



Company presentation

Third quarter 2018

26 October 2018

- Norway's fastest growing region is our home market



Summary

Good profitability and continued strong lending growth

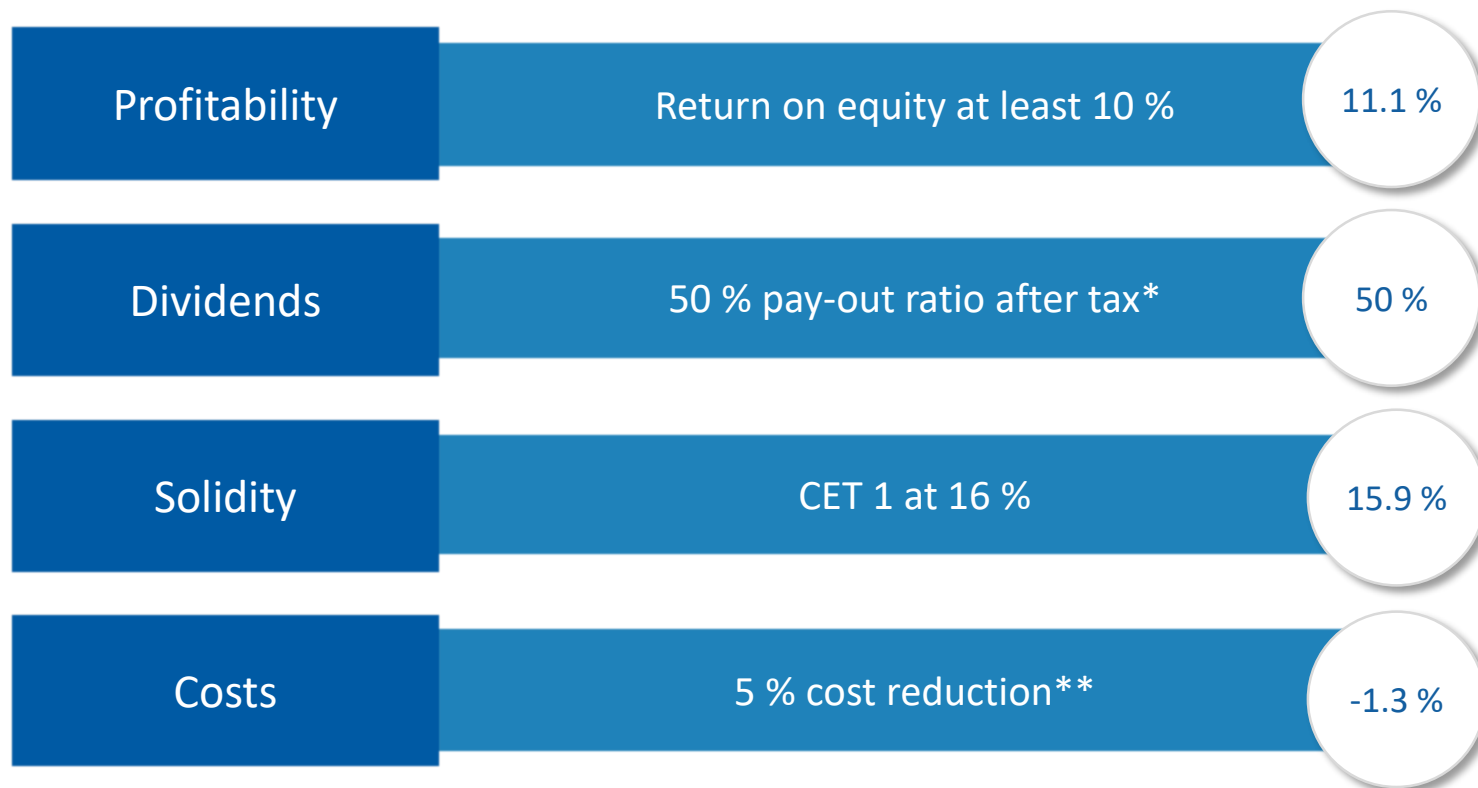
Summary third quarter 2018

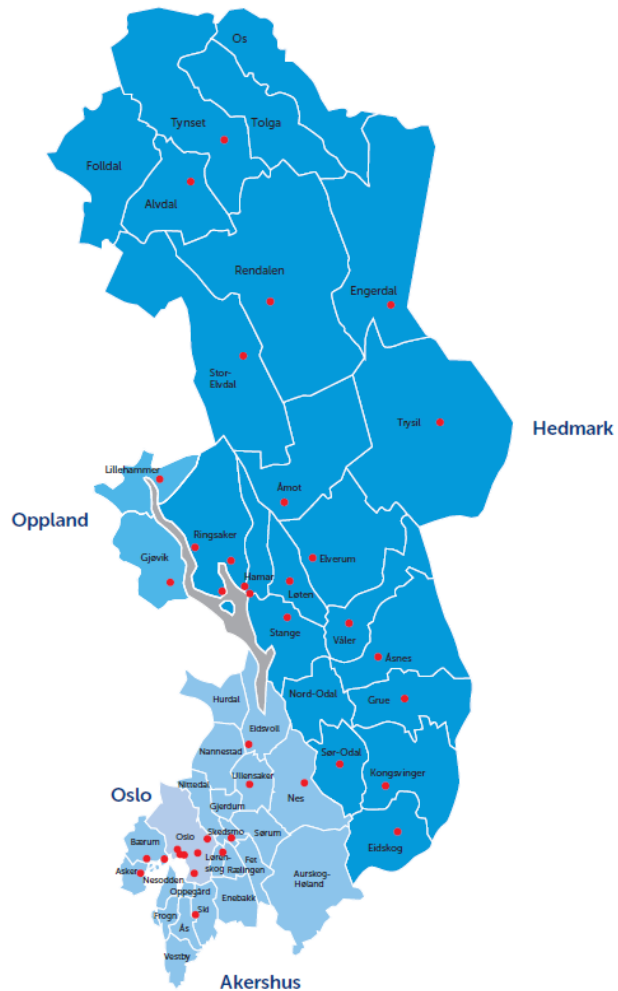
- High activity levels in all business areas
- Strong income and lending growth
- Increased focus in real estate brokerage and accounting services
- Good growth in numbers of retail and corporate customers
- Good cost control and operating cost development in line with ambitions
- Still low loan losses
- Marginally lower solidity due to strong lending growth
- Signed agreement of merger between SpareBank 1 Skadeforsikring and DNB Forsikring – awaiting MoF approval



The performance in third quarter is in line with ambitions

Financial targets 2018 and performance as of 3Q-2018





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 161 billion.

Operations in Hedmark, Oppland, Oslo and Akershus – a market with more than 1.7 million inhabitants.

Head office in Hamar, 38 branches and 1,146 FTEs.

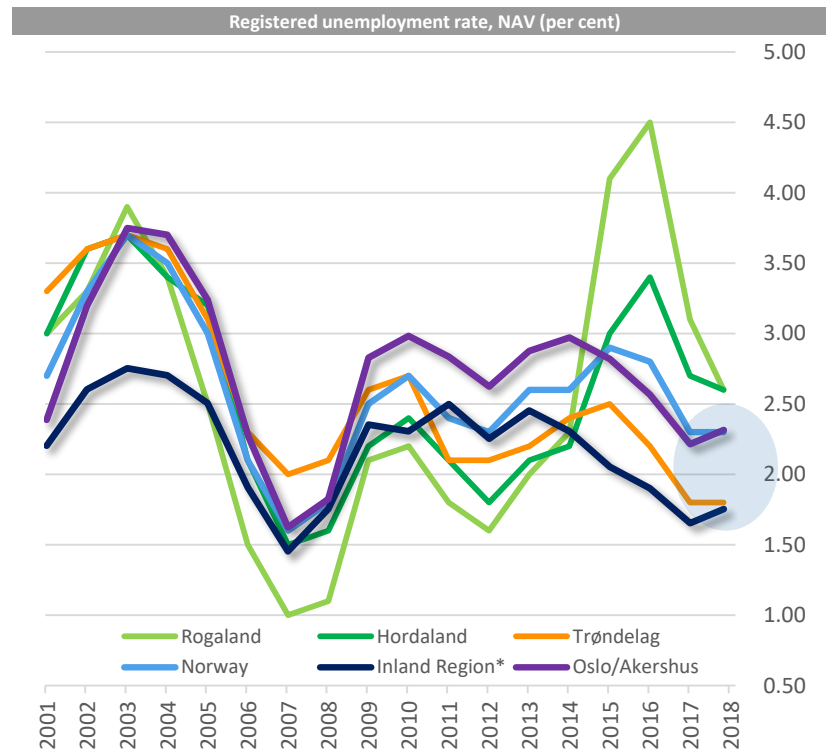
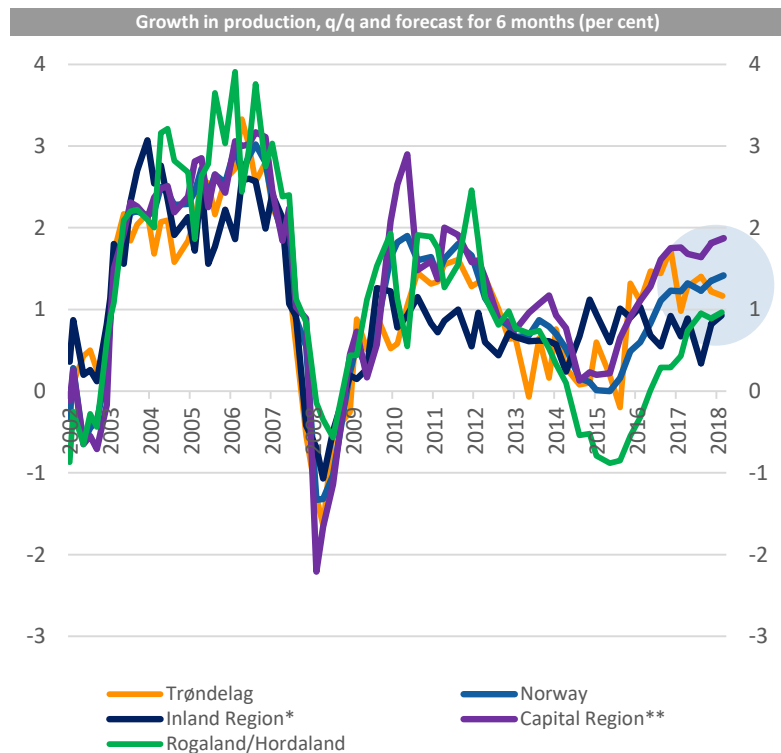
Approximately 332,000 customers with a retail lending share of 74 %.

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.

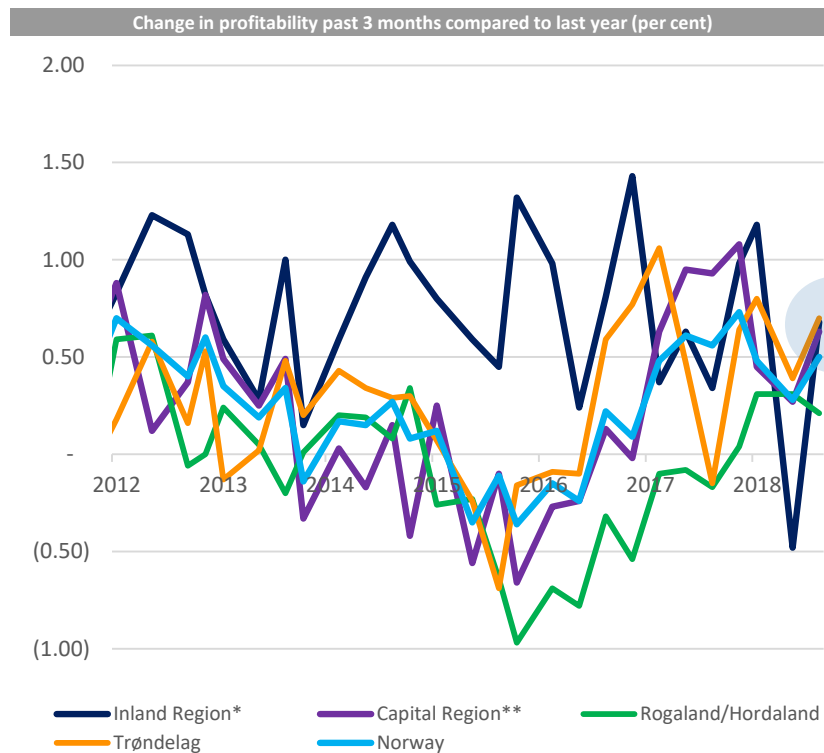
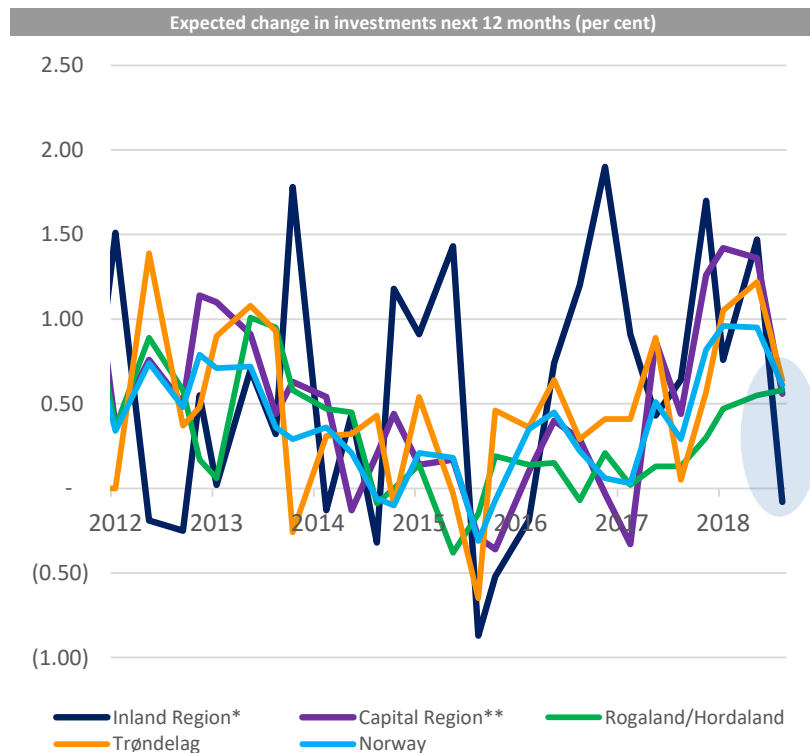
High economic activity in our market area (1)

