Company presentation

Second quarter 2018

8 August 2018

- Norway's fastest growing region is our home market

Summary

Solid performance in all business areas

Introduction

- A high activity levels in all business areas
- Strong regional growth
- High income and lending growth
- Reduction in operating costs en route to meeting target
- The restructurings of EiendomsMegler 1 OA and SpareBank 1 Regnskapshuset Østlandet show effects
- Low and stable loan losses
- High solidity according to capital target

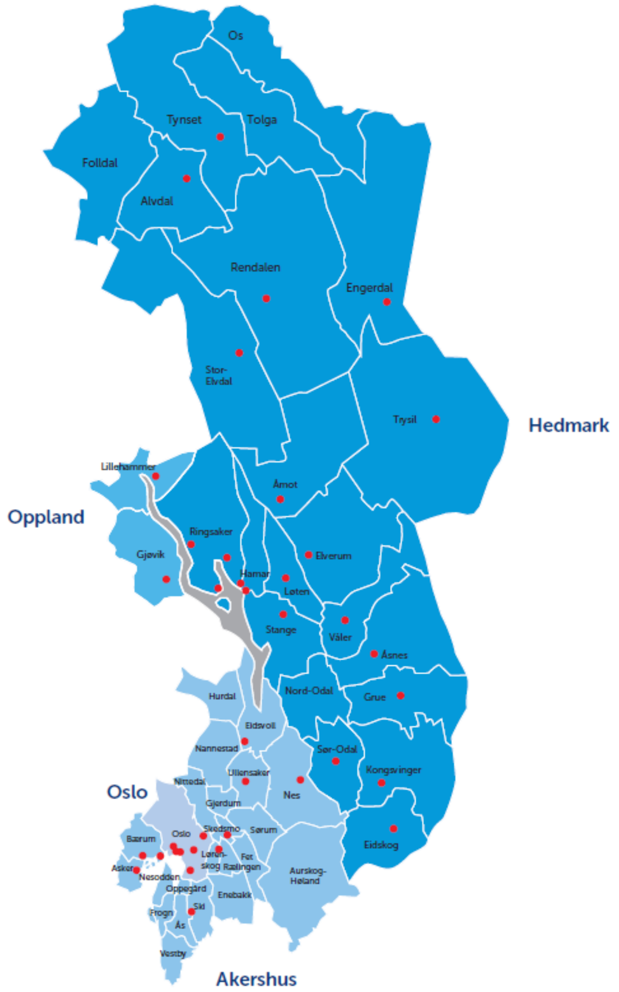
The financial targets are met in 1H-2018

Financial targets 2018 and performance as of 1Q-2018

Profitability	Return on equity at least 10 %	11.4 %
Dividends	50 % pay-out ratio after tax*	50 %
Solidity	CET 1 at 16 %	16.1 %
Costs	5 % cost reduction**	-3.1 %

* Profit after tax before minority interests

** Nominal costs pro-forma parent bank compared with 2017 (accumulated)



The bank and the market area

SpareBank 1 Østlandet at a glance

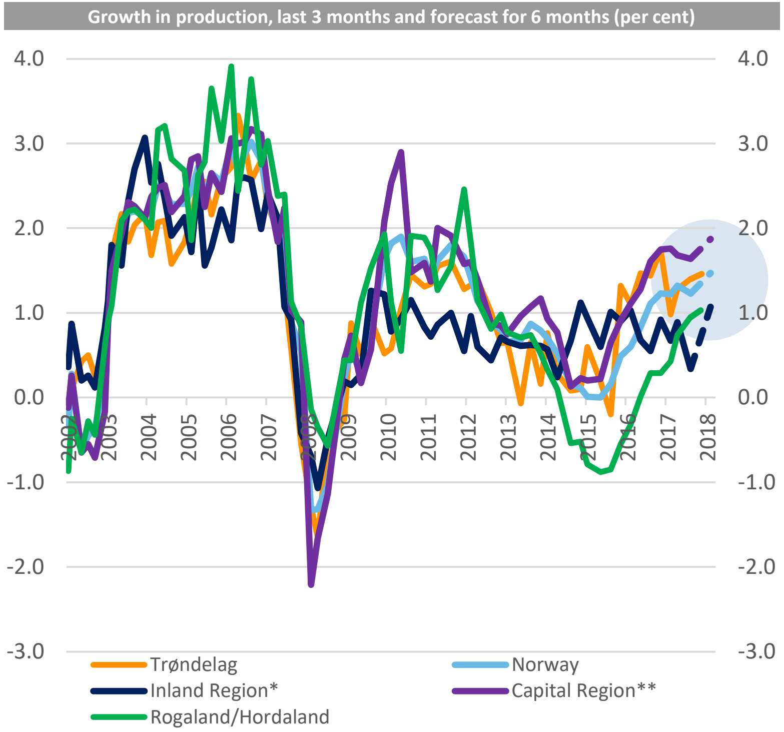
Norway's fourth largest savings bank with a broad and diversified customer base

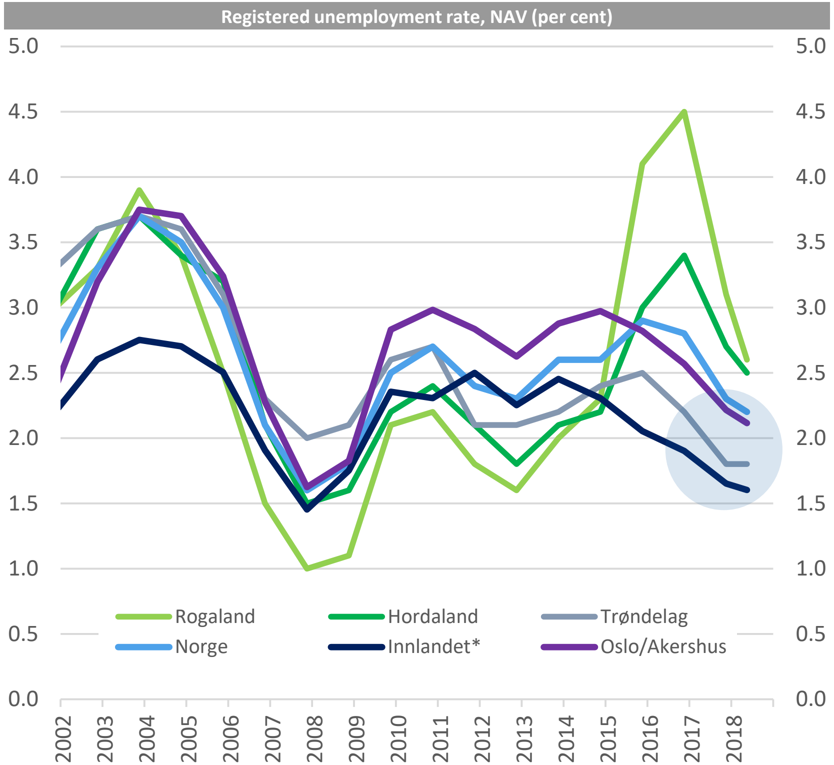
- History from 1845 – known as Sparebanken Hedmark ("SBHE") until 1 April 2017.
- Norway's fourth largest savings bank * with total adjusted assets (incl. covered bonds) of NOK 159 billion.
- Operations in Hedmark, Oppland, Oslo and Akershus – a market with more than 1.7 million inhabitants.
- Head office in Hamar, 38 branches and 1,137 FTEs.
- Approximately 327,000 customers with a retail lending share of 74 %.
- Diversified product offerings – traditional banking, leasing, accounting and real estate brokerage services.
- Part of the SpareBank 1 Alliance and owns 12.4 % of SpareBank 1 Gruppen AS.

Sources: Annual/interim reports, SpareBank 1 Gruppen || Comments (*): Total assets on own balance sheet, plus mortgages transferred to SB1 Boligkreditt and SB1 Næringskreditt

High economic activity in our market area (1)

Increasing productivity and falling, low unemployment



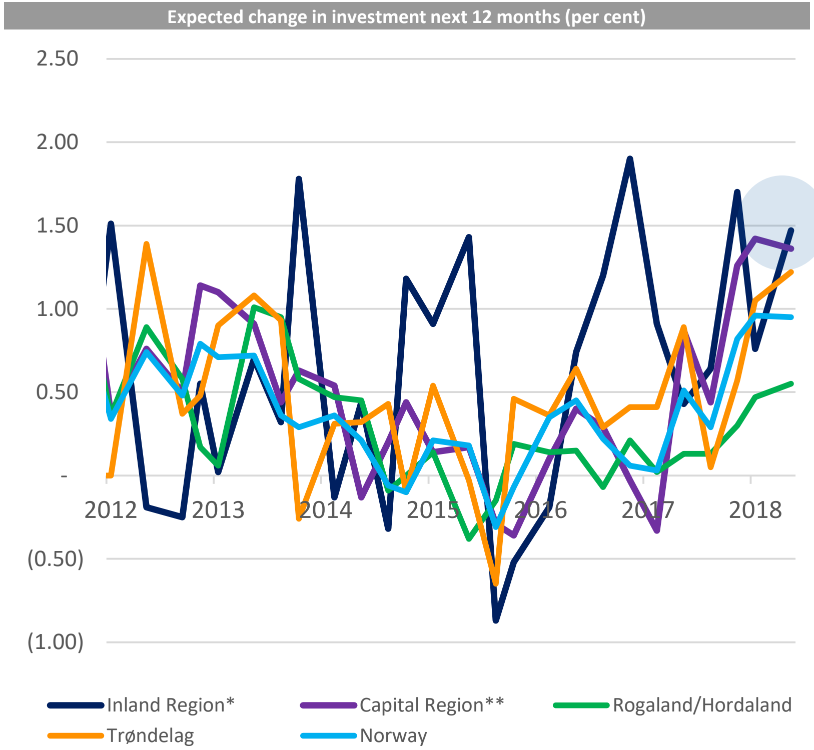


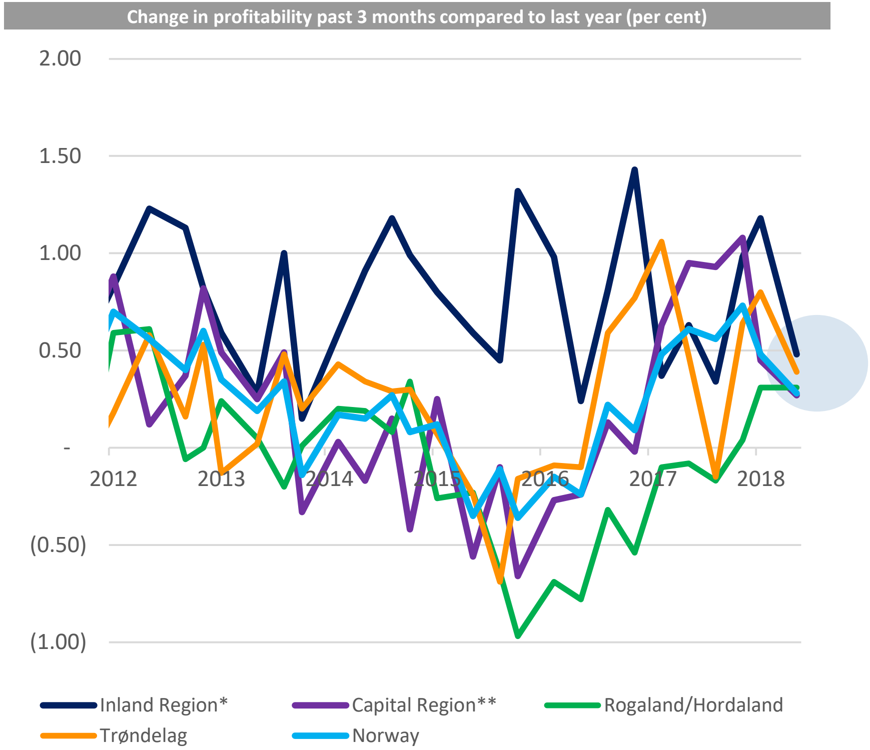
Source 1: Norges Bank Regional Network 02/18 | *) Includes Hedmark and Oppland | * *) Includes Oslo, Akershus, Østfold and Buskerud
Source 2: Statistics Norway, NAV, Thompson Reuters Datastream

