvik

Vibeke Hanvold Larsen

Hans-Christian Gabrielsen

Morten Herud

Richard Heiberg
CEO

Financial Calendar 2017

4. quarter 2016	Thursday 2. February
Annual report 2016	Friday 31. March
1. quarter 2017	Thursday 4. May
2. quarter 2017	Tuesday 8. August
3. quarter 2017	Friday 27. October

We reserve the right to change any dates of publication.

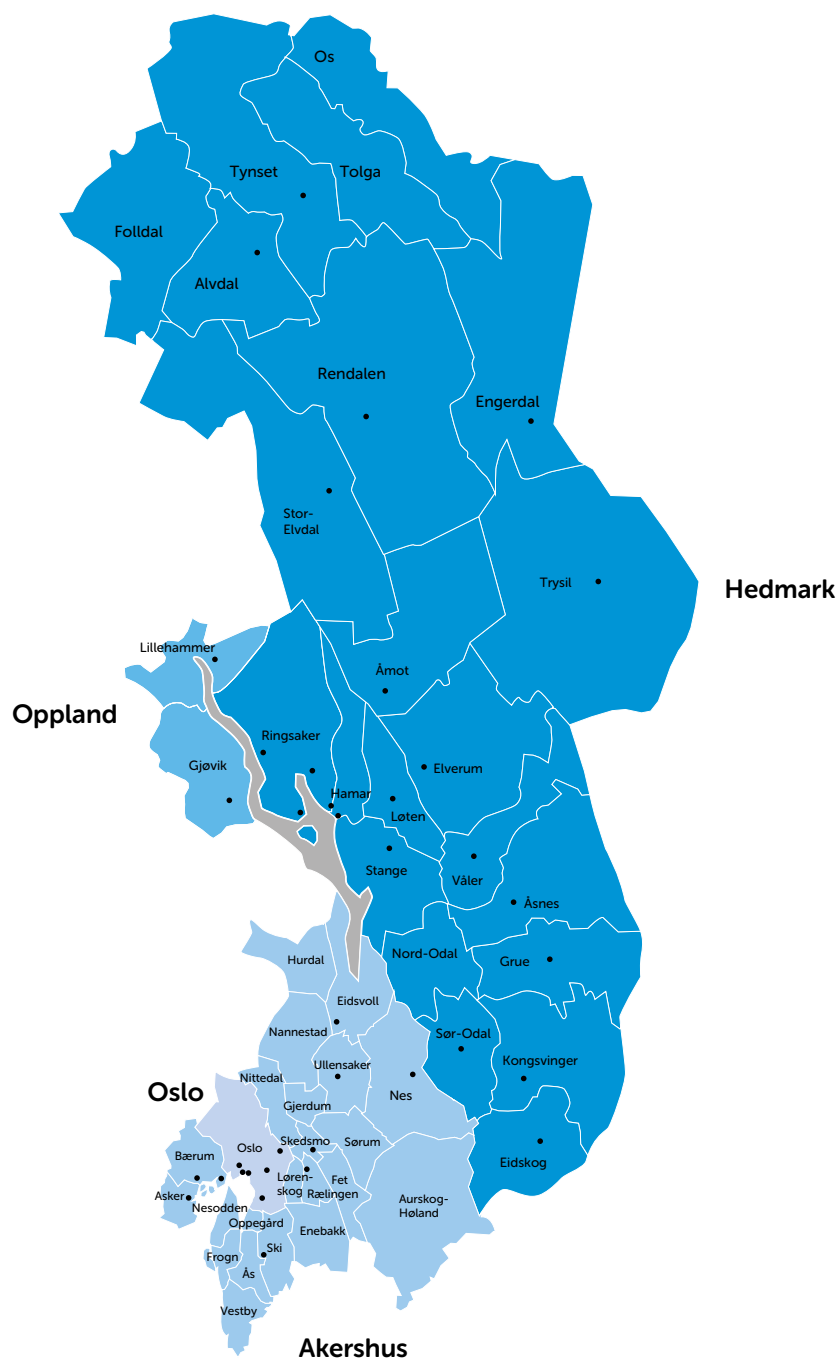
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