Increasing productivity and low unemployment



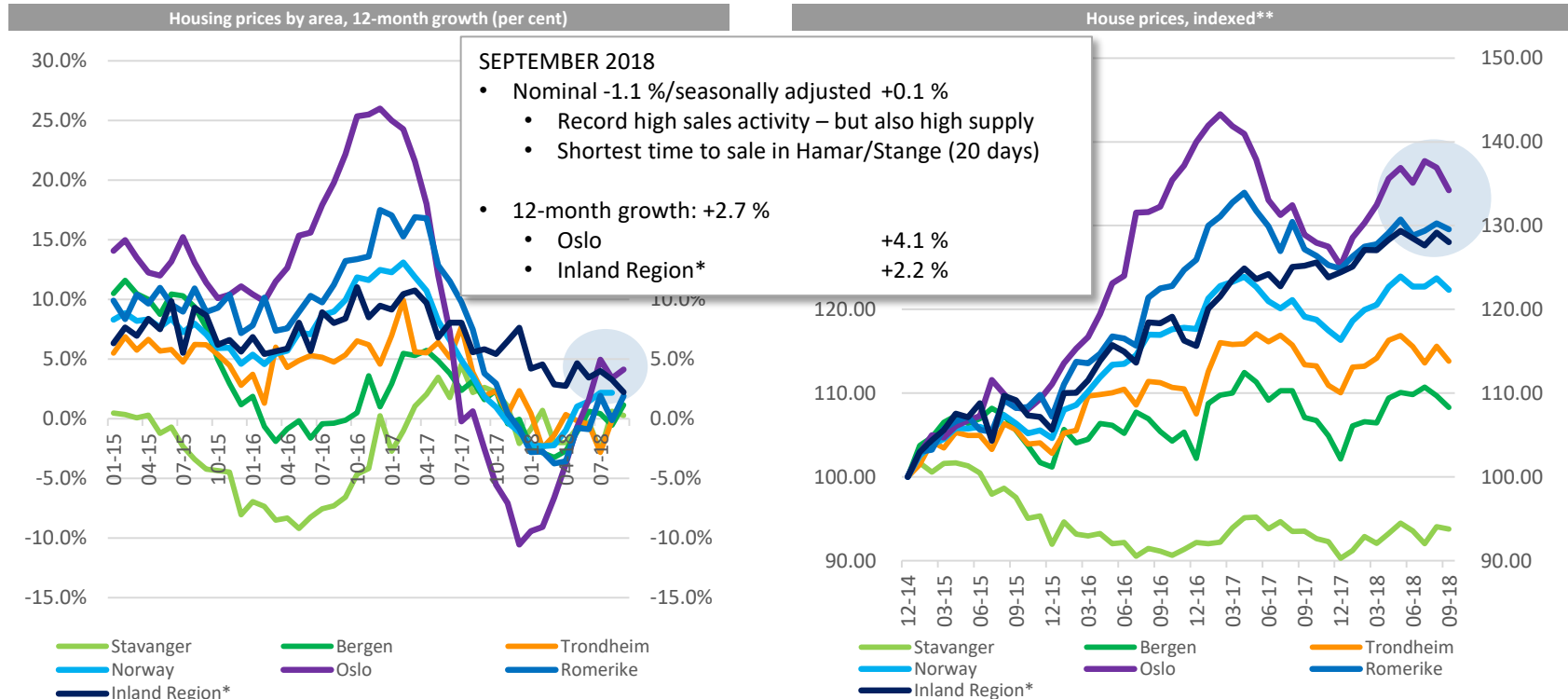
High economic activity in our market area (2)

Investment leveling out on higher profitability



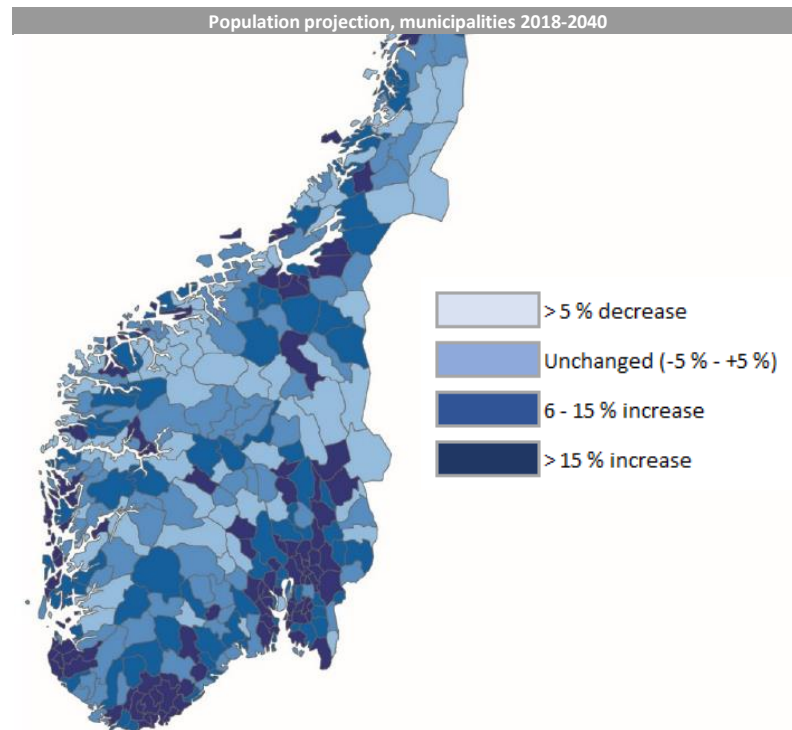
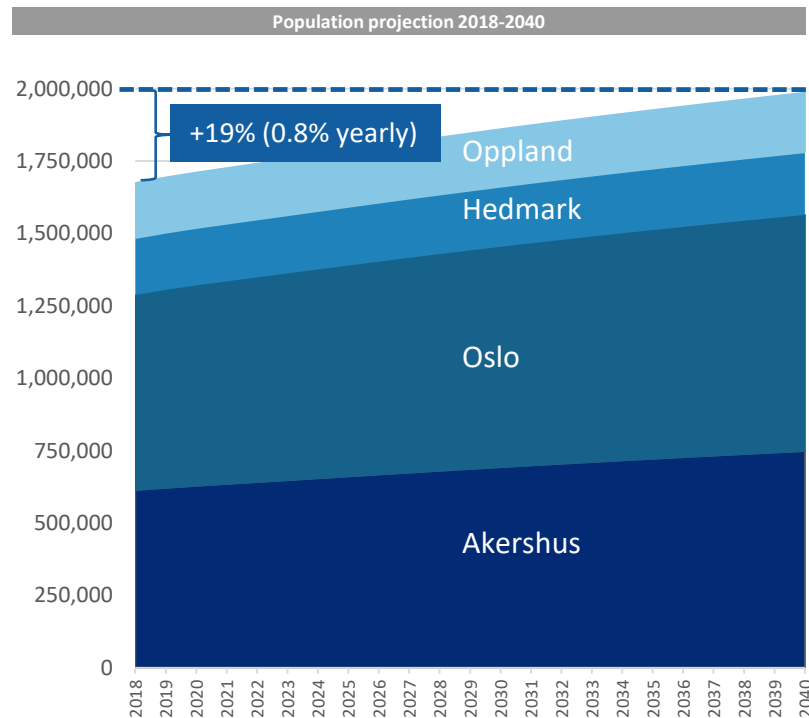
Housing prices leveling out with high construction activity

House price developments for relevant areas compared with Norway



A market area with long term growth potential

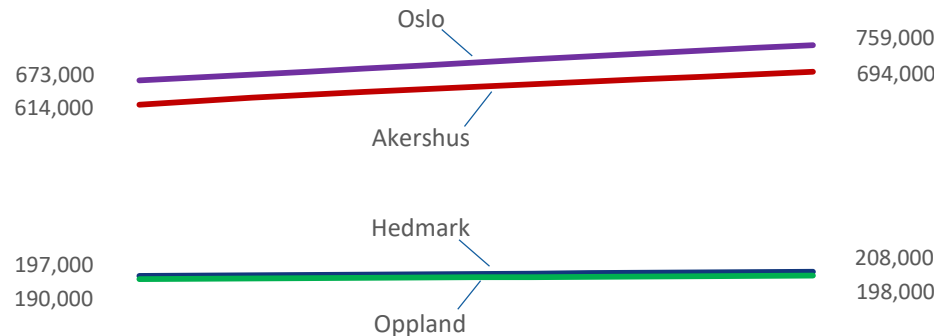
Considerable population growth in the Greater Capital Area



The growth is expected in financially interesting demographic groups

Population forecast per county and demographics

2018



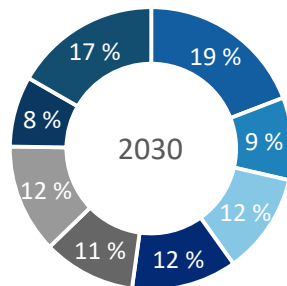
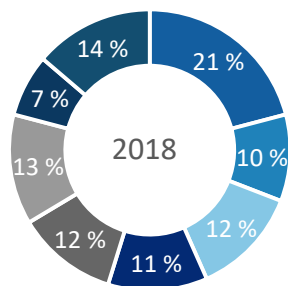
2030

Expected population growth 2030:

- **Norway:** 8 %
- Oslo: 13 %
- Akershus: 13 %
- Hedmark: 6 %
- Oppland: 5 %

Total population in the market area:

- 2018: 1.7 million
- 2030: 1.9 million



Age

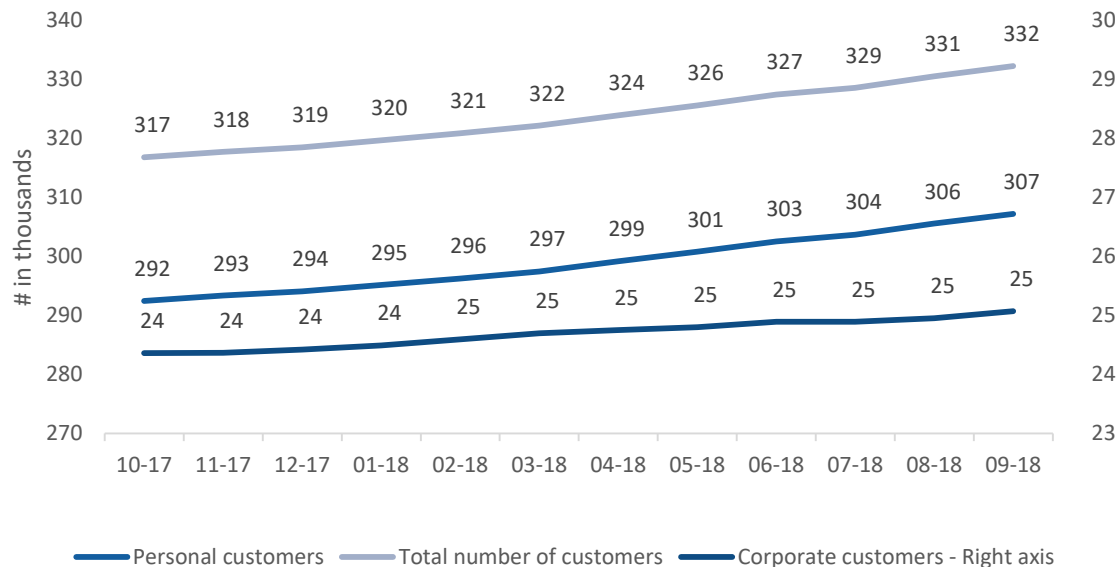
- 0 - 17
- 18 - 25
- 26 - 33
- 34 - 41
- 42 - 49
- 50 - 59
- 60 - 66
- 67+