SpareBank 1 ØSTLANDET

High economic activity in our market area (2)

Investment trending up with stable profitability





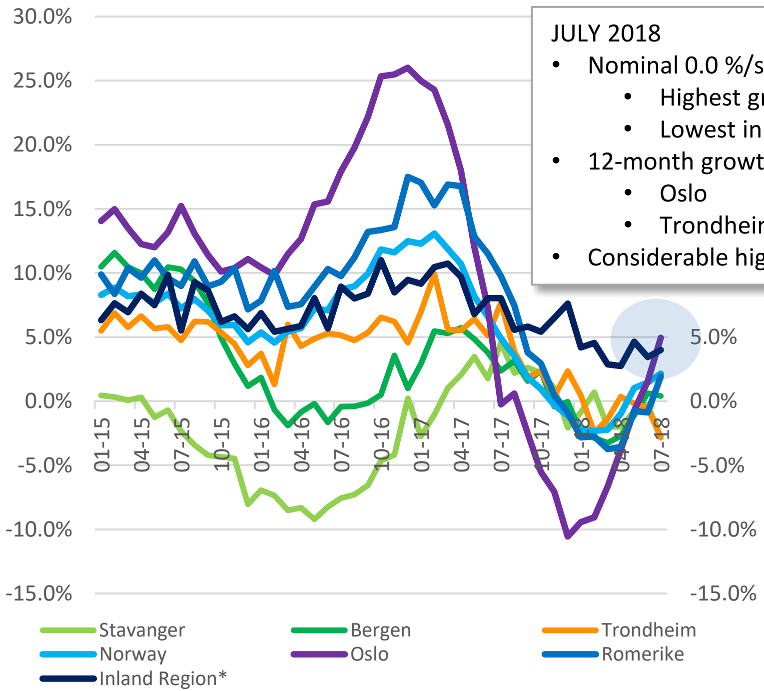
Source 1: Norges Bank Regional Network 02/18 | *) Includes Hedmark and Oppland | * *) Includes Oslo, Akershus, Østfold and Buskerud
Source 2: Statistics Norway, NAV, Thompson Reuters Datastream

SpareBank 1 ØSTLANDET

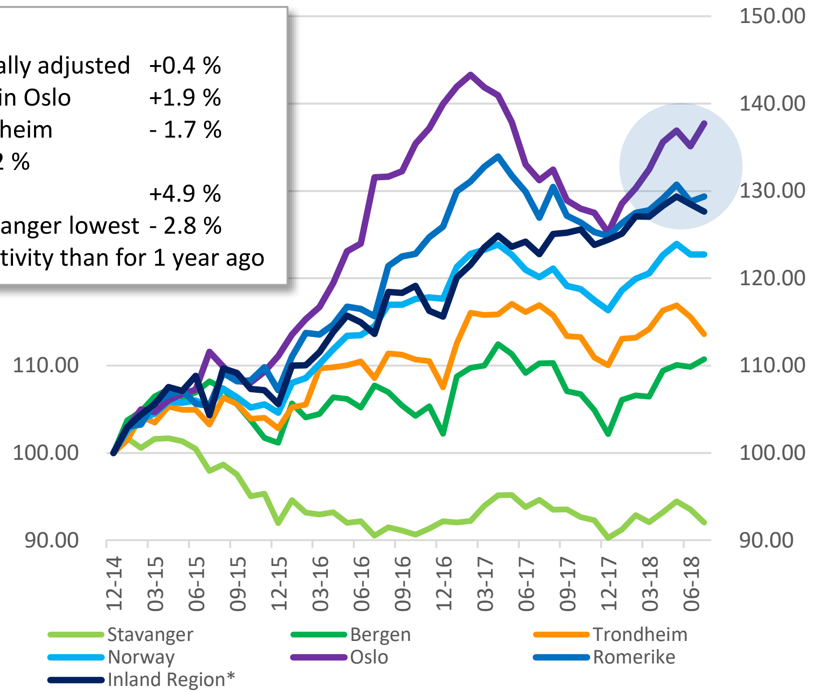
Moderate housing price growth and high construction activity

House price developments for relevant areas compared with Norway

Housing prices by area, 12-month growth (per cent)



House prices, indexed**



JULY 2018

- Nominal 0.0 %/seasonally adjusted +0.4 %
  - Highest growth in Oslo +1.9 %
  - Lowest in Trondheim - 1.7 %
- 12-month growth: +2.2 %
  - Oslo +4.9 %
  - Trondheim/Stavanger lowest - 2.8 %
- Considerable higher activity than for 1 year ago

Source: Eiendom Norge Housing Prices July 2018 | *) Includes: Oppland and Hedmark | **)Index 31 December 2014 = 100

SpareBank 1 ØSTLANDET

Øvre Romerike – national champion in job creation

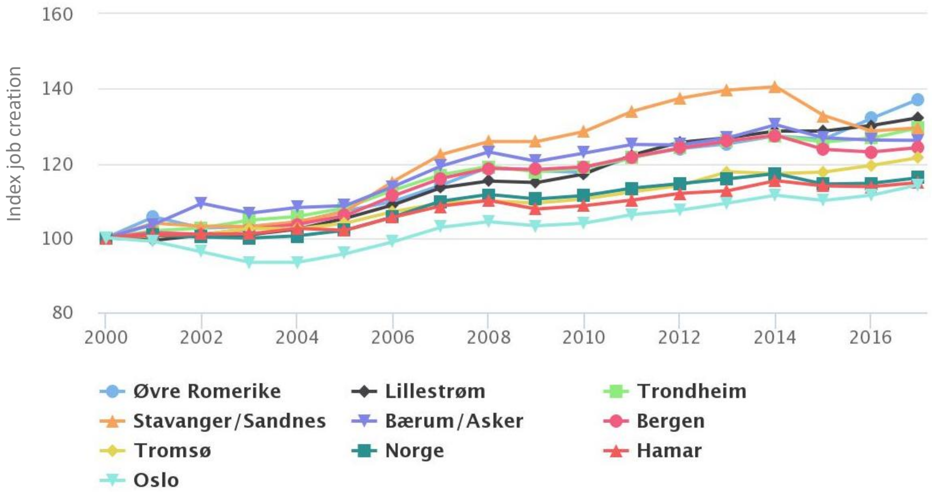
Job creation in the region

- Øvre Romerike has for a long time been the national champion in population growth.

- The region is now also the national champion in job creation.

- From 2015-2017 businesses in Øvre Romerike created 3,519 new jobs.
  - A growth of 8.5 per cent.
  - Compared with a 0.3 per cent growth in Norway.

www.konjunkturbarometer1.no



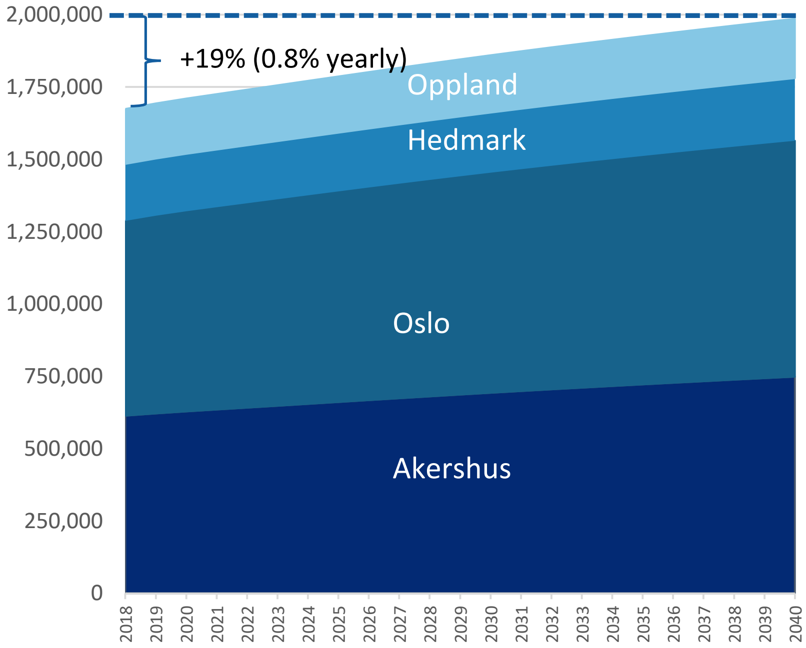
*Source: SSB/Statistics Norway – Percentage change in development of employees per region from 2000-2017 (Index 2000=100)

SpareBank 1 ØSTLANDET

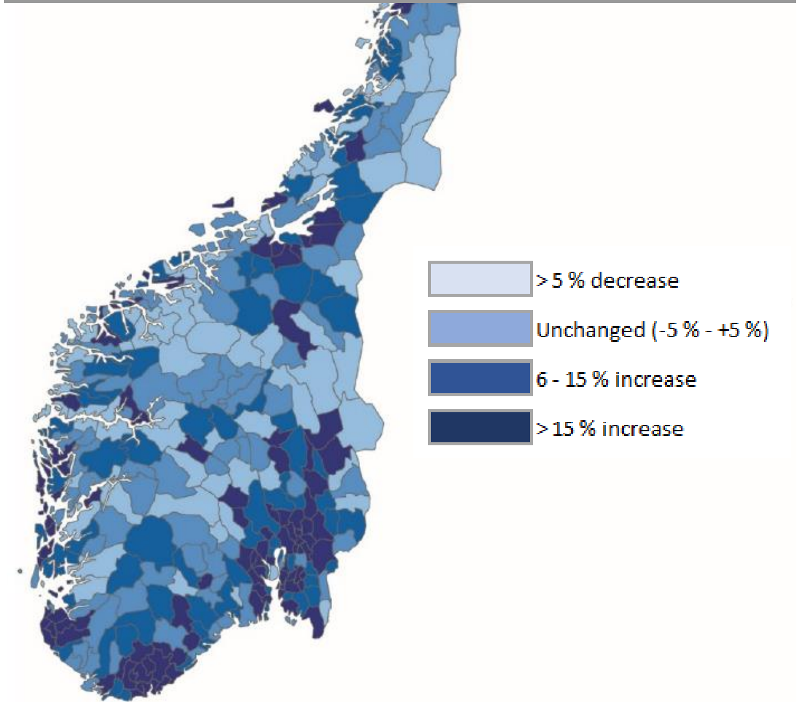
A market area with long term growth potential

Considerable population growth in the Greater Capital Area

Population projection 2018-2040



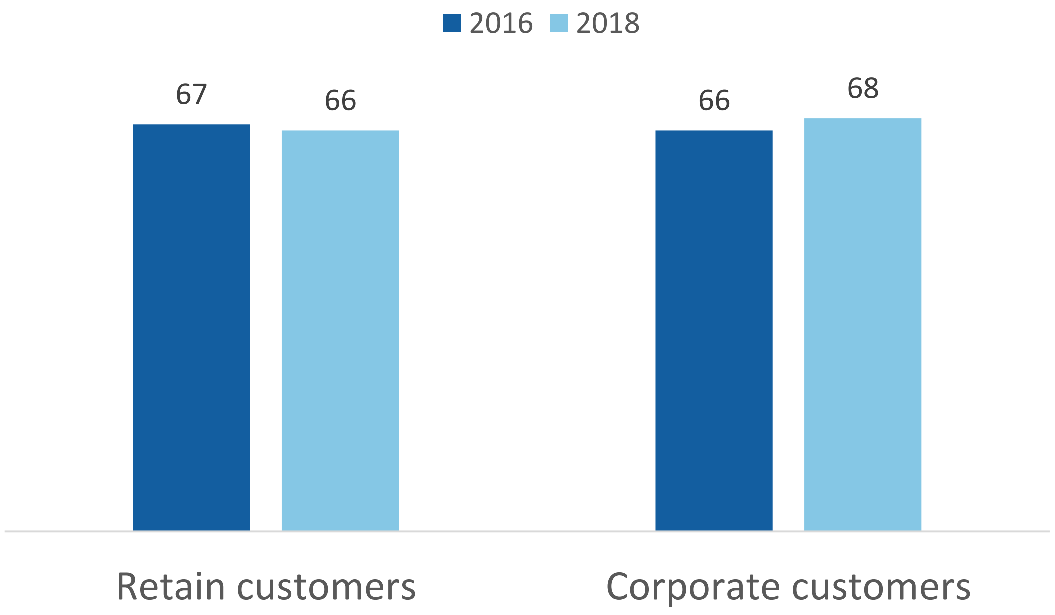
Population projection, municipalities 2018-2040



Source: Statistics Norway: "Befolkningsframskrivingens hovedalternativ 2018-2040"/Kartverket

Strong customer relations are maintained throughout the merger

Customer relations survey 2018 (index)

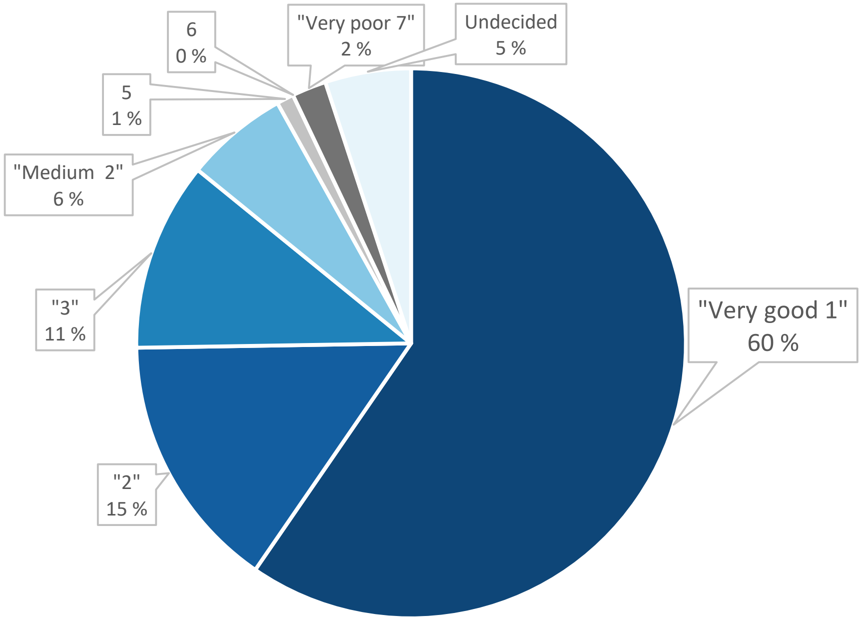


- Throughout a demanding merger process focus has been kept on serving customers according to their needs.
- According to an updated survey the customers rate the bank just as highly as before the merger.
- The Bank's customer relations are still among the best in the country according to the survey.

Source: «Customer relations survey 2018», Kantar TNS. | Index, an average of customer satisfaction and customer preference.

The customer dividend has been well received

Survey on the customer dividend 2018 (score from «1 – very good» to «7 – very poor», per cent share



- The Bank paid 204 MNOK in customer dividend in April, as the first bank in Norway.
- The dividend corresponded to approximately 20 basis points of the mortgage and deposit rates.
- A subsequent customer survey showed that:
  - 22 % of the population in our market area know of the customer dividend.
  - 93 % of the Bank's customers know of the customer dividend.
  - 86 % of the customers are satisfied with the customer dividend.
  - **53 % of the customers specify that the customer dividend is as important as the interest rates if they were to consider switching banks in the future.**

Source: «Survey on customer dividend», May 2018. Kantar TNS.

SpareBank 1 ØSTLANDET

Financial accounts 2Q-2018

Financial results for the second quarter of 2018

(Last year's figures in brackets)

Higher profitability	Pre-tax profit in Q2-18 isolated at NOK 416 million (NOK 274 million). Pre-tax profit in 1H-18 at NOK 730 million (NOK 548 million).
Good return on equity	ROE in Q2-18 at 12.9 % (9.0 %). ROE in 1H-18 at 11.4 % (9.1 %).
Solid capitalization	CET 1 ratio at 16.1 % (16.7 %). Leverage ratio at 7.3 % (7.5 %).
High lending growth	Lending growth of 8.9 % (8.0 %) last 12 months. Lending growth in Q2-18 of 2.3 %.
Stable deposit growth	Deposit growth of 6.0 % (6.4 %) last 12 months.
Low losses on loans	Impairment losses on loans NOK 7 million in Q2-18. Impairment losses on loans NOK 12 million in 1H-18.

SpareBank 1 ØSTLANDET

Income statement 1H-2018

Group

	1H 2018	1H-2017	2017
Net interest income	1,006	956	1,956
Net commission income	564	526	1,095
Other income	93	98	168
Total operating expenses	918	915	1,898
Result bank operation before losses	**745**	**665**	**1,321**
Impairment losses on loans and guarantees	12	-21	-20
Result bank operation after losses	**733**	**686**	**1,341**
Dividends	13	11	11
Net profit from ownership interest	84	36	194
Net income from financial assets/liabilities	98	-13	72
Profit/loss before tax	**928**	**719**	**1,618**
Tax charge	198	171	356
Profit/loss after tax	**730**	**548**	**1,263**
Return on equity	11.4 %	9.1 %	10.2 %
Total operating costs in relation to total income	49.4 %	56.7 %	54.3 %
Impairment losses as percentage of gross loans	0.0 %	0.0 %	0.0 %

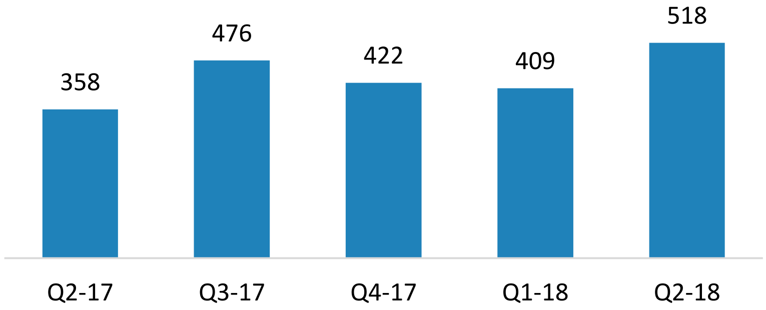
Special items 2Q-2018

Description and effects

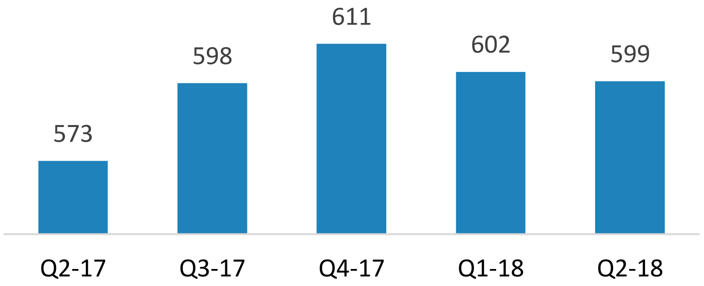
Vipps	• The merger of BankAxept, BankID and Vipps led to a write-up of book values. • Net gain of NOK 59 million.
Torggata 22 AS	• The bank sold 50 % of the shares in Torggata 22 AS in Hamar. • Net gain of NOK 9 million.
SB1 Regnskapshuset Østlandet AS	• Restructuring of the company with the merger with TheVIT. • Loss of NOK 4 million.
EiendomsMegler 1	• The real estate brokers terminated a development agreement linked to a new core system. • Loss of NOK 5 million.

Key financials – quarterly
(1)

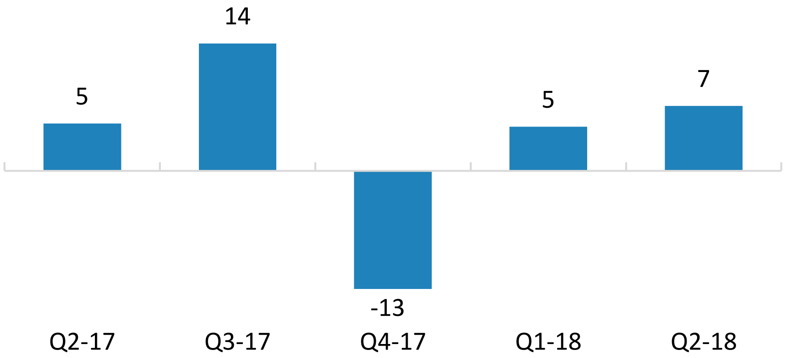
Pre-tax profit (NOK million)



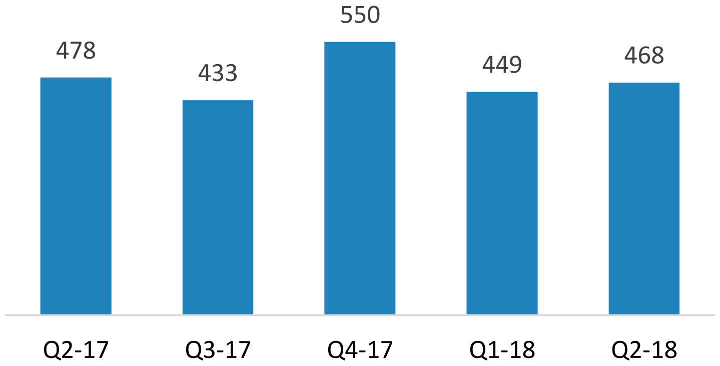
Net interest income and commision fees from covered bond companies (NOK million)