Expected demographic growth 2030:

- 0-17 years: 2 %
- 18-25 years: 5 %
- 26-33 years: 3 %
- 34-41 years: 17 %
- 42-49 years: 1 %
- 50-59 years: 9 %
- 60-66 years: 25 %
- 67+ years: 35 %

Solid customer growth after the merger

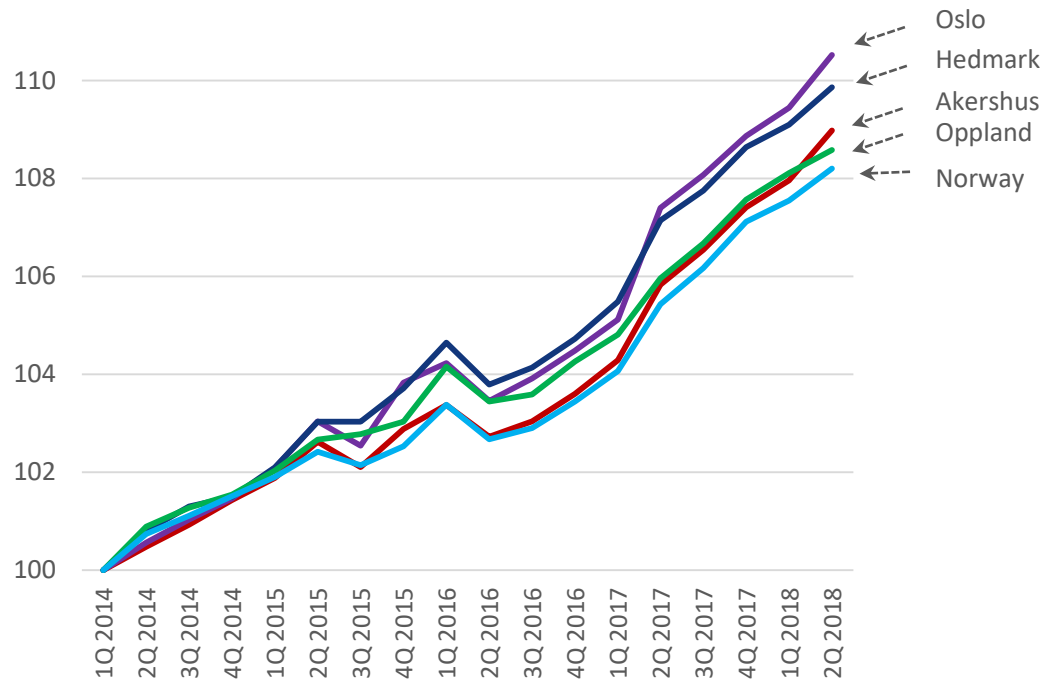
Numbers of customers in parent bank



- In connection with the technical merger in October 2017, standardization of the product and customer definitions were made.
- After the technical merger, the customer growth has been solid
 - A total of 16,400 customers, equivalent to 5.2 %
 - 800 corporate customers, equivalent to 3.3 %
 - 15,600 retail customers, equivalent to 5.3 %
- After the Bank 1 OA acquisition in June 2016, the numbers of customers has increased from (estimated) 290,000 to 332,000, equivalent to 14.5 %

Value creation above national average

Industry index (quarterly) based on gross product per county



- 40 % of Norway's mainland GDP is created in our market area
- Growth in value creation per county:
 - **Norway** +8.2 %
 - Oslo: +10.5 %
 - Hedmark: +9.9 %
 - Akershus: +9.0 %
 - Oppland: +8.6 %



Financial accounts 3Q-2018

Financial results for the third quarter of 2018

(Last year's figures in brackets)

Increased profitability

Profit after tax in 3Q 18 isolated at NOK 362 million (NOK 377 million).
Profit after tax as of 3Q 18 accumulated NOK 1,092 million (NOK 926 million).

Higher return on equity

ROE in 3Q 18 at 10.8 % (12.0 %).
ROE as of 3Q 18 accumulated 11.1 % (10.1 %)

Solid capitalization

CET 1 ratio 15.9 % (16.9 %).
Leverage ratio at 7.2 % (7.3 %).

High lending growth

Lending growth of 8.9 % (incl. the covered bond companies) last 12 months (7.9 %).
Lending growth of 2.0 % from 2Q 18

Strengthened deposit growth

Deposit growth of 7.6 % in the last 12 months (5.1 %).

Low impairments

Impairments on loans and guarantees of NOK 12 million in 3Q 18 isolated
Impairments on loans and guarantees of NOK 24 million as of 3Q 18 accumulated

Income statement 3Q 2018

Group

	01.01.2018- 30.09.2018	01.01.2017- 30.09.2017	2017
Net interest income	1,530	1,454	1,956
Net commission income	841	810	1,095
Other income	132	140	168
Total operating expenses	1,375	1,348	1,898
Result bank operation before losses	1,128	1,056	1,321
Impairment losses on loans and guarantees	24	-7	-20
Result bank operation after losses	1,104	1,063	1,341
Dividends	13	11	11
Net profit from ownership interest	141	118	194
Net income from financial assets/liabilities	131	6	72
Profit/loss before tax	1,388	1,197	1,618
Tax charge	297	270	356
Profit/loss after tax	1,092	926	1,263
Return on equity capital after tax	11.1 %	10.1 %	10.2 %
Total operating costs in relation to total income	49.3 %	53.1 %	54.3 %
Losses on loans as a percentage of gross loans	0.03 %	-0.01 %	-0.02 %

Special items 3Q 2018 – The insurance merger

Description and effects

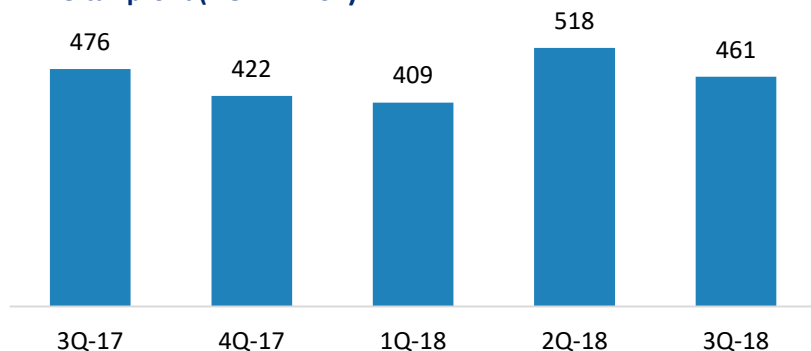
Merger SpareBank 1 Forsikring and DNB Forsikring*

- The SpareBank 1 Group (SB1G) and DNB agreed 24 September 2018 on the merger of SpareBank 1 Forsikring and DNB Forsikring
- Ownership ratio will be 65/35 between SB1G and DNB
 - DNB with call option to increase ownership to 40 %
- The merged business is valued at NOK 19.75 billion. The increased ownership of 15 % for DNB equals NOK 2.96 billion.
- The merger increases SB1G's equity on group level with NOK 6.9 billion
 - SpareBank 1 Østlandet's (SB1Ø) share is approximately NOK 528 million
 - The CET 1 is more or less unchanged
- The transaction gives SB1G a tax-free gain of approx. NOK 2.65 billion
 - SB1Ø's share of a possible dividend is NOK 329 million
 - The estimated effect on SB1Ø's CET 1 is 0.4 percentage points
- The dividend is conditioned by
 - The capital situation and decisions from SB1G take place in 2Q 2019 at the earliest
 - Proposed changed dividend regulation from the NFSA, to prevent dividend based on interim reports. If concluded – dividend from SB1G will take place in 2020 at the earliest and from the owner banks in 2021.

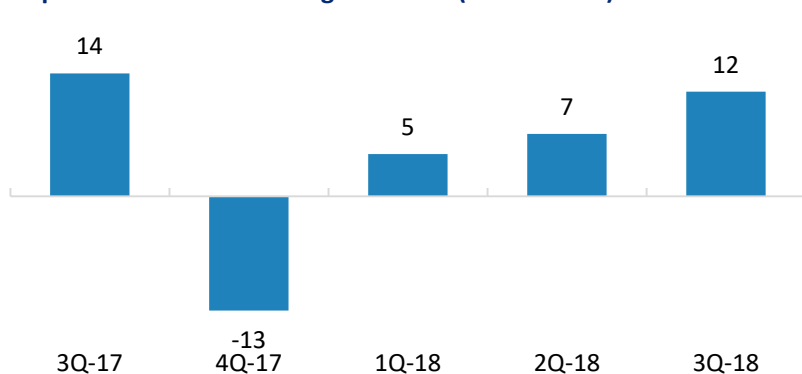
Key financials – quarterly

(1)

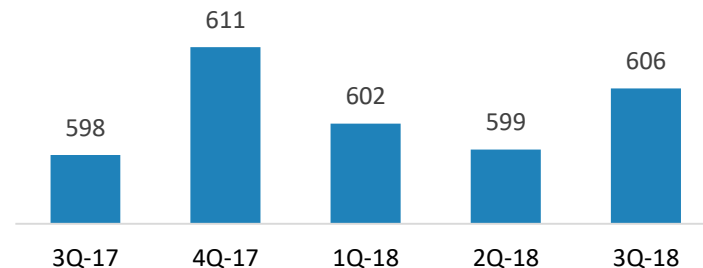
Pre-tax profit (NOK million)



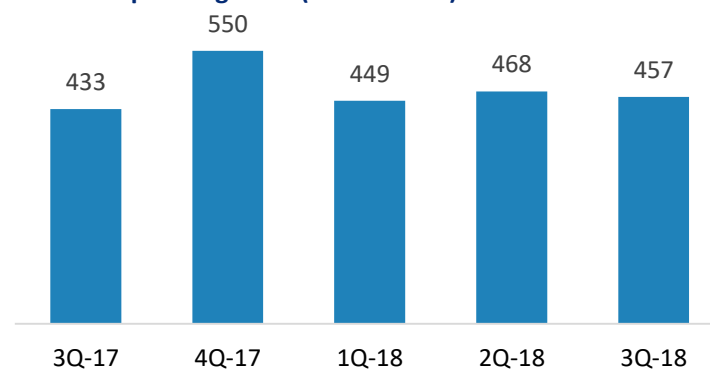
Impairments on loans and guarantees (NOK million)



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



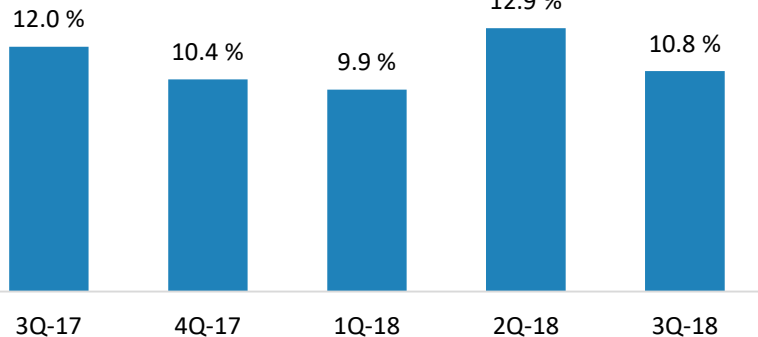
Total operating costs (NOK million)



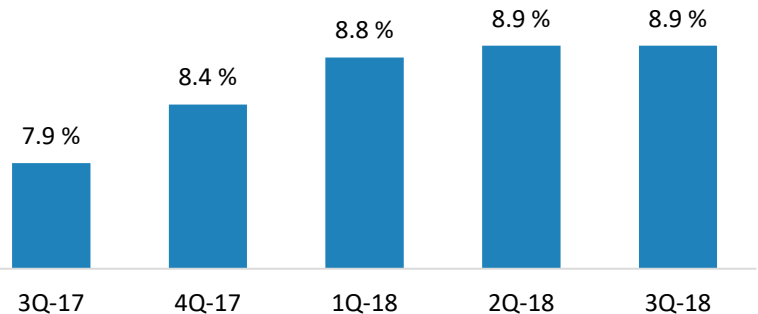
Key financials – quarterly

(2)