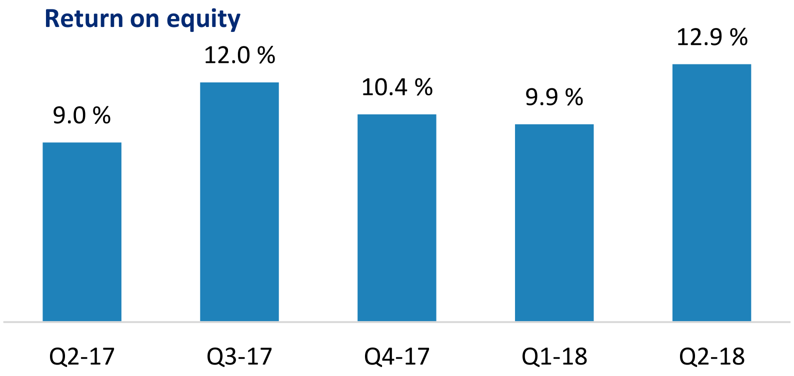
Impairments on loans and guarantees (NOK million)

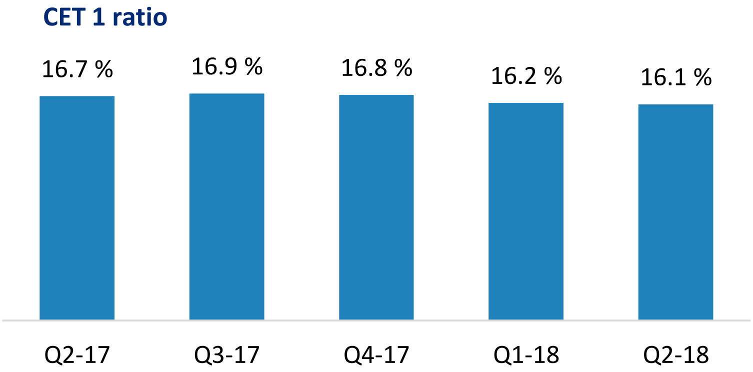


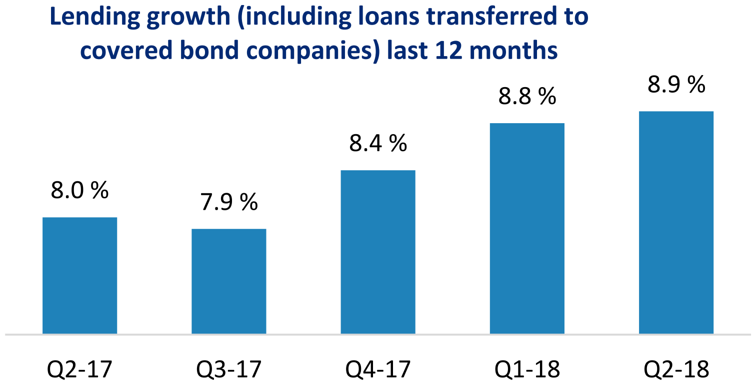
Total operating costs (NOK million)

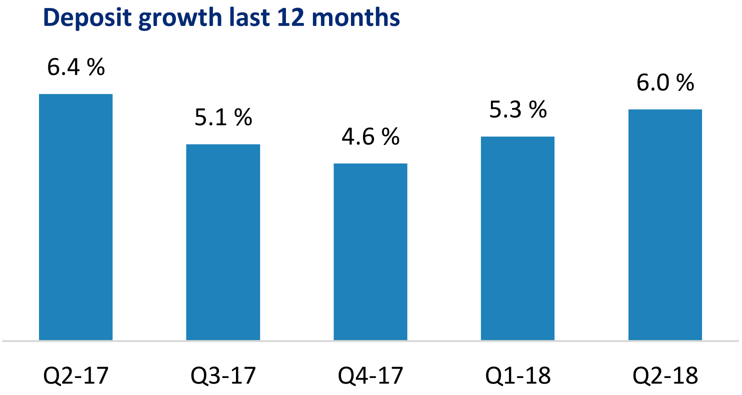


Key financials – quarterly
(2)









SpareBank 1 ØSTLANDET

Profit contributions from subsidiaries

1H-2018 (1H-2017)

SpareBank 1 Finans Østlandet
- Profit before tax NOK 96.9 million (NOK 87.8 million).
- Good growth and increasing profitability.
- Increased focus on innovation and business development.

EiendomsMegler 1 Hedmark
- Profit before tax NOK 9.9 million (NOK 12.9 million).
- Solid market position, expanded project and CRE brokerage increase market share.
- High activity level, but increased cost from termination of IT contract and new recruitment.

EiendomsMegler 1 Oslo Akershus
- Profit before tax NOK 4.7 million (NOK 3.8 million).
- Restructuring completed, higher activity and cross-selling.
- Accounting effects from termination of an IT contract and new recruitment.

SpareBank 1 Østlandet VIT AS (SpareBank 1 Regnskapshuset AS og TheVIT AS)
- Profit before tax NOK -2.5 million (NOK 3.2 million*).
- The merged company is well positioned with value adding offerings.
- Strengthened presence in Greater Oslo and continued digitalisation of key processes.

* Last year's figures is SpareBank 1 Regnskapshuset Østlandet AS

Contribution from joint ventures

1H-2018 (1H-2017)

SpareBank 1 Gruppen
- Profit before tax NOK 773 million (NOK 904 million)
- Ownership 12.4 %

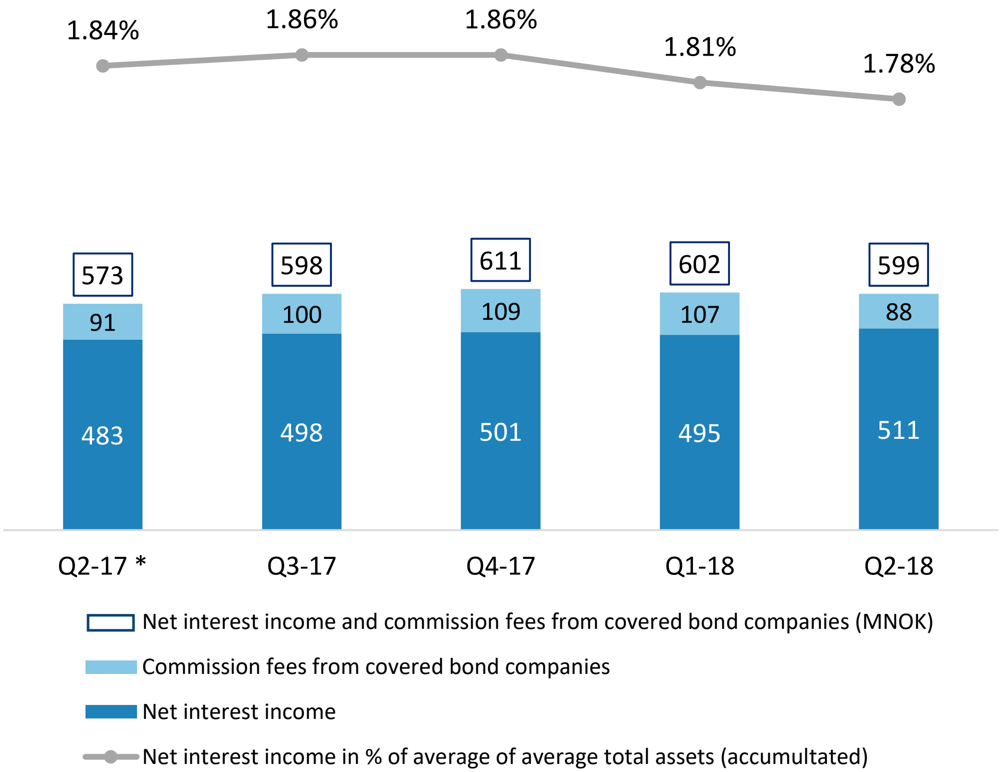
SpareBank 1 Boligkreditt AS
- Profit before tax NOK -6.9 million (NOK -259.9 million)
- Ownership 21.1 %

SpareBank 1 Næringskreditt
- Profit before tax NOK 35.6 million (NOK 47.9 million)
- Ownership 12.4 %

SpareBank 1 Kredittkort
- Profit before tax NOK 86.5 million (NOK 45.9 million)
- Ownership 20.5 %

Net interest income

Net interest income incl. commissions from covered bond companies

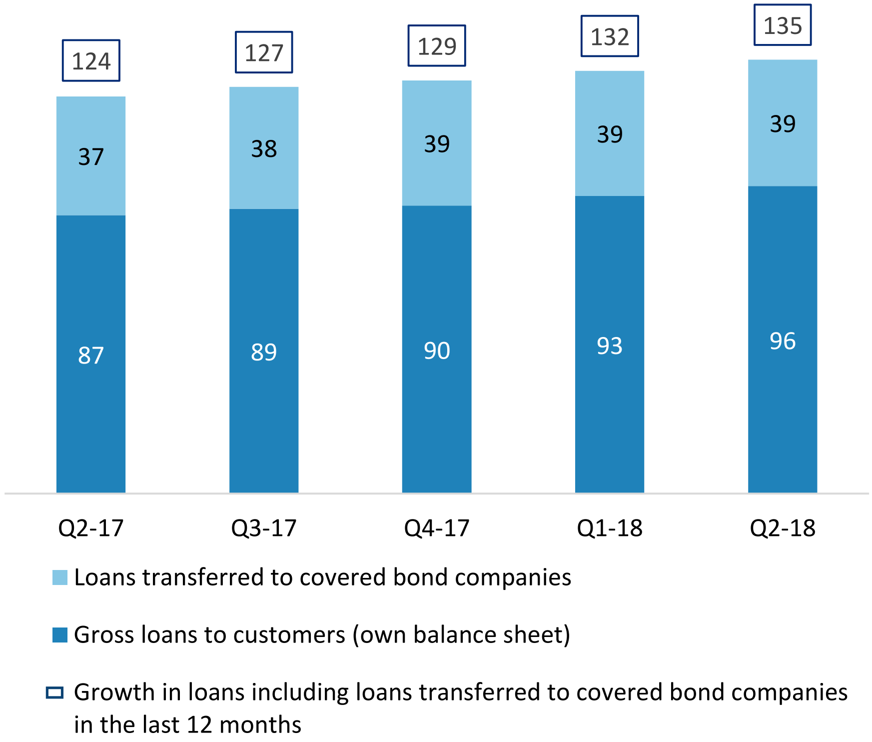


- Higher NII last quarter due to strong lending growth
- Reduction in NII in per cent of average assets mainly due to increased Nibor
- Reduction in commission fees from the covered bond companies due to increased funding cost

* The statement deviates from previously reported figures by NOK 9 million due to repostings to show comparable figures, this is corrected against international payments

Continued strong lending growth

Lending volume (Group, NOK billion)

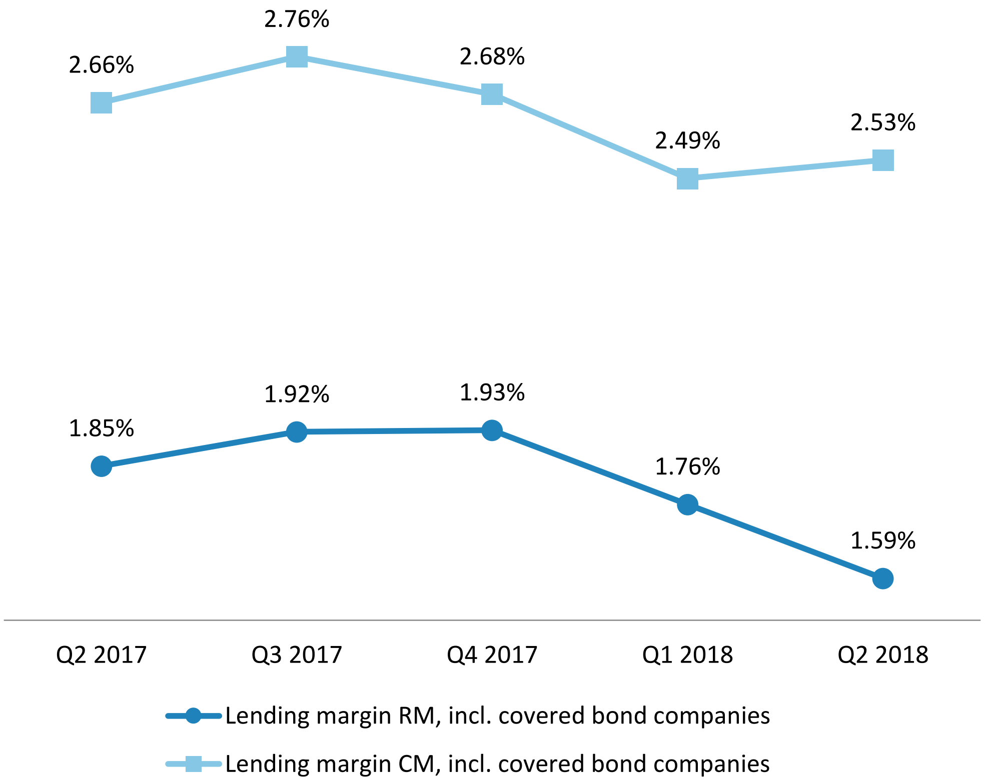


- Total lending in the Group, including loans transferred to covered bond companies, increased by NOK 3.5 billion during the quarter.
- This is equivalent to a 2.7 % growth during the quarter.
- Lending growth in the Group the last 12 months was 8.9 % (8.0 %)
  - Retail lending increased 9.3 %
  - Corporate lending increased 7.9 %

SpareBank 1 ØSTLANDET

Lending margins

Retail and corporate markets (parent bank)

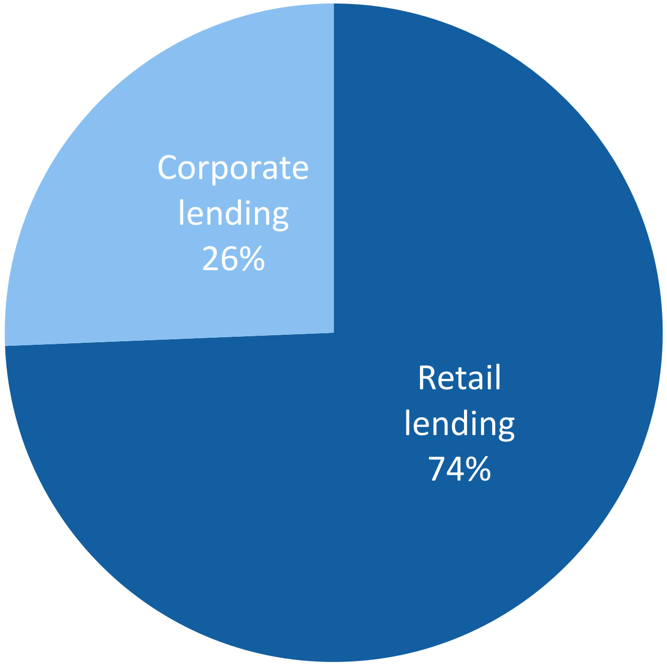


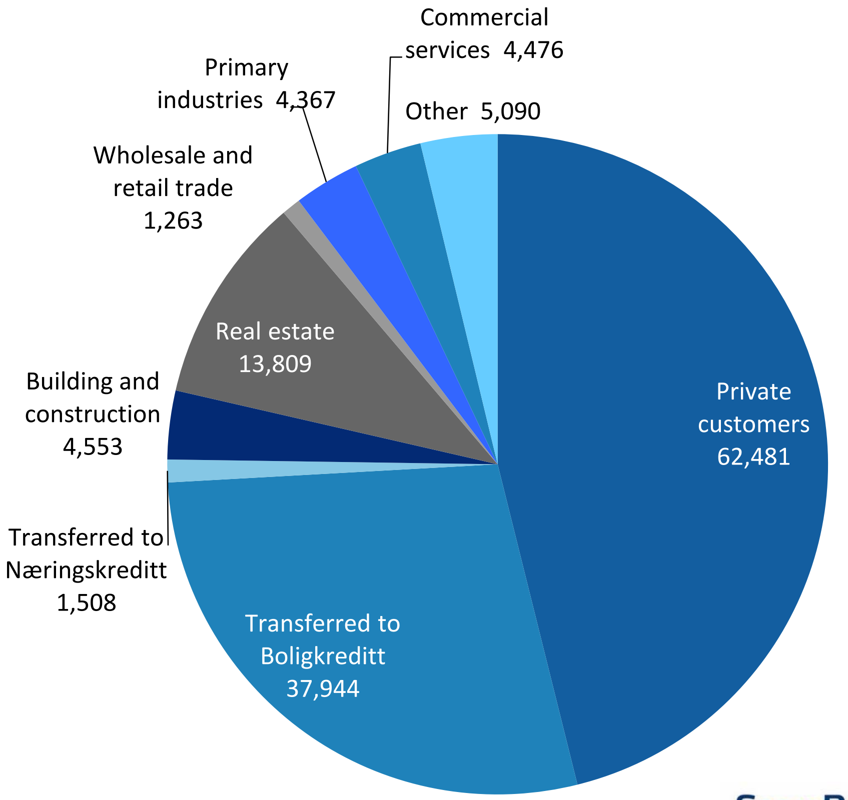
- Decreasing retail lending margins last quarter, due mainly to the increase in Nibor, but also competitive pressure for low risk customers.

- Increased corporate lending margins last quarter as a consequence of targeted repricing of defined customer segments and an increased focus on the pricing of new customers.

Loan book dominated by retail and SME lending

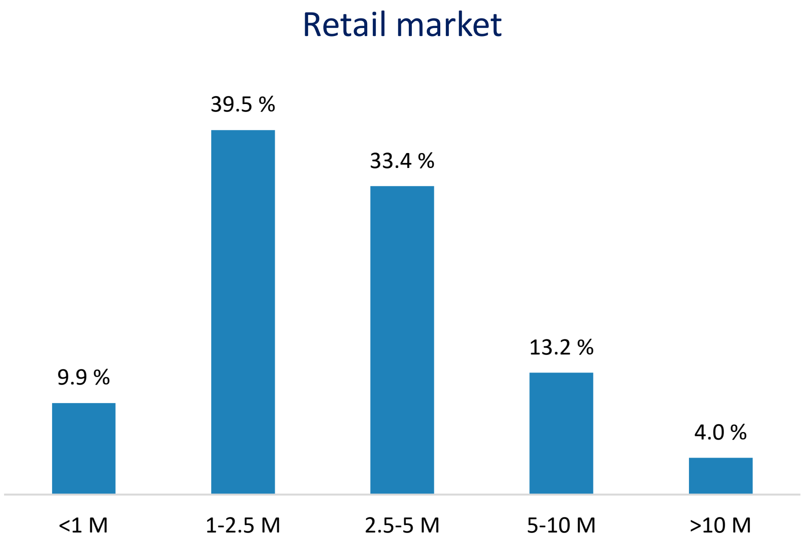
Lending to customers per sector (% and NOK million)

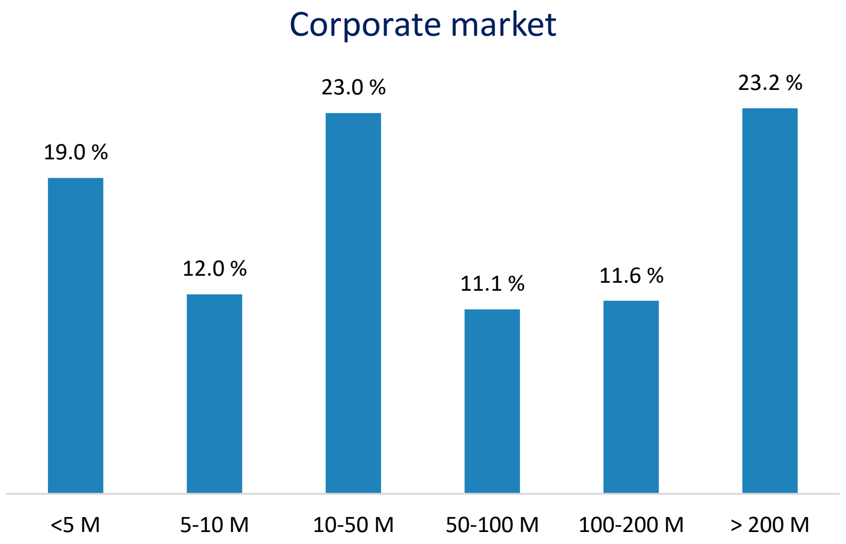




The typical mortgage is small or moderate in size

Retail and corporate loans by size (% share)*





* Including loans transferred to the covered bond companies

Well within the quotas of the mortgage regulation*

Daily follow-up ensures optimal utilisation of the permitted quota

Utilisation of flexibility quota in 2Q-2018:

City of Oslo
3.6 % (8 % quota)

Other areas
4.1 % (10 % quota)

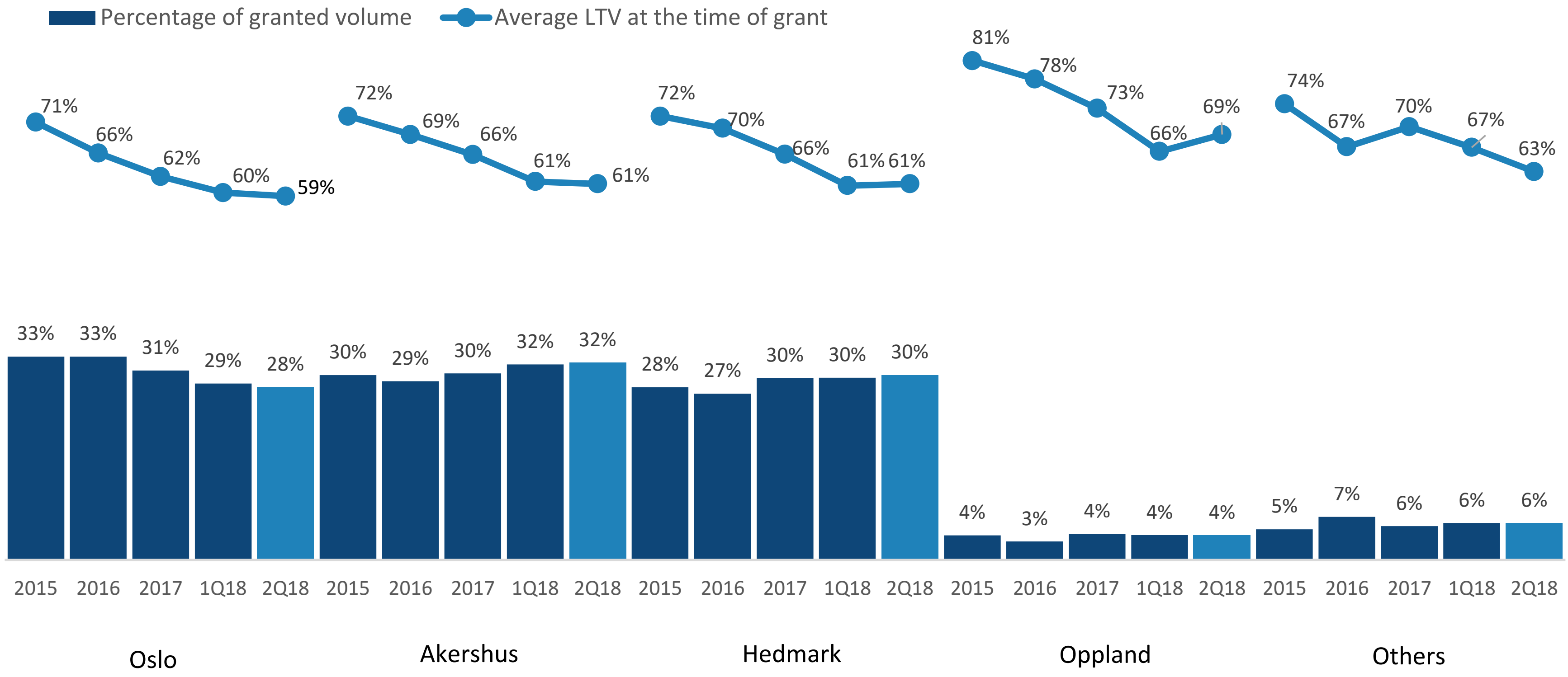
- The mortgage regulation constrains the lending:
  - Debt servicing capacity
    - Stress: 5 % interest rate increase
  - Maximum loan to value (LTV) 85 %
    - 75 % legal limit in the covered pool
  - Gearing
    - Total debt must not exceed five times gross annual income
  - Installment payment
- Exceptions are permitted within 10 % (8 % for Oslo) of the total granted volume each quarter
  - The so called "Flexibility quota"