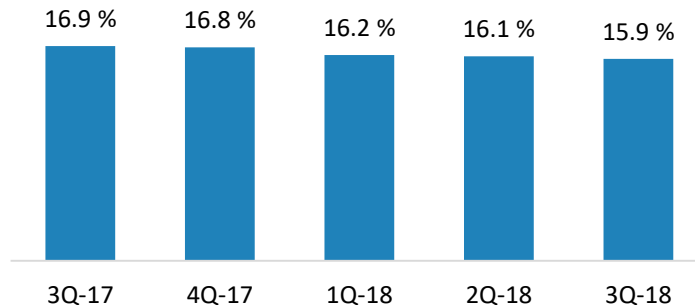
Return on equity



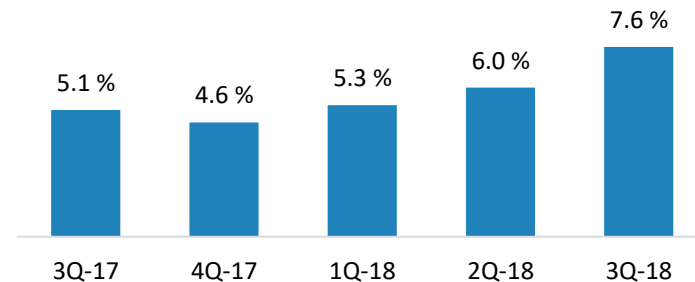
Lending growth (including loans transferred to covered bond companies) last 12 months



CET 1 ratio



Deposit growth last 12 months



Profit contributions from subsidiaries

3Q 2018 (3Q 2017)



SpareBank 1 Finans Østlandet

- Profit before tax NOK 142.1 million (NOK 121.2 million).
- Strong growth, cost control and increasing profitability.
- Increased focus on innovation and business development.



EiendomsMegler 1 Hedmark

- Profit before tax NOK 16.6 million (NOK 20.1 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 5.3 million (NOK -1.0 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 -3.7 million (NOK 1.2 million*).
- The merged company is well positioned with value adding offerings.
- Strengthened presence in Greater Oslo and continued digitalization of key processes.

Contribution from joint ventures

3Q 2018 (3Q 2017)



SpareBank 1 Gruppen

- Profit before tax NOK 1,244 million (NOK 1,437 million)
- Ownership 12.4 %



SpareBank 1 Boligkreditt AS

- Profit before tax NOK 52.3 million (NOK -183.9 million)
- Ownership 21.1 %



SpareBank 1 Næringskreditt

- Profit before tax NOK 46.7 million (NOK 66.7 million)
- Ownership 12.4 %

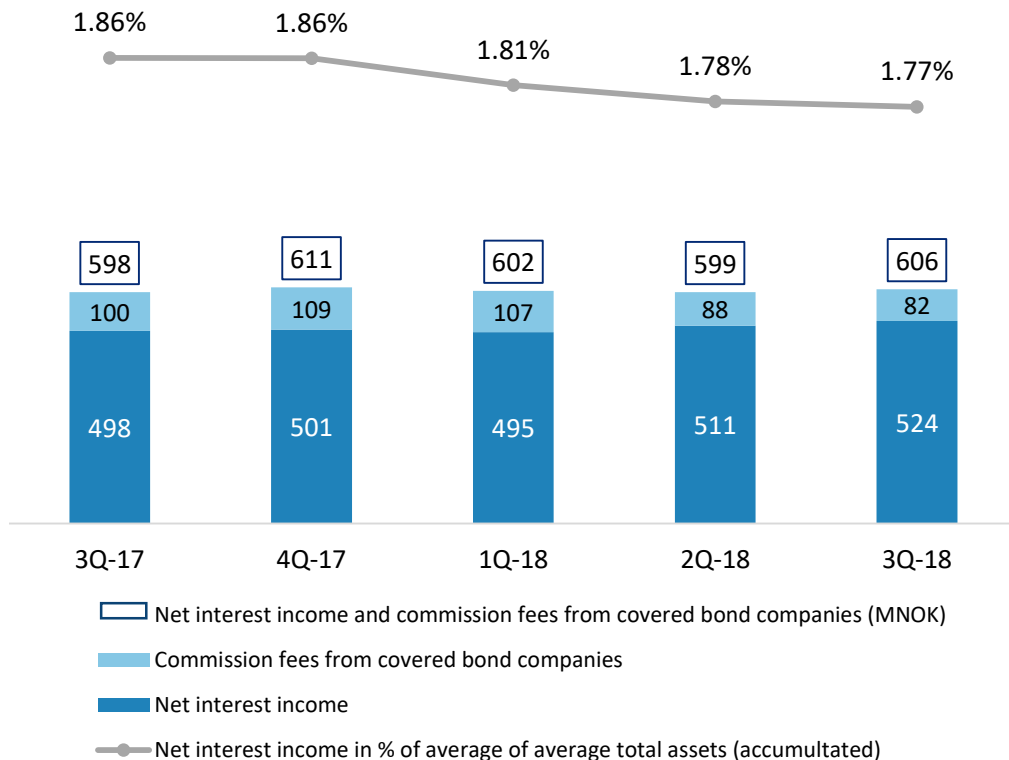


SpareBank 1 Kredittkort

- Profit before tax NOK 128.3 million (NOK 77.7 million)
- Ownership 20.5 %

Net interest income

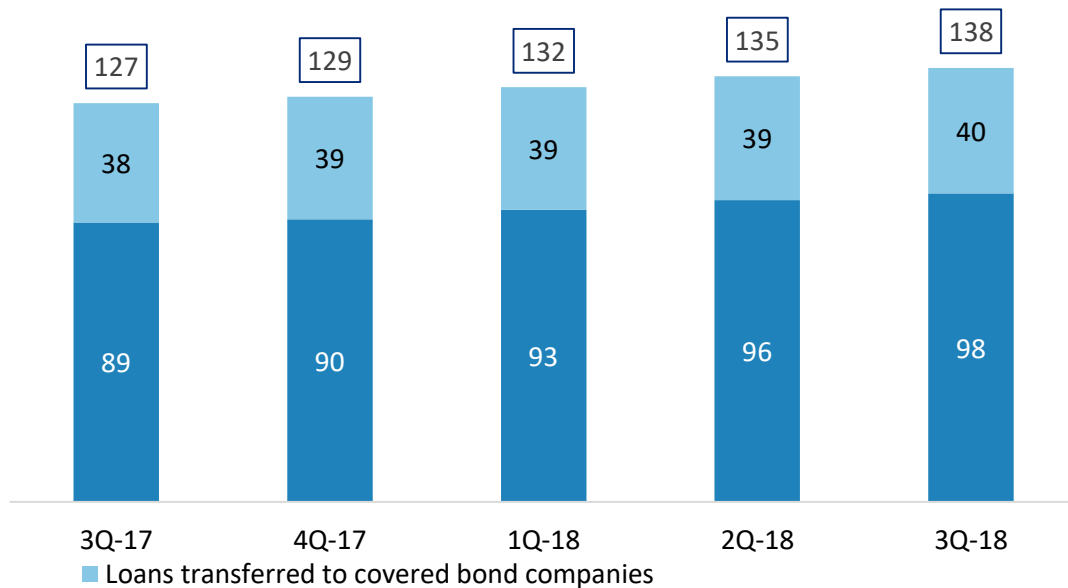
Net interest income incl. commissions from covered bond companies



- Higher NII last quarter due to strong lending growth
- Flat NII in per cent of average assets
- Commission fees from covered bond companies reduced on increased funding costs
- Announced interest rate increase with “up to 0.25 % on lending and deposits” 21 September. The increase is effective from 11 October for CM and 8 November for RM.

Continued strong lending growth

Lending volume (Group, NOK billion)

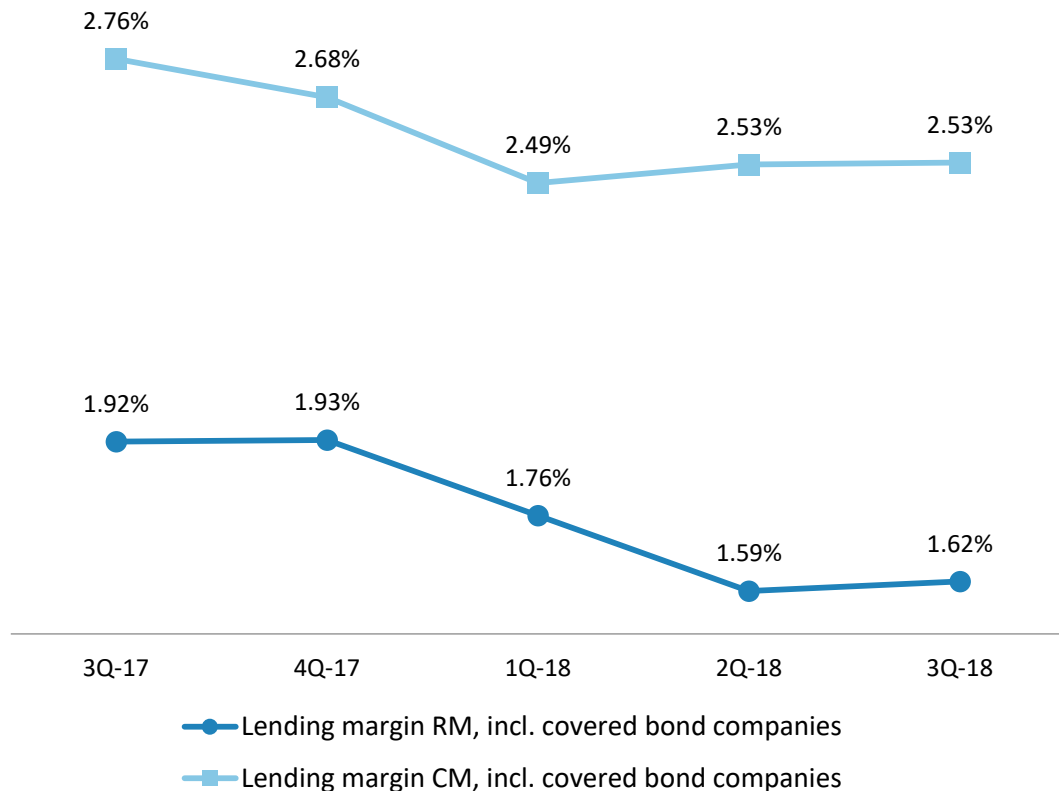


□ Growth in loans including loans transferred to covered bond companies in the last 12 months

- Total lending in the Group, including loans transferred to covered bond companies, increased last quarter with NOK 2.2 bn
- This is equivalent to a 2.0 % growth last quarter
- Group lending growth in the last 12 months was 8.9 % (7.9 %)
 - Lending growth retail 8.7 %
 - Lending growth corporates 9.3 %