* "Regulation on the requirements for new lending with collateral in housing"

SpareBank 1 ØSTLANDET

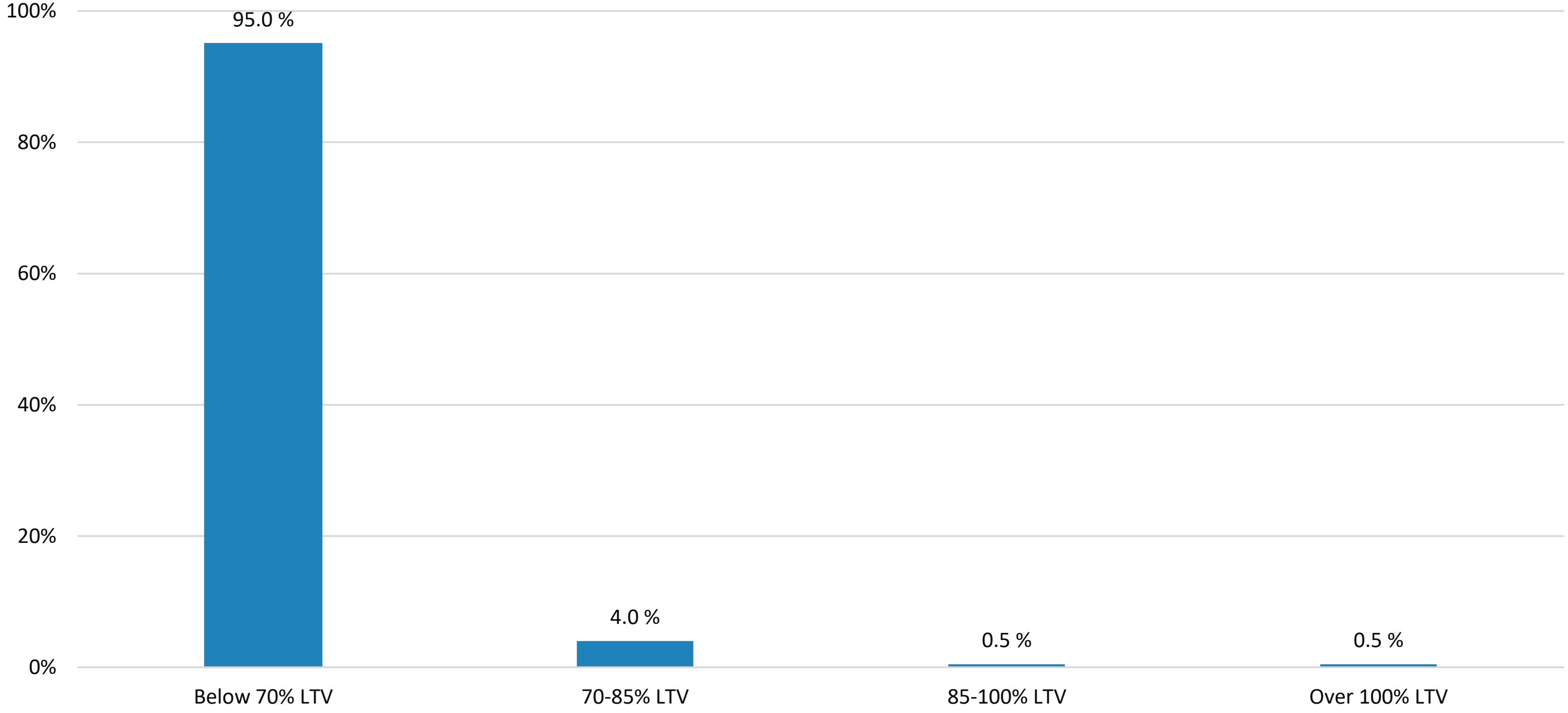
High quality credit process – falling LTV

Percentage of granted mortgages and average LTV per county



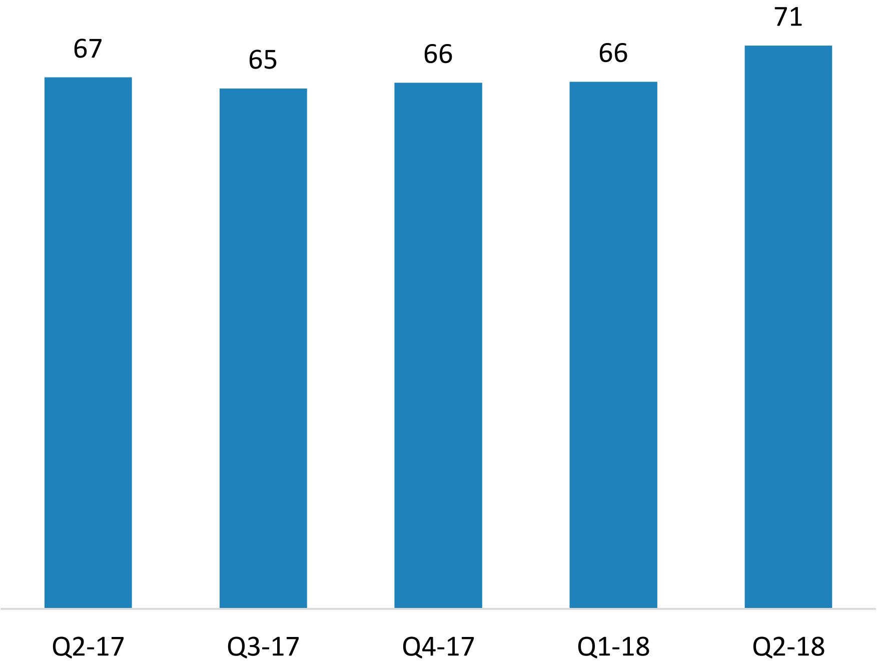
Low LTV in the residential mortgage lending

Exposure per LTV bucket in the residential mortgage portfolio



Satisfactory deposit coverage

Deposit volume (Group, NOK billion)

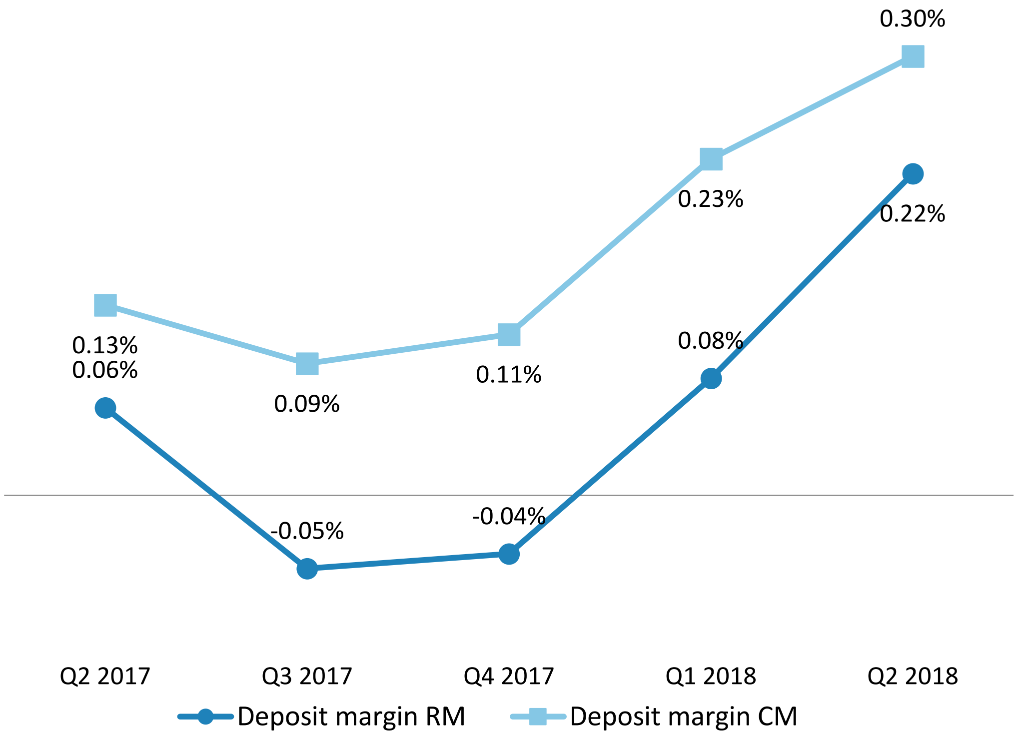


- Deposit growth last 12 months 6.0 %
  - Deposit growth - retail 8.1 %
  - Deposit growth - corporates 3.2 %
- Deposit coverage ratio 73.6 %
- Deposit coverage ratio, including mortgages transferred to the covered bond companies, 52.1 %

SpareBank 1 ØSTLANDET

Deposit margins

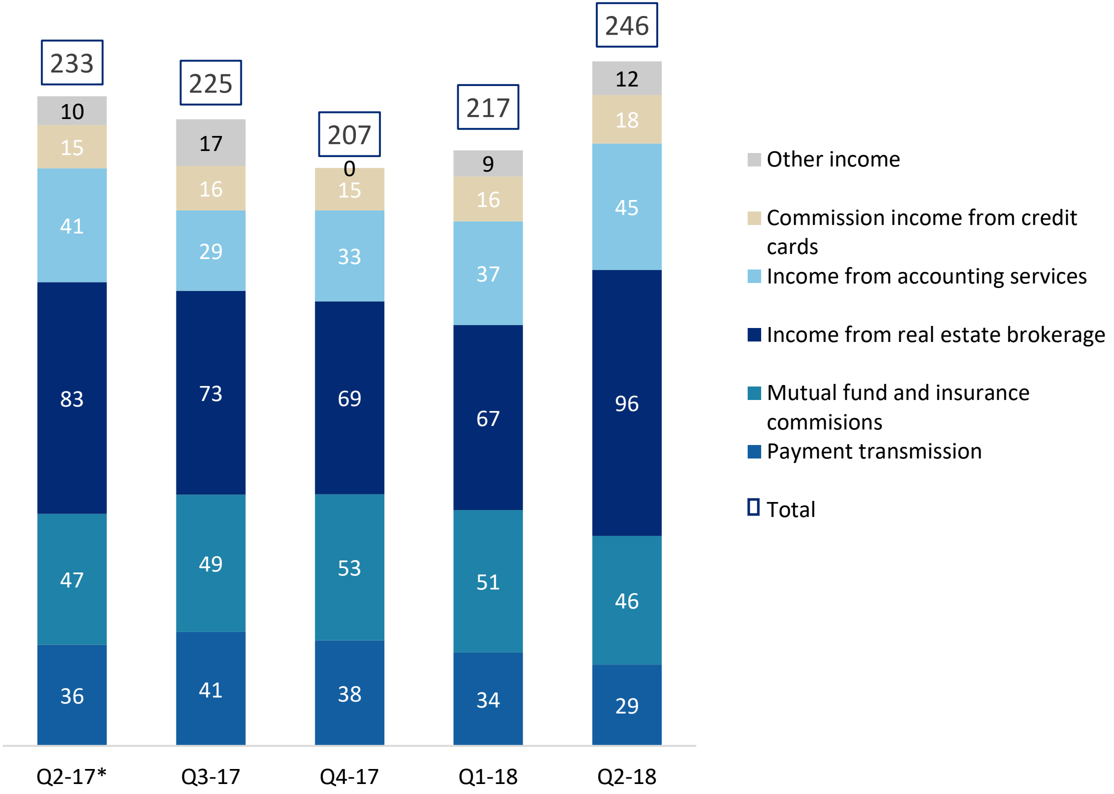
Retail and corporate markets (parent bank)



- Increasing deposits margins in parent bank last quarter.
- The higher margins are mainly explained by the increased Nibor.

Increased income in subsidiaries

Commissions and other operating income (NOK million)



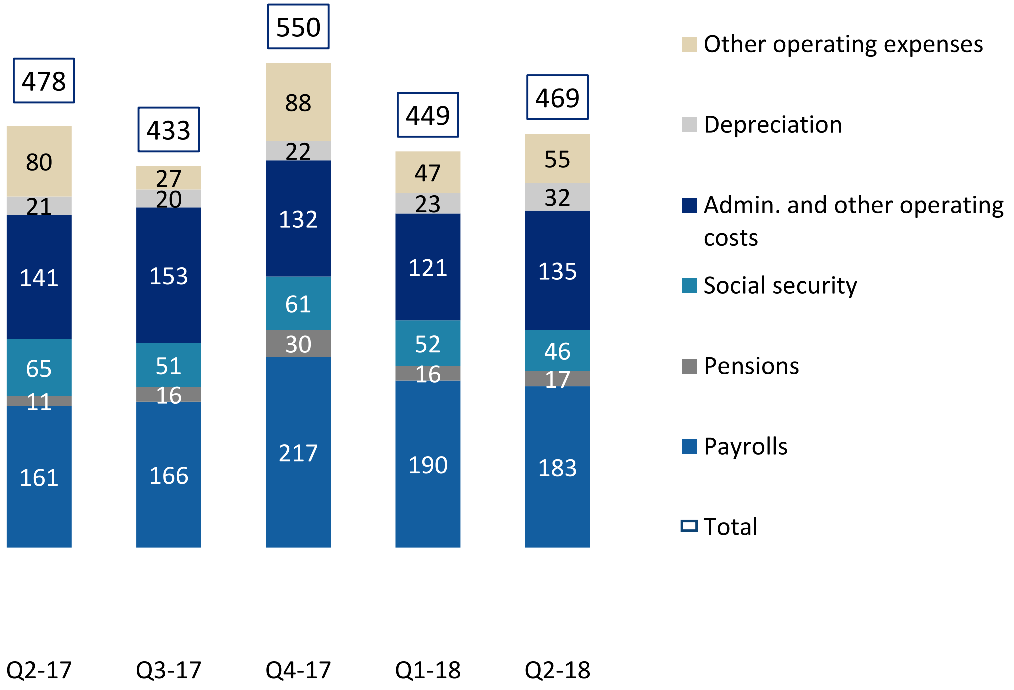
- Commissions and other operating income increased with 14 % from last quarter, and 6 % from last year.
- The increase is mainly due to higher activity levels in the accounting services and the real estate brokerage as the restructuring of these companies starts to take effect.

* Deviates from reported figures by 9 million due to repostings, this has been corrected for against net interest income.

SpareBank 1 ØSTLANDET

Group operating costs

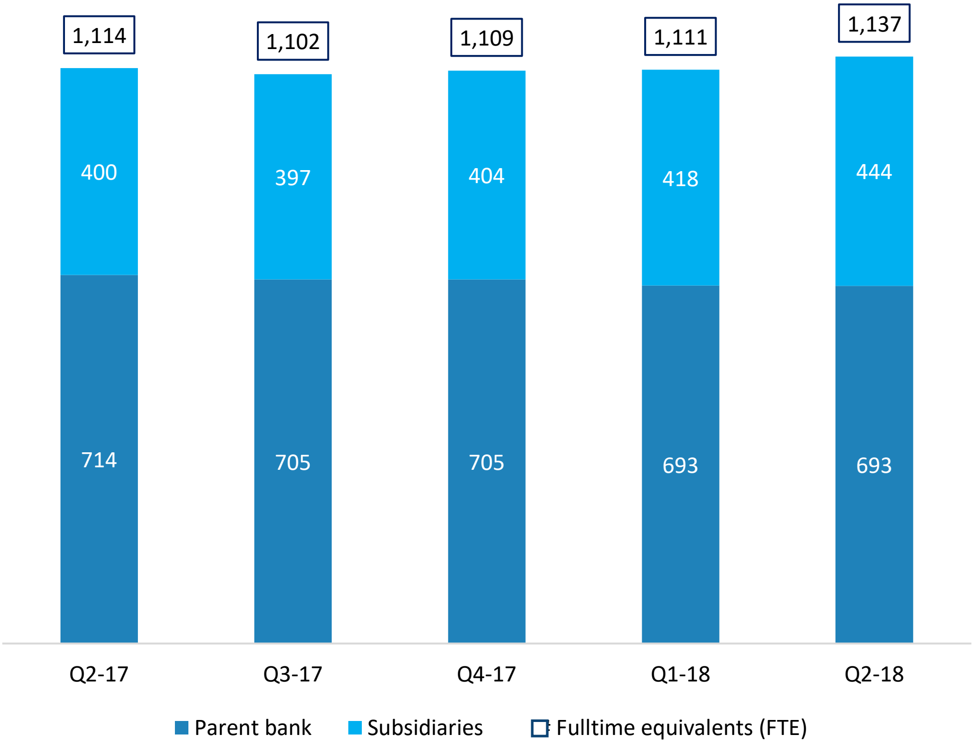
Operating costs per quarter (NOK millions)



- The operating costs are down 1.9 % compared to last year.
- Personnel expenses have increased due to in the subsidiaries.
- Write-downs of an IT project in the EM1 alliance amounted to NOK 4.9 million.

Increased staffing in subsidiaries

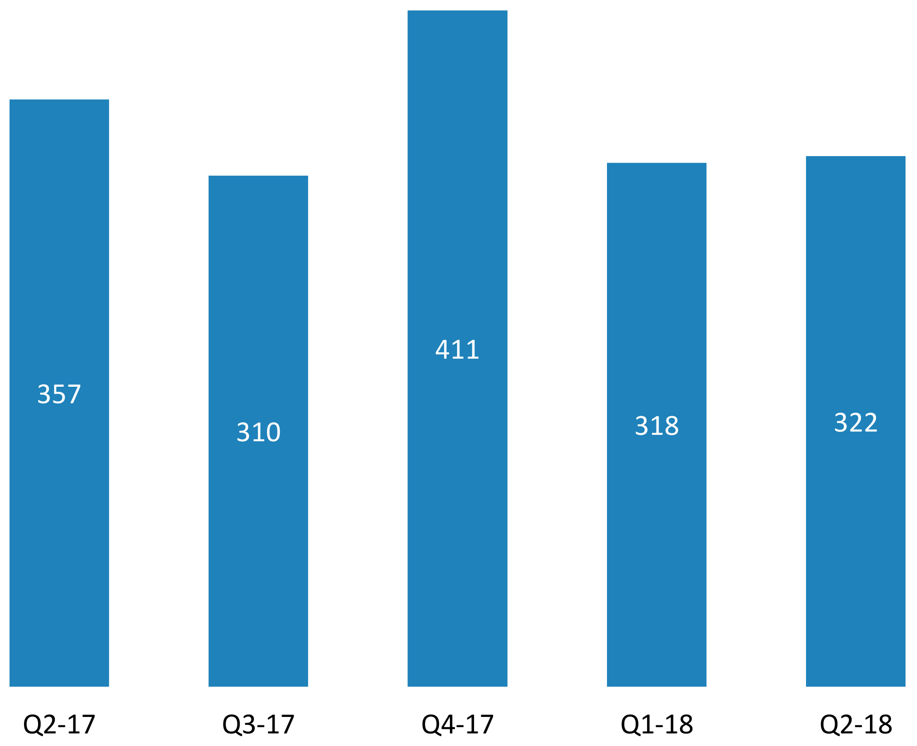
Headcount (FTE)



- Stable level of staffing in the Parent Bank after the merger downsizing has been completed
- Increased staffing in the subsidiaries due to higher ambitions and activity levels in real estate brokerage and accounting services.

Expenses Parent Bank (adjusted*)

Operating costs per quarter (NOK million)



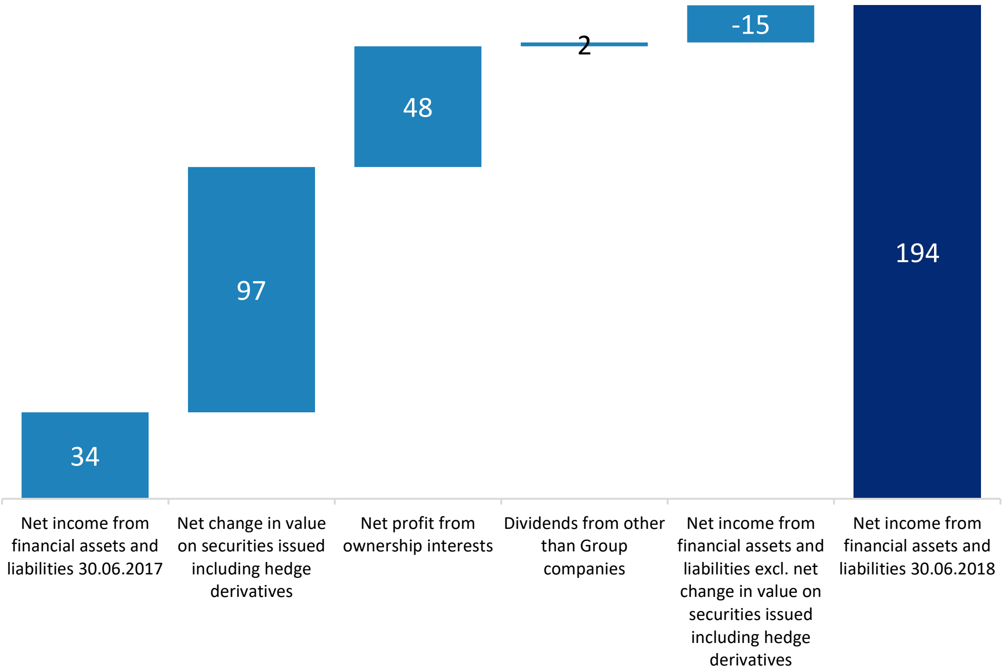
- The operating costs in the first half year of 2018 were NOK 21 million lower than in the same period in 2017.
- This is equivalent to a -3.1 % cost reduction in the pro-forma parent bank compared with last year.
- The ambition of a 5 % cost reduction in absolute terms for the pro-forma parent for the year 2018 compared with 2017 is maintained.