Lending margins

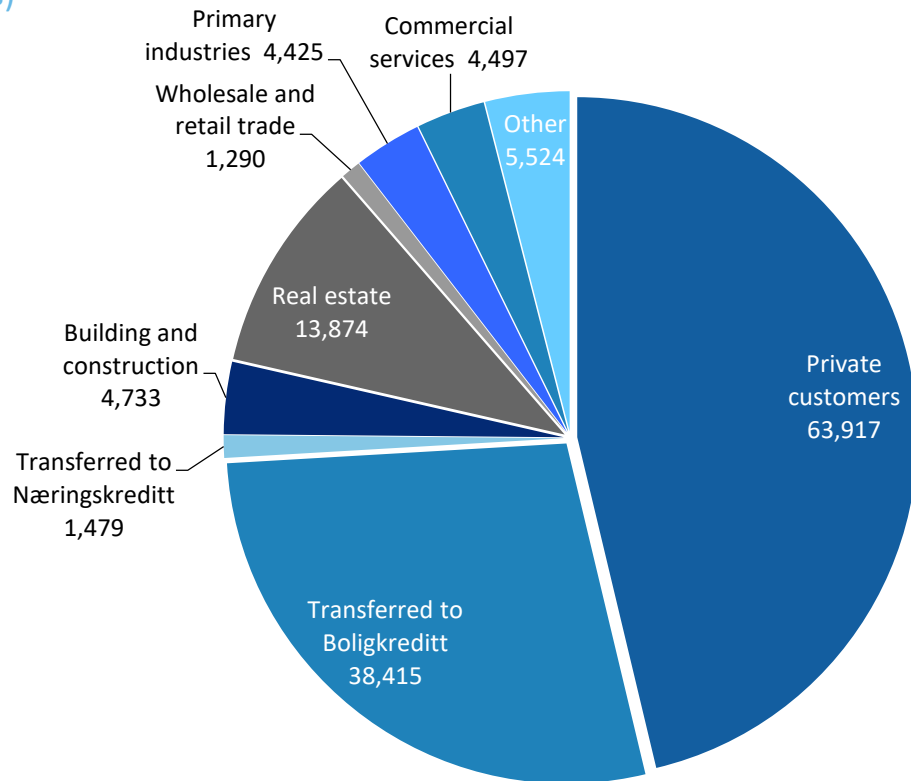
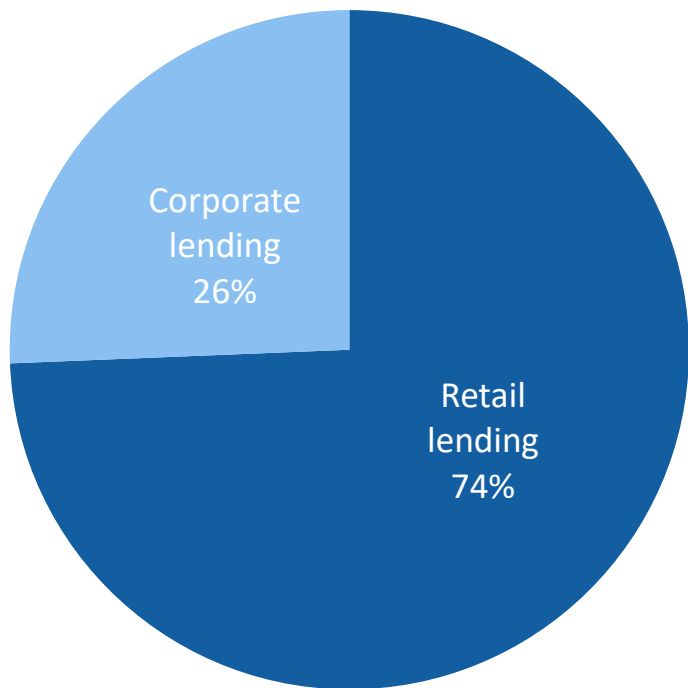
Retail and corporate markets (parent bank)



- A continued stabilizing of lending margins during 3Q 18, but shows a marginal increase in RM.
- Marginal increase in corporate lending margins. This is a result of targeted repricing of individual products and customer groups, and focused pricing of new business.
- Interest rate increase with effect from 11 October in CM and 8 November in RM.

Loan book dominated by retail and SME lending

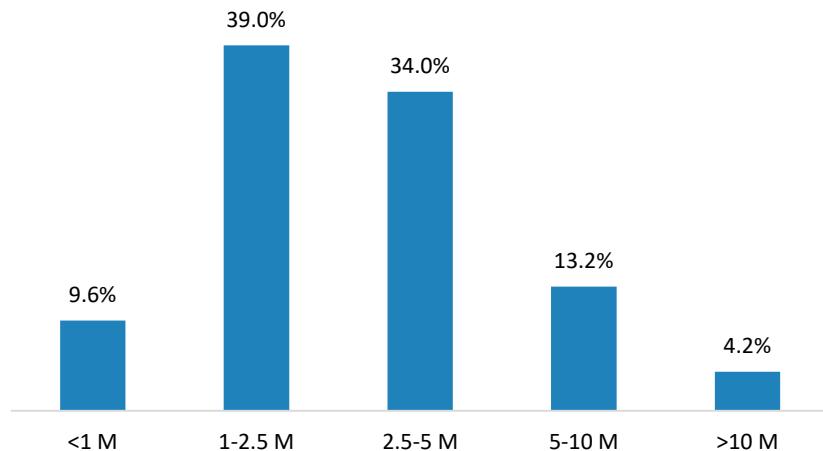
Lending to customers per sector (% and NOK millions)



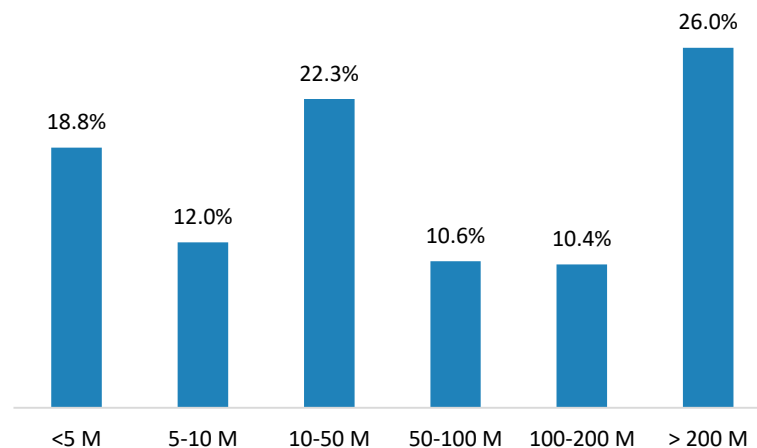
The concentration risk is low

Retail and corporate loans by size (% share)*

Retail market

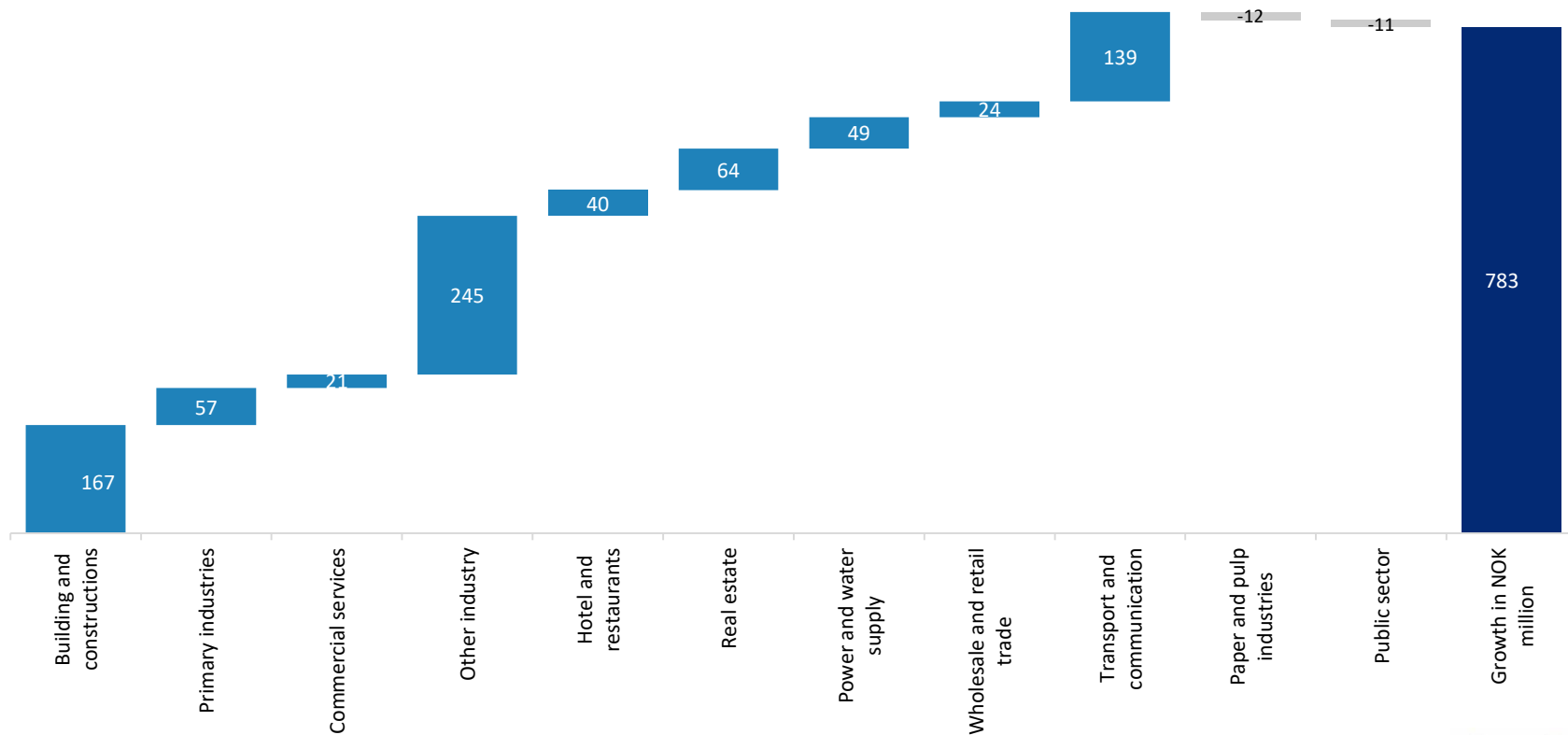


Corporate market



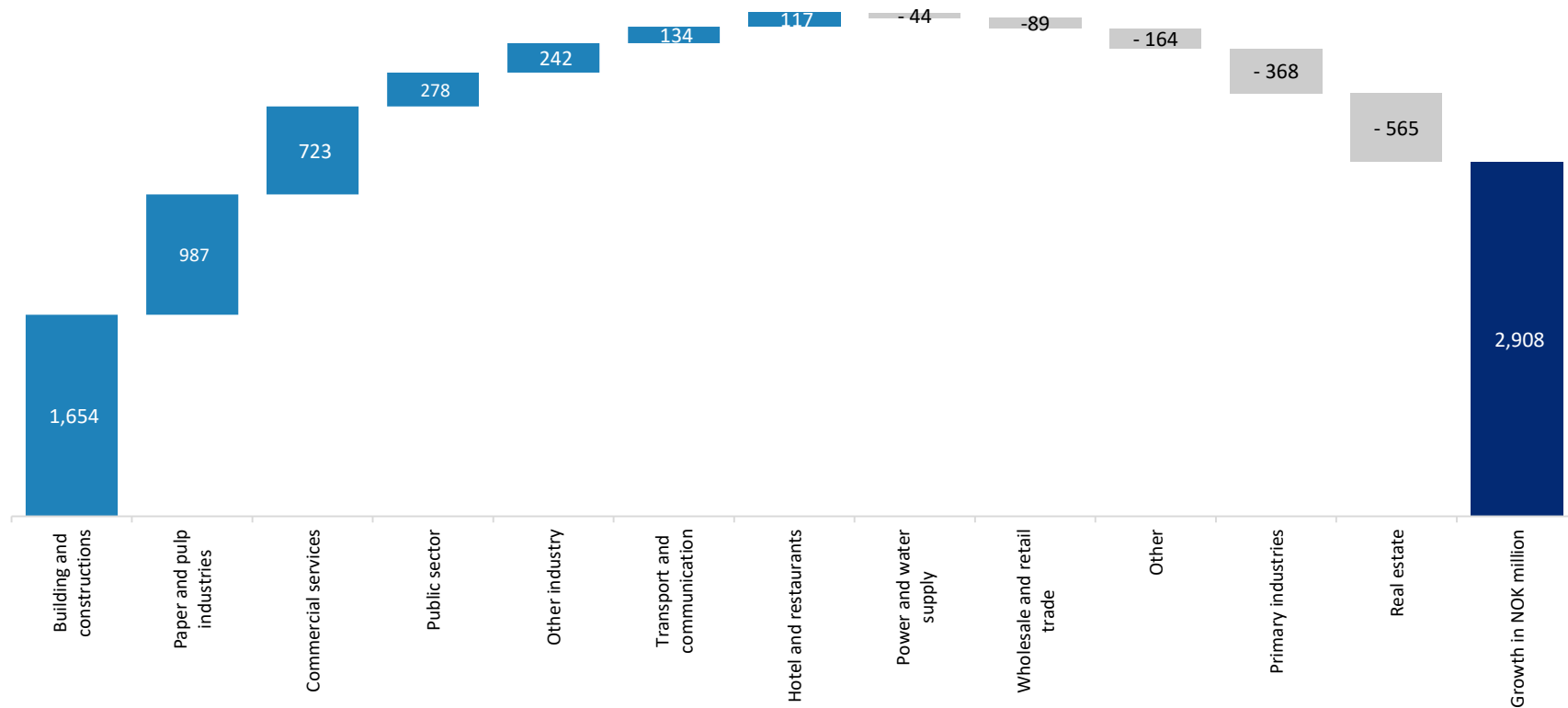
Well diversified growth in corporate loan portfolio last quarter

From 2Q 2018 to 3Q 2018



Well diversified corporate lending growth last year

From 3Q 2017 to 3Q 2018



Utilisation of flexibility quota in mortgages

Daily follow-up ensures optimal utilisation of the permitted quota

Utilisation of flexibility quota in 3Q-2018:

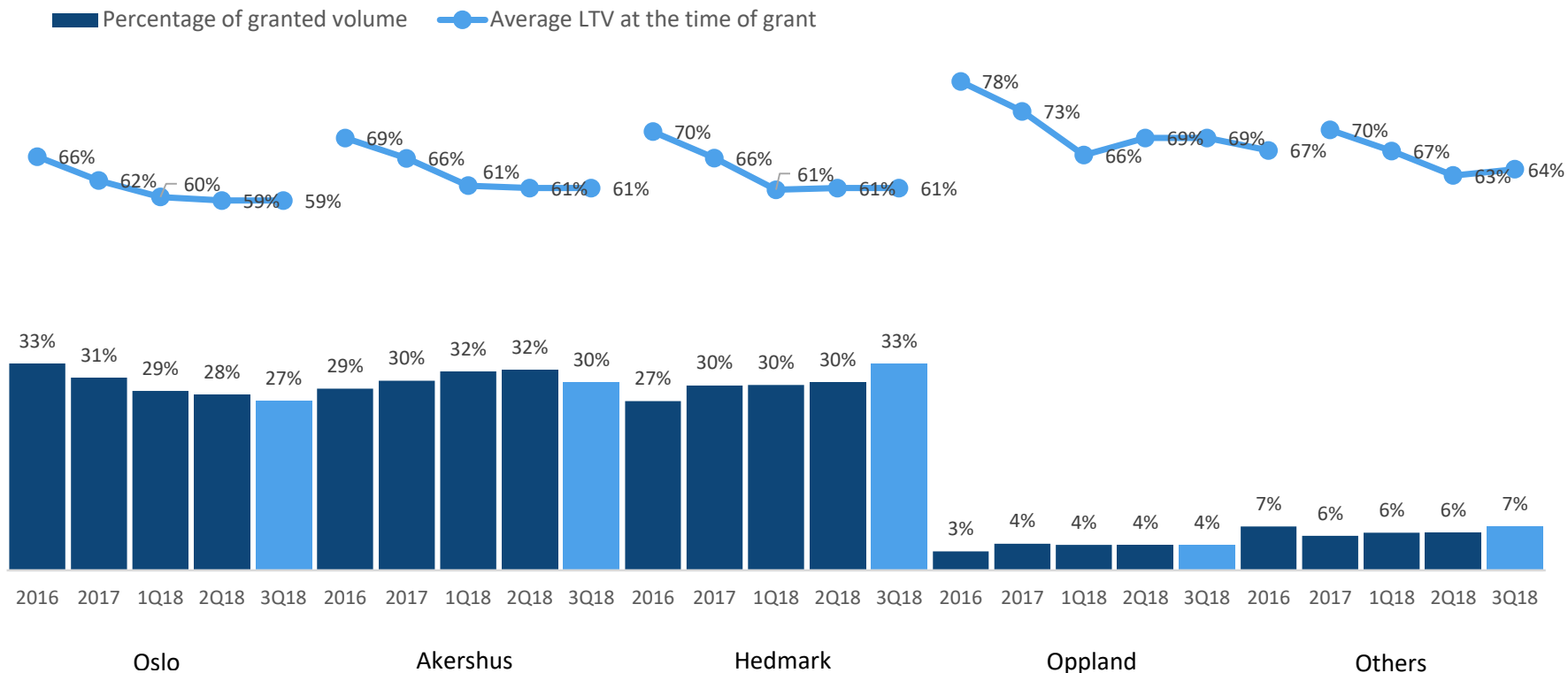
City of Oslo
7.1 % (8 % quota)

Other areas
4.9 % (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”

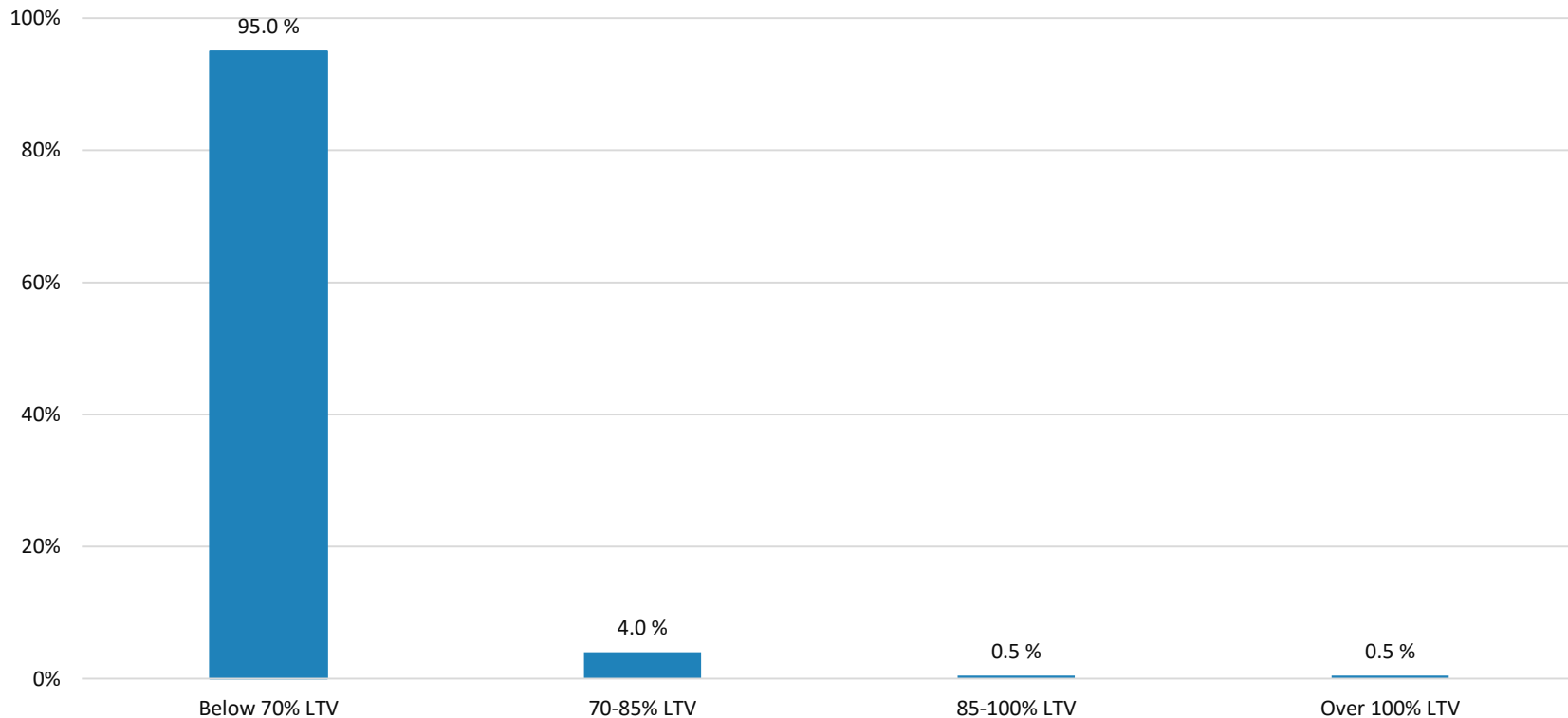
High quality credit process leads to low and stable LTV

Percentage of granted mortgages and average LTV per county



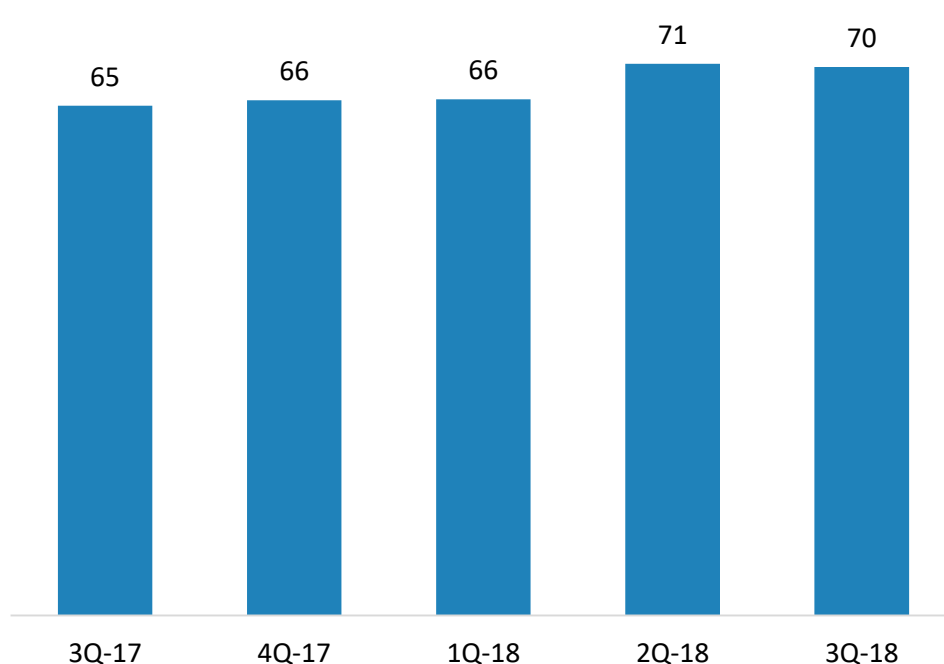
Low LTV in the residential mortgage lending

Exposure per LTV bucket in the residential mortgage portfolio



Satisfactory deposit coverage and higher deposit growth

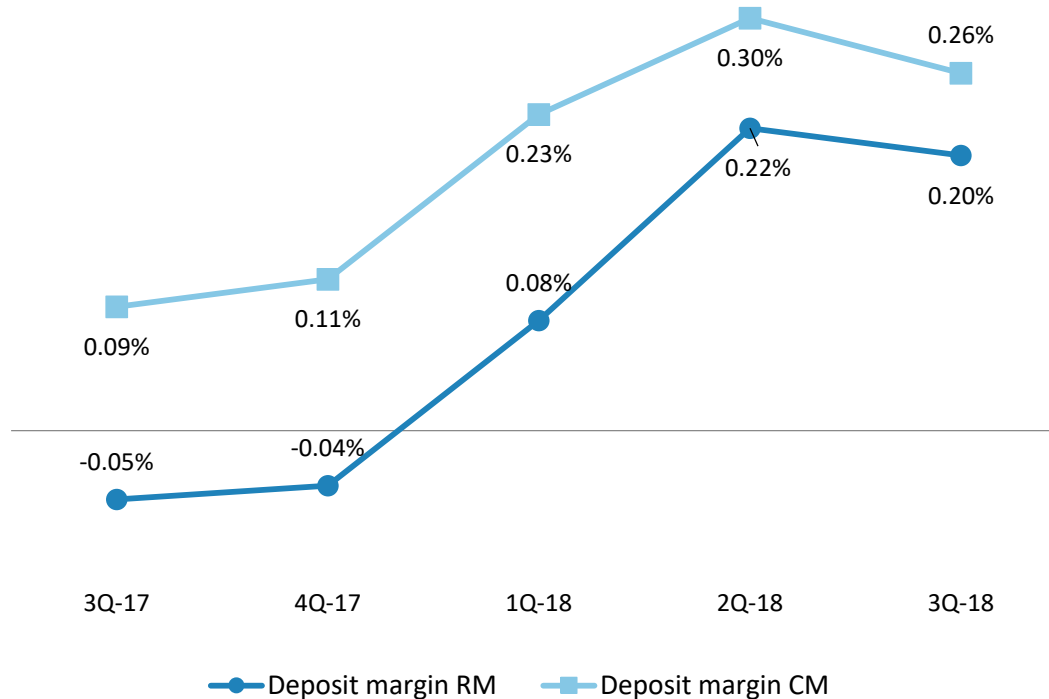
Deposit volume, Group (NOK billion)



- Deposit growth last 12 months 7.6 % (5.1 %)
 - Deposit growth - retail 7.5 %
 - Deposit growth - corporates 7.9 %
- Deposit coverage ratio 71.5 %
- Deposit coverage ratio - including mortgages transferred to the covered bond companies 50.9 %

Deposit margins

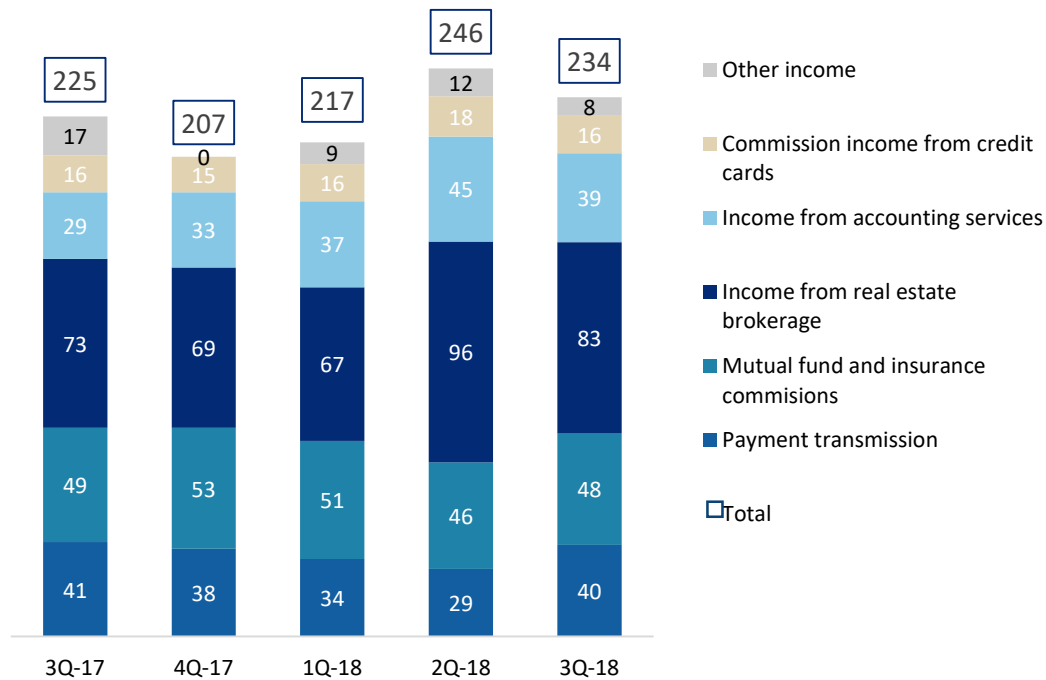
Retail market and corporate market (parent bank)*



- Marginally reduced deposit margins in last quarter
- The margins are stabilizing after two quarters with strong growth.
- Interest rate increase with effect from 11 October in CM and 8 November in RM.