* The analysis takes into account the fact that former Bank 1 Oslo Akershus As was merged into the parent bank as of Q2-18. «Adjusted» or «Pro-forma» numbers are calculated as if the merger took place at the beginning of 2017 making the comparison of operating costs more relevant.

SpareBank 1 ØSTLANDET

The contribution from financial items has increased

Net result from financial assets and liabilities (NOK million)



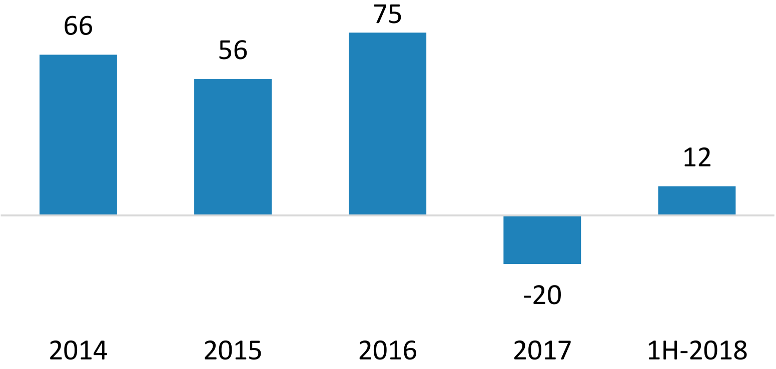
- Issued debt securities were in 1H-2017 generally assessed at fair value (IAS 39) and showed, mainly due to lower credit spreads, a loss of NOK 83 million.
- Issued debt securities are after 1 January 2018 generally assessed at amortised costs (reclassification due to transfer to IFRS 9).
- The remaining improvement in "net change on securities issues…" compared with last year is mainly explained by positive value adjustments in H1-18, of NOK 14 million, on a minor portfolio of securities funding fixed interest lending to customers.

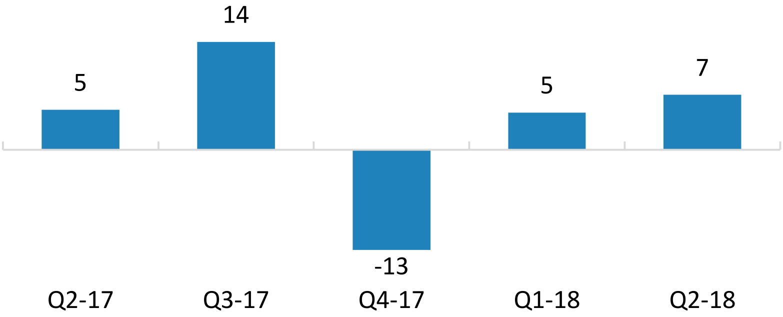
- Increased profit from ownership interest – see previous slides.

SpareBank 1 ØSTLANDET

Still low losses on loans

Net loan loss provisions (NOK millions)



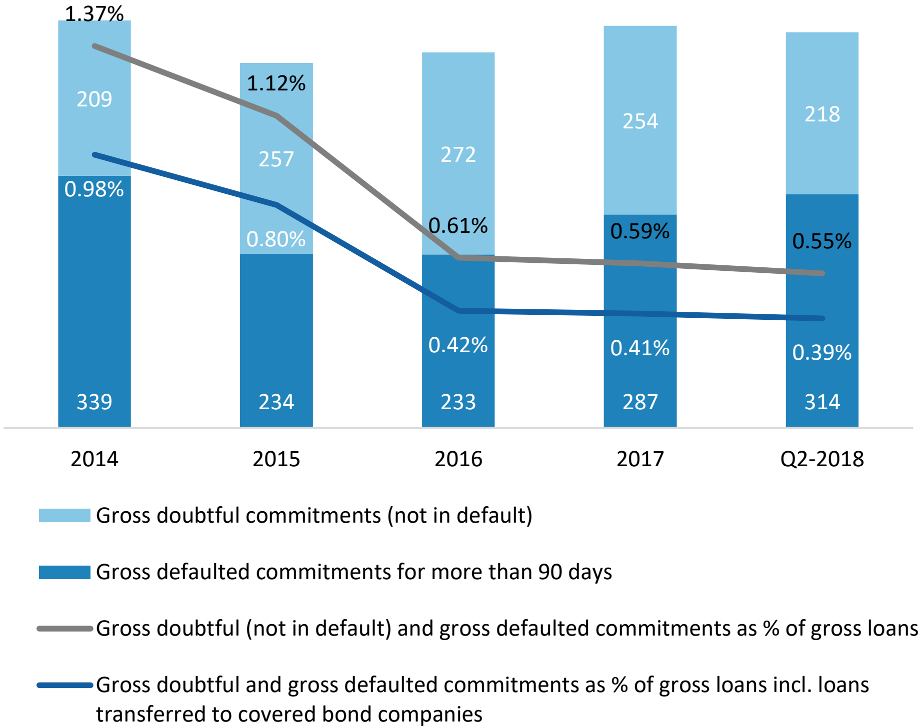


- Impairment losses on loans and guarantees were NOK 7 million in the second quarter
- Equals an annualised loss rate of 0.03% of gross lending.

SpareBank 1 ØSTLANDET

Low levels of problem loans

Non-performing and other doubtful commitments*



- The proportion of problem loans decreases further

*) NOK million and percentage of total lending

Low losses and reduced net exposure in stage 3

Specification of impairment losses and net exposure per stage (NOK million)

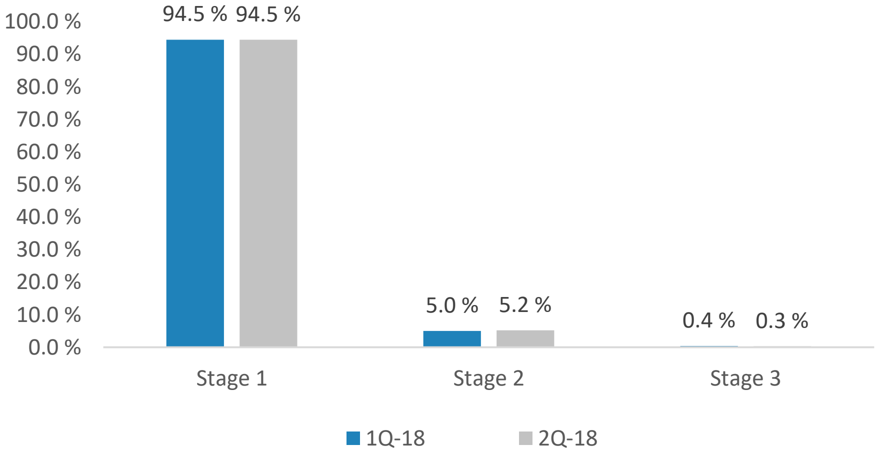
Impairment losses per segment

	2Q-18	1Q-18
Personal customers	1	3
Corporate customers	5	-2
SB 1 Finans Østlandet	1	4
Total	7	5

- Stage 1 – Initial recognition and no significant deterioration of credit quality – 12-month expected credit losses
- Stage 2 – Significant deterioration of credit quality – Lifetime expected credit losses
- Stage 3 – Significant deterioration of credit quality and objective credit losses – Lifetime expected credit losses

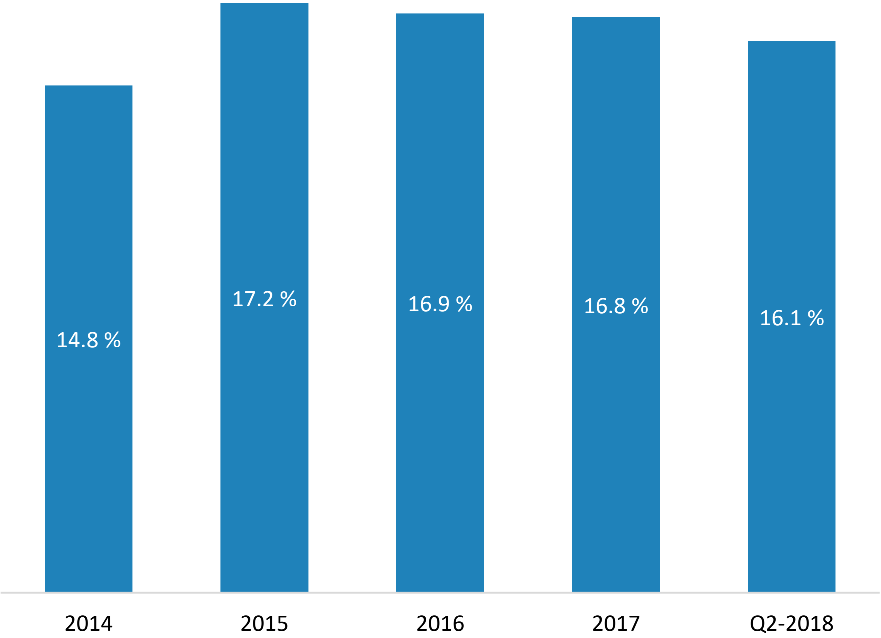
Maximum exposure (on and off-balance sheet items), net of accumulated impairment

Net exposure	Stage 1	Stage 2	Stage 3	Total
1Q-18	87,353	4,647	406	92,406
2Q-18	90,355	4,995	282	95,632



CET 1 close to target

Core equity tier 1 ratio (Group)



- The Group's common equity tier 1 ratio was 16.1 % .
- The target for CET 1 is 16.0 %.
- The reduction in CET 1 is due to strong lending growth in the period.
- The leverage ratio was 7.3 %.

Contact details

Richard Heiberg
CEO
Tel.: +47 902 06 018
richard.heiberg@sb1ostlandet.no

Geir-Egil Bolstad
CFO
Tel.: +47 918 82 071
geir-egil.bolstad@sb1ostlandet.no

Runar Hauge
Investor relations
Tel.: +47 482 95 659
runar.hauge@sb1ostlandet.no

Disclaimer

- This presentation contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance.
- Although SpareBank 1 Østlandet believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors.
- Important factors that may cause such a difference for SpareBank 1 Østlandet are, but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate, (iii) change in the regulatory environment and other government actions and (iv) change in interest rate and foreign exchange rate levels.
- This presentation does not imply that SpareBank 1 Østlandet has undertaken to revise these forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes compared to the date when these statements were provided.