Increased income in subsidiaries

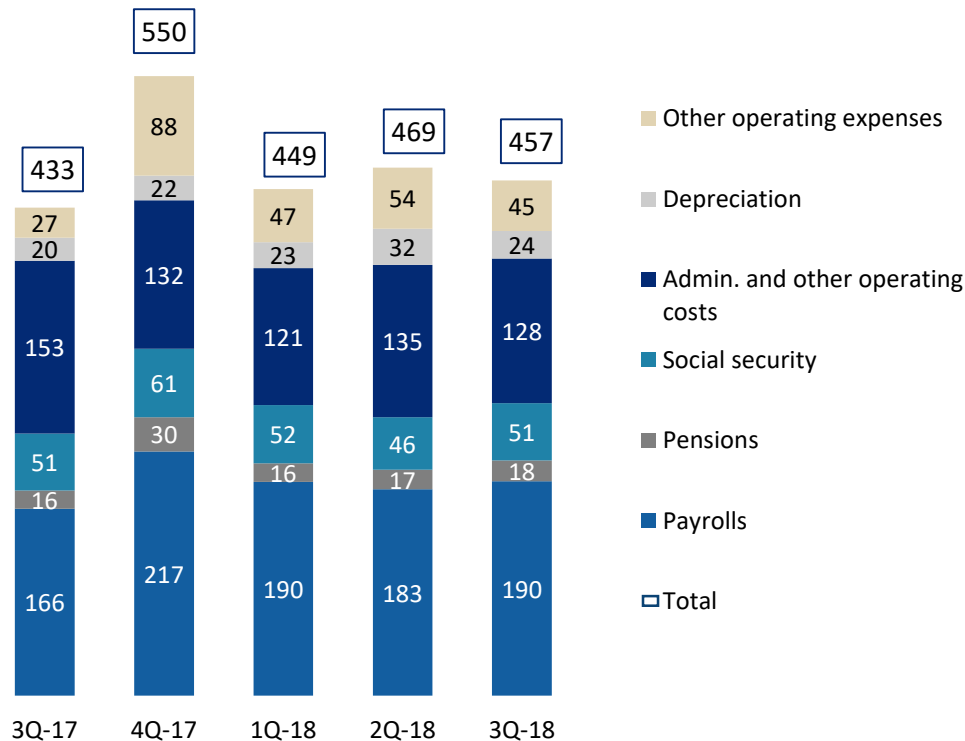
Net commissions and other income (NOK millions)



- Commissions and other operating income was reduced with 5.1 % from last quarter.
- The changes was based on seasonally lower activity in July for real estate brokerage.
- Compared to last year the commission income increased with 3.7 %.

Group operating costs

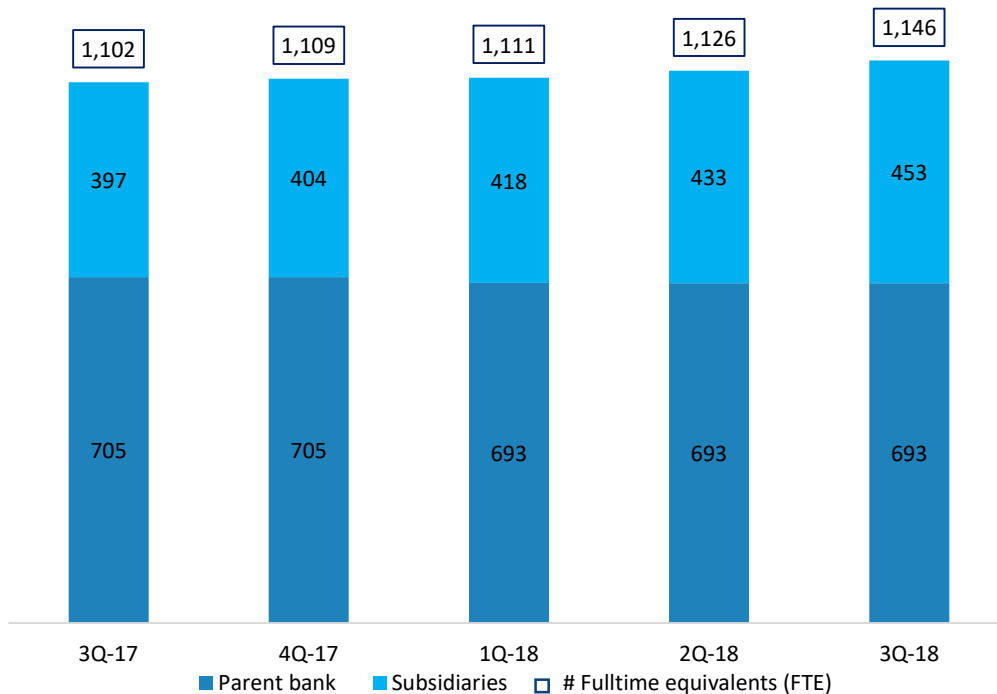
Operating costs per quarter (NOK millions)



- The operating costs have increased with 5.6 % compared to last year.
- Personnel expenses have increased due to higher activity level and staffing in the subsidiaries.
- Write-downs of an IT project in the EM1 alliance amounted to NOK 5 million in 2Q 2018.

Increased staffing in subsidiaries

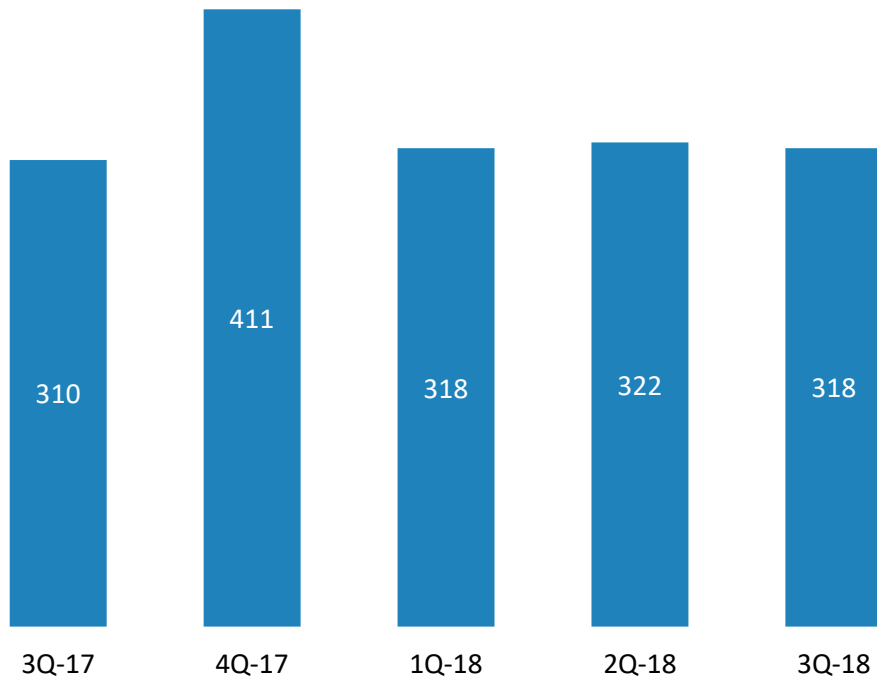
Headcount (FTE)



- 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)

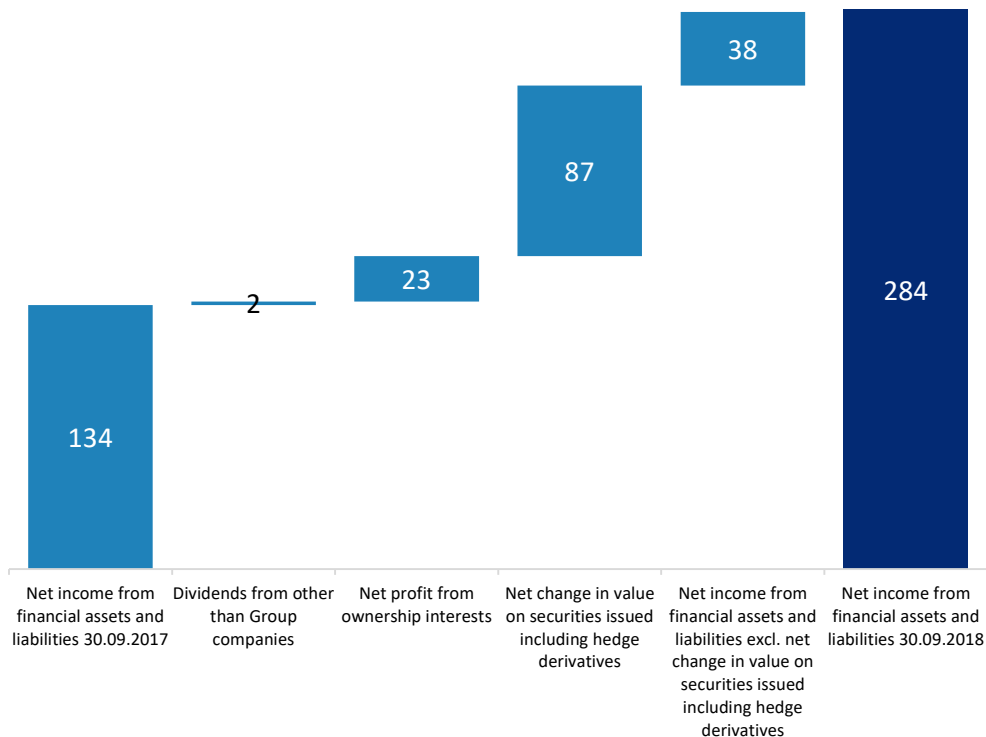


- The operating costs as of 3Q 2018 were NOK 12 million lower than in the same period in 2017.
- This is equivalent to a 1.3 % cost reduction compared with last year.
- The ambition of a 5 % cost reduction in absolute terms for the pro-forma parent for the year 2018 compared with 2017 is maintained.
- Forecasts for 4Q 2018 indicates that the bank is in line to reach its ambition of 5 % cost reduction.

* The analysis takes into account that the former Bank 1 Oslo Akershus is consolidated from 2Q 17. "Adjusted" is calculated as if the merger had effect for the whole year of 2017.

The contribution from financial items has increased

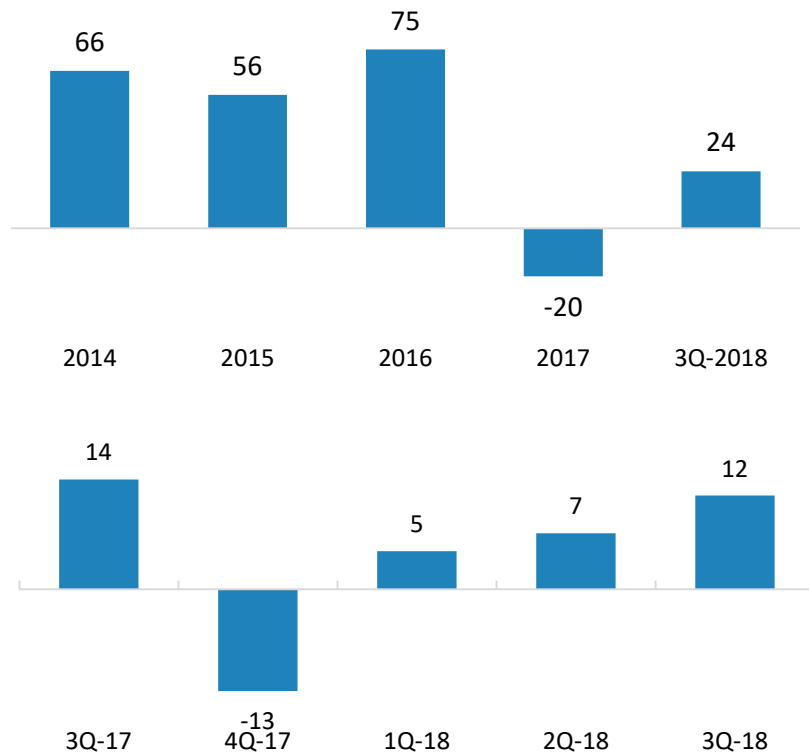
Net income from financial assets and liabilities (NOK millions)



- Net income from financial assets and liabilities has increased with NOK 23 million. See previous slides.
- Issued debt securities were in 2017 generally assessed at fair value and showed, mainly due to lower credit spreads, a loss of NOK 78 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 marginally positive and counts for NOK 9 million. The accumulated contribution is NOK 87 million.
- Net income from other posts has increased with NOK 38 million. Main contribution is a one-off from the Vipps/BID/BAX-merger (NOK 59 million), bond investments (NOK 54 million), and positive contribution from ownership interests (NOK 23 million).

Still low impairments on loans and guarantees

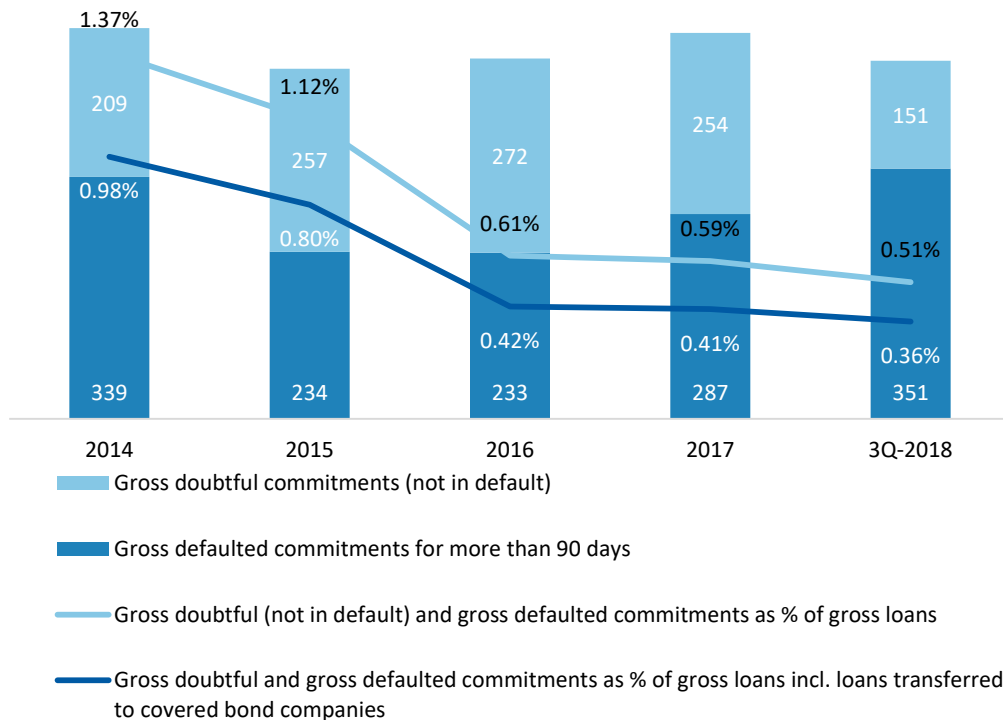
Impairments on loans and guarantees (NOK million)



- Impairments on loans and guarantees was NOK 24 million, equal to 0.02 % of gross loans
 - Parent bank NOK 12 million
 - SB1 Finans Østlandet NOK 12 million
- Impairments on loans and guarantees was NOK 12 million in the third quarter
 - Parent bank NOK 4 million
 - SB1 Finans Østlandet NOK 8 million

Low levels of problem loans

Non-performing and other doubtful commitments*



- The proportion of problem loans decreases further

Low impairments and low net exposure in Stage 3

Specification of impairments and net exposure (NOK million)

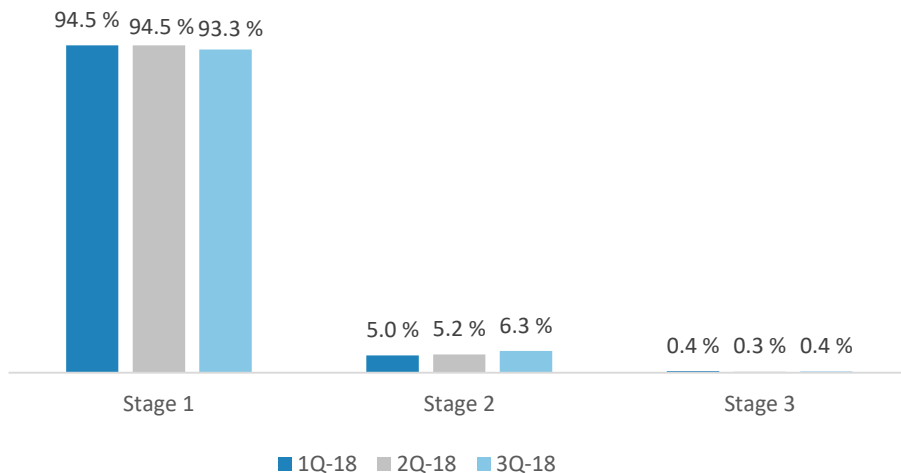
Impairments per segment - quarterly

	3Q18	2Q-18	1Q-18
Personal customers	4	1	3
Corporate customers	0	5	-2
SB 1 Finans Østlandet	8	1	4
Total	12	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 loss – Lifetime expected credit losses

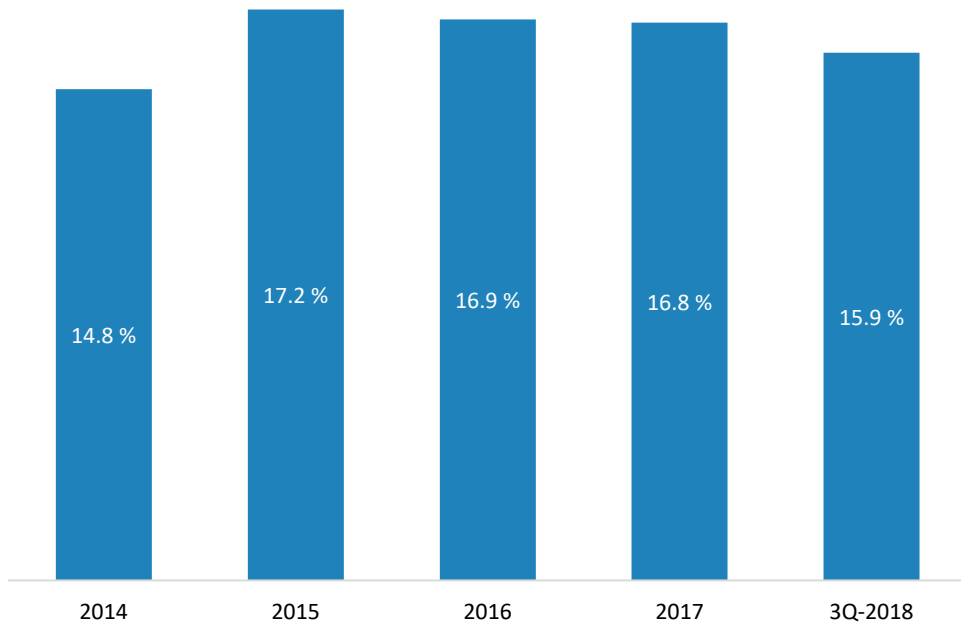
Maximum exposure (on and off-balance sheet items), net of accumulated impairments

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
3Q-18	91,419	6,313	527	98,259



CET 1 close to target

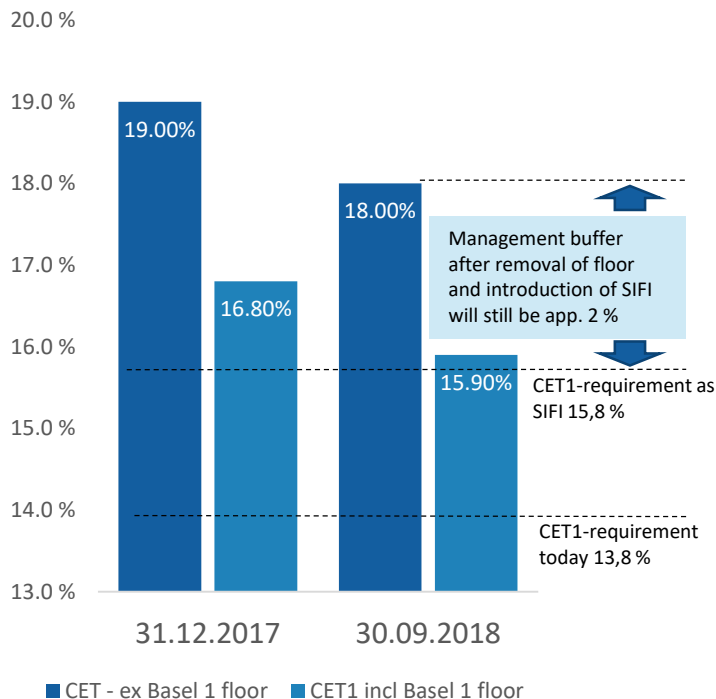
Core equity tier 1 ratio (Group)



- The target for CET 1 is 16.0 %.
- The Group's common equity tier 1 ratio was 15.9 %.
- The reduction in CET 1 was due to strong lending growth in the period.
- The leverage ratio was 7.2 %.

Changes to capital requirements are expected to leave little impact on the bank

Group CET 1 (per cent) – exclusive and inclusive the Basel 1-floor

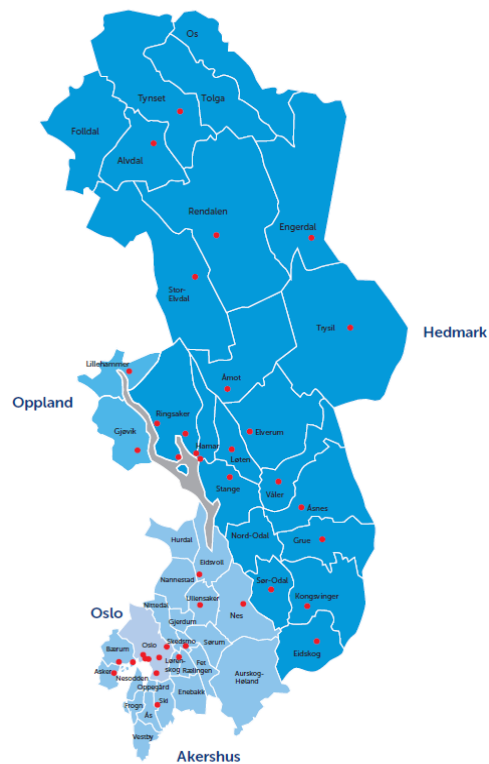


- The group's CET 1, exclusive the Basel 1-floor, is approximately 2 percentage point above the CET 1 inclusive Basel 1.
- The Basel 1-floor will be removed, and as a consequence the group CET 1 will increase with app. 2 percentage points.
- The NFSA delivered 19 October a recommendation to the Ministry of Finance regarding systematically important financial institutions (SIFI). It is expected that SpareBank 1 Østlandet will be defined as SIFI under this regulation with an increased capital requirement of 2 percentage points.
- **These two changes in regulation are expected to have an offsetting effect for SpareBank 1 Østlandet, and the bank considers the SIFI-requirement to have no isolated effect on capitalization, growth plans or dividend policy*.**

* A SIFI-status could have positive impact on Moody's credit rating, as the current negative outlook is based on the implementation of the BRRD which will trigger a reassessment of Moody's government support assumption. As a SIFI-institution the assumption of government support will be stronger, and could have a positive impact at next rating action by Moody's Investor Service

Well positioned to serve a growth region

Summary



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- 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.
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